



Walden
Family
Services

Foster. Adopt. Support.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



Leaf & Cole, LLP
Certified Public Accountants

**WALDEN FAMILY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Walden Family Services

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Walden Family Services (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Walden Family Services as of June 30, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Walden Family Services, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walden Family Services' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Walden Family Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Walden Family Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 24 to 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2024, on our consideration of Walden Family Services' internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walden Family Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walden Family Services' internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
November 14, 2024

WALDEN FAMILY SERVICES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<u>Current Assets:</u> (Notes 2, 4 and 5)		
Cash and cash equivalents	\$ 1,939,280	\$ 2,859,250
Investments	-	1,111,551
Accounts receivable and other receivables, net	1,940,735	1,966,363
Contributions receivable	231	1,750
Prepaid expenses and other assets	595,435	522,187
Total Current Assets	4,475,681	6,461,101
<u>Noncurrent Assets:</u> (Notes 2, 6, 7, 8 and 10)		
Deposits	236,189	190,794
Property and equipment, net	4,133,763	987,727
Right-of-use asset - operating lease, net	174,331	319,529
Total Noncurrent Assets	4,544,283	1,498,050
TOTAL ASSETS	\$ 9,019,964	\$ 7,959,151

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 8 and 10)		
Overpayments	\$ 175,470	\$ 293,963
Accounts payable - Resource parents	117,705	146,264
Accounts payable and accrued expenses	890,929	902,922
Accrued compensated absences	265,217	272,183
Notes payable	1,630,000	-
Operating lease liability, current portion	144,614	221,221
Total Current Liabilities	3,223,935	1,836,553
<u>Noncurrent Liabilities:</u> (Note 10)		
Operating lease liability, net of current portion	39,027	117,525
Total Noncurrent Liabilities	39,027	117,525
Total Liabilities	3,262,962	1,954,078
<u>Commitments</u> (Notes 7 and 10)		
<u>Net Assets:</u> (Notes 2 and 9)		
Without donor restrictions	5,560,319	5,827,028
With donor restrictions	196,683	178,045
Total Net Assets	5,757,002	6,005,073
TOTAL LIABILITIES AND NET ASSETS	\$ 9,019,964	\$ 7,959,151

The accompanying notes are an integral part of the consolidated financial statements.

**WALDEN FAMILY SERVICES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Revenue:</u>						
Transitional housing program revenue	\$ 11,209,887	\$ -	\$ 11,209,887	\$ 10,362,884	\$ -	\$ 10,362,884
Resource family placements	3,226,434	-	3,226,434	3,883,554	-	3,883,554
Nurturing parenting program revenue	541,396	-	541,396	609,849	-	609,849
Independent living revenue	291,193	-	291,193	285,543	-	285,543
Mental health revenue	273,675	-	273,675	406,499	-	406,499
Adoption revenue	200,000	-	200,000	232,000	-	232,000
Housing navigator	149,994	-	149,994	-	-	-
Vaccinate 58 program revenue	142,500	-	142,500	295,000	-	295,000
Other income	135,048	-	135,048	154,332	-	154,332
Nurturing family program revenue	72,291	-	72,291	86,947	-	86,947
Heluna health revenue	36,926	-	36,926	-	-	-
Healing TAYgether	29,896	-	29,896	-	-	-
Investment income	21,833	-	21,833	92,096	-	92,096
Reach Out subcontract revenue	(12,462)	-	(12,462)	66,471	-	66,471
CAPTS revenue	-	-	-	1,000	-	1,000
Total Operating Revenue	<u>16,318,611</u>	<u>-</u>	<u>16,318,611</u>	<u>16,476,175</u>	<u>-</u>	<u>16,476,175</u>
<u>Contributions and Public Support:</u>						
Grants and contributions	402,909	503,229	906,138	559,721	315,480	875,201
Special events, net of direct donor costs of \$6,150 and \$17,041, respectively	192,665	-	192,665	291,270	-	291,270
In-kind contributions	9,882	-	9,882	49,680	-	49,680
Net assets released from restrictions	484,591	(484,591)	-	297,913	(297,913)	-
Total Contributions and Public Support	<u>1,090,047</u>	<u>18,638</u>	<u>1,108,685</u>	<u>1,198,584</u>	<u>17,567</u>	<u>1,216,151</u>
Total Operating Revenue, Contributions and Public Support	<u>17,408,658</u>	<u>18,638</u>	<u>17,427,296</u>	<u>17,674,759</u>	<u>17,567</u>	<u>17,692,326</u>
<u>Expenses:</u>						
Program Services	<u>15,406,668</u>	<u>-</u>	<u>15,406,668</u>	<u>14,579,034</u>	<u>-</u>	<u>14,579,034</u>
Supporting Services:						
General and administrative	1,691,899	-	1,691,899	1,528,970	-	1,528,970
Fundraising	576,800	-	576,800	589,845	-	589,845
Total Supporting Services	<u>2,268,699</u>	<u>-</u>	<u>2,268,699</u>	<u>2,118,815</u>	<u>-</u>	<u>2,118,815</u>
Total Expenses	<u>17,675,367</u>	<u>-</u>	<u>17,675,367</u>	<u>16,697,849</u>	<u>-</u>	<u>16,697,849</u>
Change in Net Assets	(266,709)	18,638	(248,071)	976,910	17,567	994,477
Net Assets at Beginning of Year	<u>5,827,028</u>	<u>178,045</u>	<u>6,005,073</u>	<u>4,850,118</u>	<u>160,478</u>	<u>5,010,596</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,560,319</u>	<u>\$ 196,683</u>	<u>\$ 5,757,002</u>	<u>\$ 5,827,028</u>	<u>\$ 178,045</u>	<u>\$ 6,005,073</u>

The accompanying notes are an integral part of the consolidated financial statements.

WALDEN FAMILY SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
<u>Salaries and Related Expenses:</u>				
Salaries	\$ 4,405,745	\$ 1,102,548	\$ 351,576	\$ 5,859,869
Payroll taxes and employee benefits	741,012	211,071	72,576	1,024,659
Total Salaries and Related Expenses	<u>5,146,757</u>	<u>1,313,619</u>	<u>424,152</u>	<u>6,884,528</u>
<u>Nonsalary Related Expenses:</u>				
Advertising and marketing	39,914	8,670	3,579	52,163
Bad debt	-	(1,216)	-	(1,216)
Conferences, meetings and trainings	37,069	13,902	1,766	52,737
Contract labor	149,930	172,274	18,263	340,467
Depreciation	52,048	1,683	-	53,731
Event expense	-	-	73,946	73,946
Insurance	122,937	33,173	10,724	166,834
Interest expense	87,993	-	-	87,993
Memberships, licenses and fees	96,242	44,990	19,270	160,502
Mileage	113,905	4,913	1,700	120,518
Occupancy	638,286	98,458	22,019	758,763
Other	-	1,433	1,381	2,814
Resource family reimbursements	1,530,471	-	-	1,530,471
Transitional housing program	7,391,116	-	-	7,391,116
Total Nonsalary Related Expenses	<u>10,259,911</u>	<u>378,280</u>	<u>152,648</u>	<u>10,790,839</u>
Total Expenses	<u>\$ 15,406,668</u>	<u>\$ 1,691,899</u>	<u>\$ 576,800</u>	<u>\$ 17,675,367</u>

The accompanying notes are an integral part of the consolidated financial statements.

WALDEN FAMILY SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
<u>Salaries and Related Expenses:</u>				
Salaries	\$ 4,259,030	\$ 946,360	\$ 332,580	\$ 5,537,970
Payroll taxes and employee benefits	849,428	239,985	80,394	1,169,807
Total Salaries and Related Expenses	<u>5,108,458</u>	<u>1,186,345</u>	<u>412,974</u>	<u>6,707,777</u>
<u>Nonsalary Related Expenses:</u>				
Advertising and marketing	71,349	14,109	5,959	91,417
Bad debt	-	18,503	-	18,503
Conferences, meetings and trainings	37,202	16,338	1,653	55,193
Contract labor	146,853	88,870	5,838	241,561
Depreciation	6,815	2,781	208	9,804
Event expense	2,500	-	105,466	107,966
Insurance	92,338	32,773	8,232	133,343
Memberships, licenses and fees	78,169	14,542	1,157	93,868
Mileage	106,658	1,387	465	108,510
Occupancy	464,860	127,334	41,803	633,997
Other	681	25,988	6,090	32,759
Resource family reimbursements	1,825,003	-	-	1,825,003
Transitional housing program	6,638,148	-	-	6,638,148
Total Nonsalary Related Expenses	<u>9,470,576</u>	<u>342,625</u>	<u>176,871</u>	<u>9,990,072</u>
Total Expenses	<u>\$ 14,579,034</u>	<u>\$ 1,528,970</u>	<u>\$ 589,845</u>	<u>\$ 16,697,849</u>

The accompanying notes are an integral part of the consolidated financial statements.

**WALDEN FAMILY SERVICES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (248,071)	\$ 994,477
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	53,731	9,804
Net unrealized gain on investments	(4,659)	(56,347)
(Increase) Decrease in:		
Accounts receivable and other receivables, net	25,628	34,931
Contributions receivable	1,519	43,796
Prepaid expenses and other assets	(73,248)	(102,196)
Right-of-use asset - operating lease, net	145,198	196,752
Increase (Decrease) in:		
Overpayments	(118,493)	(155,389)
Accounts payable - Resource parents	(28,559)	(12,589)
Accounts payable and accrued expenses	(11,993)	67,434
Accrued compensated absences	(6,966)	(20,645)
Deferred revenue	-	(24,071)
Operating lease liability	(155,105)	(177,535)
Net Cash (Used in) Provided by Operating Activities	<u>(421,018)</u>	<u>798,422</u>
<u>Cash Flows From Investing Activities:</u>		
(Purchases) sales of investments, net	1,116,210	(616,128)
Purchase of property and equipment	(3,199,767)	(977,783)
Refund of deposits	(45,395)	(1,683)
Net Cash Used in Investing Activities	<u>(2,128,952)</u>	<u>(1,595,594)</u>
<u>Cash Flows From Financing Activities:</u>		
Proceeds from notes payable	1,630,000	-
Net Cash Provided by Financing Activities	<u>1,630,000</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(919,970)	(797,172)
Cash and Cash Equivalents at Beginning of Year	<u>2,859,250</u>	<u>3,656,422</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,939,280</u>	<u>\$ 2,859,250</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 228,233</u>	<u>\$ 226,805</u>
Non-cash operating lease transaction at lease commencement:		
Right-of-use asset - operating lease	\$ 59,486	\$ -
Operating lease liability	(59,486)	-
Non-cash operating lease transaction at lease commencement, net	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Organization:

The consolidated financial statements of the Organization include the following entities:

Walden Environment dba Walden Family Services

Walden Environment dba Walden Family Services (“Walden”) is a nonprofit organization formed in 1976 to provide advocacy, out-of-home placement, and treatment services for children unable to remain in their own homes due to abandonment, abuse, or neglect. Walden’s goal is to help stabilize children, youth, and families through community-based prevention and intervention services. Walden is a therapeutic foster family and adoption agency engaged in the recruitment, certification, and training of foster and adoptive parents; the careful placement of foster and adoptive children; and housing and life skills programs for youth transitioning out of foster care. Walden’s funding comes primarily from federal, state, and county welfare programs. Each year, Walden provides services to roughly 1,478 children, youth, young adults, and families through an array of programs and services described here.

Walden Project Homekey, LLC

Walden Project Homekey, LLC (“Project Homekey”) is a single member limited liability company formed in May 2023 to provide housing and services for any transitional age foster youth, 18-21 years, where no adequate housing exists for such groups. Walden Environment dba Walden Family Services is the sole member of Walden Project Homekey, LLC.

The following is a brief description of the Organization’s programs:

Foster & Adoption Services

Children and youth enter foster care when their families are not able to care for them safely. Walden’s foster care and adoption program enables infants and sibling groups, youth who identify as LGBTQI+, and teens and children with development disabilities, emotional and behavioral challenges, and special healthcare needs to grow up knowing the love and sense of community that living in a family provides.

Resource/foster families support and care for children until they can return to their biological family. When children cannot return to their birth family, Walden carefully matches them with individuals and couples seeking to build their family through adoption. Walden provides child-family therapy, training, and ongoing support to facilitate the family’s adjustment through each developmental stage.

Walden provides resource family homes and Intensive Services Foster Care for children, including those with behavioral and emotional challenges, and/or special healthcare needs.

Care for Children with Special Health Care Needs/ Intensive Services Foster Care

Walden is licensed through Community Care Licensing to provide a foster care program to foster children who are placed under the Intensive Services Foster Care (ISFC) rate, these includes children who have specialized medical needs and/or behavioral or emotional challenges needing a higher level of care and support.

All ISFC resource/foster parents receive additional training and services.

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Organization: (Continued)

Foster & Adoption Services (Continued)

Care for Children with Special Health Care Needs/ Intensive Services Foster Care (Continued)

Walden's Special Health Care Needs (SHCN) and Intensive Services Foster Care (ISFC) program enables children and youth with significant medical needs to move out of skilled nursing facilities and hospitals, into highly skilled, specially trained resource/foster families. Often, these children have medical equipment-dependent conditions, and may require apnea monitors, nebulizers, oxygen, feeding tubes, and other adaptive technology. The program also serves infants who were drug-exposed or born prematurely, who are failing to thrive, who have insulin-dependent diabetes or life-threatening medical conditions. Foster parents receive intensive training and support to care for these special healthcare needs.

Care for Children with Intellectual and/or Developmental Disabilities

Walden serves the needs of foster children and teens with intellectual and/or developmental disabilities, including cerebral palsy, epilepsy, autism, and other challenges. The goals are to prevent institutionalization and prepare children and teens for maximum independence through participation in a full range of typical childhood experiences in family and community settings.

Mental Health Services

Under the California Continuum of Care Reform, foster family agencies (FFAs) are expected to increase access to mental health services for the children and youth in their foster care programs. Walden contracts directly with San Bernardino and Riverside Counties to provide specialty mental health services to Walden youth in their care in those counties. The clinics provide therapy, rehabilitation, and other appropriate services. Children and youth in need of mental health services in Walden's other districts are referred to trusted community partners.

Lesbian, Gay, Bisexual, Transgender, and Questioning (LGBTQ I+) Program

Walden is a recognized culturally competent provider of care for youth. In addition to serving LGBTQI+ foster youth in our care, Walden's leadership provides training and support nationally for other child welfare providers, foster parents, and birth families. Walden actively recruits and educates members of the LGBTQI+ community about becoming resource/foster and adoptive parents. Walden has attained the Human Rights Campaign Foundation Innovator status, the highest recognition awarded, for our commitment to all children and families.

Foster Care for Pregnant and Parenting Teens

Walden provides support and training to parenting youth through our transitional housing program (THP), FFA, and Nurturing Parenting programs. Services include support with parenting classes, budgeting assistance, and referrals to community resources. The program offers services and support to teens that have custody of their children as well as teens working toward reunification with their dependent children.

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Organization: (Continued)

Transitional Housing Placement (THP) Programs

Unlike the nearly 65% of youth who leave foster care with no place to call home and no connection to the community, youth in Walden’s transitional housing programs learn how to live on their own in the community, build relationships with mentors, and earn a college degree or learn a vocation.

THPP for Non-Minor Dependents (THPP-NMD)

Walden’s transitional housing placement for non-minor dependents program was among the first of its kind in California. Youth choose to remain in foster care until age 21 to pursue their education and employment goals. Walden helps these young people decide where to live, covers rent and utilities, and provides basic home furnishings. In addition, Walden social workers provide young people with the structure they need to set realistic goals and teach youth the life skills most young adults learn from their parents. Walden currently operates the program through our three licensed offices, Riverside, Los Angeles, and San Diego. Our Riverside location also places youth in apartments in San Bernardino and Orange Counties.

THP-Plus

Because few young adults are self-sustaining even at age 21 – with or without parental support – Walden began offering services to former foster youth ages 21-25 in 2017. Our THP Plus began providing up to 36 months of transitional housing placement and life skills support for youth in San Diego County, and launched a THP Plus program in Los Angeles in 2020 and in San Bernadino County in July 2024.

San Bernardino County Programs

Our San Bernardino and Victorville offices provide a variety of programs to prepare young people for college, career, and community life, and to support parents in developing the skills to build positive relationships with their children.

Nurturing Families Program - First 5 San Bernardino

Walden offers free parenting classes for young parents with children 0-5 years old, in the county. Using the nationally recognized evidence-based curriculum Nurturing Parenting, the program offers a 16-week course to help young parents provide for, and in some cases reunite with, their children, and break the child welfare cycle.

Nurturing Family Program - Loma Linda University

Walden has a subcontract with Loma Linda University to provide Nurturing Family classes to families with children 6-11 years, through a multi-component intervention to strengthen families addressing health impacts of adverse childhood experiences. This program was completed in June 2024.

Extended Care/Aftercare

Walden’s San Bernardino offices offer current and former foster youth life skill training and connections to community resources. This program also provides case management, employment, education, community engagement, and emergency financial assistance to former foster youth 18-21 years.

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 1 - Organization: (Continued)

San Bernardino County Programs (Continued)

Independent Living Skills Classes

Walden's San Bernardino offices provide ongoing ILS classes to all foster youth throughout the County 16-21 years at locations throughout the County.

Riverside County Programs

HHAP Youth Set Aside Rapid Re-Housing HWS CoC-0004908

This contract started on May 30, 2023 and was completed in June 2024. This is a contract with Riverside County to provide services including case management and rental assistance to unhoused youth.

Walden has been awarded a Youth Demonstration Project through a HUD grant awarded to Riverside County to provide similar services, contract start date waiting to be verified.

Independent Life Skills Classes

Walden provides life skill classes throughout San Bernardino County for foster youth ages 16-18 years. Classes focus on key life skills including, career education, budgeting, relationships, self-advocacy, and community connections.

Child Abuse Prevention and Treatment Services (CAPTS)

Walden provides therapy and parenting classes to families referred through San Bernardino Child and Family Services.

Community Outreach Programs

Walden provides assistance to low-income and underserved communities to re-enforce efforts to protect the health and well-being of communities, and informational outreach programs related to COVID-19 vaccination.

Vaccinate All 58 Youth Engagement Partnership Program

Walden had a 3-month program through Vaccinate 58. The Youth Engagement Partnership Program (YEPP) project to promote awareness of the benefits of the vaccine through a marketing campaign, including in-person events to a diverse population of youth and families with children throughout the Inland Empire and targeted communities in the surrounding Counties.

Walden has received ongoing contracts through the Office of Community Partnerships and Strategic Communications to provide outreach and messaging to communities.

EITC Awareness Reaching Neighborhoods

Walden provided support to Reach Out's Health & Human Services Federal contract for Earned Income Tax Credit, by providing direct and indirect outreach, education, and engagement in the Inland Empire. This was completed in November 2023.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Organization: (Continued)

Community Outreach Programs (Continued)

Vaccine Community-Based Workforce Program (CBO)

Walden provided support to Reach Out’s Health Resources and Services Administration (HRSA) contract to establish, expand, and sustain a community outreach workforce to educate and assist individuals in accessing and receiving COVID-19 vaccinations. Walden completed surveys with families and through attending local vaccination clinics and provided social media outreach. This was completed in 2023.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include the accounts of Walden and Project Homekey, which are collectively referred to as the “Organization”. All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term, and such changes could materially affect the amounts reported in the consolidated statements of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's consolidated statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and exchange traded funds are considered Level 1 assets, and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Allowance for Credit Losses and Overpayments

The Organization recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the consolidated statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the consolidated statements of financial position date, aging reports and historical information. Accounts receivable are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. The allowance for credit losses totaled \$129,281 and \$141,991 at June 30, 2024 and 2023, respectively.

Overpayments are fees received from funding sources which the Organization has determined are not due at the time of receipt. Overpayments totaled \$175,470 and \$293,963 at June 30, 2024 and 2023, respectively.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivable. Management believes that all contributions receivable were fully collectible; therefore, no allowance for uncollectible contributions receivable were recorded at June 30, 2024 and 2023.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Building	39 years
Furniture and equipment	5 years
Leasehold improvements	5 years
Software	3 years

Depreciation totaled \$53,731 and \$9,804 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024.

Compensated Absences

Accumulated unpaid vacation totaling \$265,217 and \$272,183 at June 30, 2024 and 2023, respectively, is accrued when incurred.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition (Continued)

The Organization's revenue is generated through performance of services for government entities, under various contracts for which they are paid a fixed fee or on a cost-reimbursement basis. Revenue is recognized as the services are provided and/or costs are incurred. Accounts receivable are recorded when revenue earned under a contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant and contract exceeds the revenue earned.

The Organization receives payments for its children from the respective counties and Regional Centers. In turn, the Organization issues monthly payments to the resource families for its children. This reimbursement to resource parents represents approximately 47% of the total foster care placements for each of the years ended June 30, 2024 and 2023.

Event revenue is recognized in the period that the event occurs.

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received donated services totaling \$5,635 and \$11,000 for the years ended June 30, 2024 and 2023, respectively, and have been included in in-kind contributions on the consolidated statements of activities for the years ended June 30, 2024 and 2023.

The Organization received in-kind contributions totaling \$4,247 and \$38,680 for the years ended June 30, 2024 and 2023, respectively, included in in-kind contributions on the consolidated statements of activities for the years ended June 30, 2024 and 2023.

The following table summarizes donated services and goods measured at fair value received for the years ended June 30:

2024				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Advertising	\$5,635	Fundraising -special events	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Auction items	\$3,570	Fundraising -special events	No associated donor restrictions	Donated auction items are valued at the gross selling price received.
Event supplies	\$677	Fundraising -special events	No associated donor restrictions	Estimate the fair value on the basis of estimates of values that would be received for similar services in the United States

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials (Continued)

<u>Items Donated</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>2023</u> <u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Program supplies	\$14,465	Program services	No associated donor restrictions	Estimate the fair value on the basis of estimates of values that would be received for similar services in the United States
Community event supplies	\$12,350	Program services – community event	Donor restriction – supplies for community event	Estimate the fair value on the basis of estimates of values that would be received for similar services in the United States.
Auction items	\$11,865	Fundraising -special events	Donor restriction – auction items for events	Donated auction items are valued at the gross selling price received.
Advertising	\$10,000	Program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
Professional services	\$1,000	Program services	No associated donor restrictions	Estimated the fair value at the standard rate charges for those services in the United States

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, primarily based on the proportion of full-time employee equivalents of a program or supporting service, versus the total organizational full-time employee equivalents.

Income Taxes

Walden is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Walden believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Walden is not a private foundation.

Walden’s Returns of Organization Exempt from Income Tax for the years ended June 30, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

No provision for federal and state income taxes for Project Homekey is included in the consolidated financial statements, since the taxable income (loss) passes through and is reportable by the members on their income tax returns.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Concentrations

Credit Risk

The Organization maintains its cash and investments in bank deposit accounts and brokerage accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable and Revenue

The accounts receivable and other receivables balance consists primarily of amounts due from several government agencies for foster care and transitional housing placements totaling \$1,454,591 and \$1,365,897, which represents 75% and 69% of the total accounts receivable and other receivables balance at June 30, 2024 and 2023, respectively.

The Organization received \$14,436,321 and \$14,246,438, or 83% and 86% of its operating revenue from several government agencies for foster care placements and transition housing placements for the years ended June 30, 2024 and 2023, respectively.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (“Topic 326”)* to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts receivables, ASU 2016-13 did not have a material impact on the consolidated financial statements.

Leases

The Organization entered into lease agreements for office space through April 2027. Pursuant to the guidance for accounting for leases, the Organization accounts for the operating leases as noted below. The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Leases (Continued)

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Organization use the risk-free rate in determining the present value of the lease payments.

The operating lease right-of-use asset also includes any lease payments made, and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease does not contain any material residual value guarantee or material restrictive covenants. Lease expense for lease payments is recognized on the straight-line basis over the lease term.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2024, the date the consolidated financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization considers contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure—that is, without donor or other restrictions limiting their use—within one year, are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,939,280	\$ 2,859,250
Investments	-	1,111,551
Accounts receivable and other receivables, net	1,940,735	1,966,363
Contributions receivable	<u>231</u>	<u>1,750</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,880,246</u>	<u>\$ 5,938,914</u>

The Organization receives its grant support through subgrantee awards from the U.S. Department of Health and Human Services. The Organization is reimbursed for direct costs incurred in the conduct of its programs and receives reimbursement for indirect costs based on a fixed rate of 10% applied to direct costs. The Organization also operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 4 - Investments and Fair Value Measurements:

There were no investments held by the Organization at June 30, 2024.

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30, 2023:

	2023			Balance at June 30, 2023
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual and exchange traded funds	\$ 1,111,551	\$ -	\$ -	\$ 1,111,551
	\$ 1,111,551	\$ -	\$ -	\$ 1,111,551

The following schedule summarizes investment income for the years ended June 30:

	2024	2023
Interest and dividend income	\$ 21,874	\$ 41,996
Net realized and unrealized gain	4,659	56,347
Investment fees	(4,700)	(6,247)
Total Investment Income	\$ 21,833	\$ 92,096

Note 5 - Contributions Receivable:

Contributions receivable are due in less than one year, and total \$231 and \$1,750 at June 30, 2024 and 2023, respectively.

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	2024	2023
Land	\$ 1,045,688	\$ 325,924
Building	3,131,862	651,859
Leasehold improvements	36,421	36,421
Furniture and equipment	99,729	99,729
Software	8,797	8,797
Subtotal	4,322,497	1,122,730
Less: Accumulated depreciation	(188,734)	(135,003)
Property and Equipment, Net	\$ 4,133,763	\$ 987,727

Note 7 - Line-of-Credit:

The Organization has a line-of-credit with First Republic Bank in the amount of \$1,500,000. The line-of-credit provides for interest at the bank's prime rate (8.25% at June 30, 2023). The line-of-credit is secured by substantially all of the Organization's assets. The line-of-credit matured on June 4, 2023, and was not renewed. There was no outstanding balance on the line-of-credit at June 30, 2023.

**WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Note 8 - Notes Payable:

Notes payable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Promissory note which originated on December 20, 2023, held by the Private Money Solutions, L.P in the original amount of \$350,000 for the purchase of the Pleasant Street property. The note bears interest at 11.49% per annum. Interest is payable in monthly installments with principal and any remaining interest due February 1, 2025. Secured by deed of trust. (Pleasant Street property)	\$ 350,000	\$ -
Promissory note which originated on January 2, 2024, held by the Private Money Solutions, L.P in the original amount of \$500,000 for the purchase of the Arizona Avenue property. The note bears interest at 10.99% per annum. Interest is payable in monthly installments with principal and any remaining interest due February 1, 2025. Secured by deed of trust. (Arizona Avenue property)	500,000	-
Promissory note which originated on January 19, 2024, held by the Private Money Solutions, L.P in the original amount of \$780,000 for the purchase of the Violet Court property. The note bears interest at 10.89% per annum. Interest is payable in monthly installments with principal and any remaining interest due February 1, 2025. Secured by deed of trust. (Violet Court property)	<u>780,000</u>	<u>-</u>
Total Notes Payable	<u>\$ 1,630,000</u>	<u>\$ -</u>

Future principal payments on the notes payable are as follows:

<u>Years Ended June 30</u>		
2025	\$ 1,630,000	
	<u>\$ 1,630,000</u>	

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Resource families and transitional age youth programs	\$ 196,683	\$ 178,045
Total Net Assets with Donor Restrictions	<u>\$ 196,683</u>	<u>\$ 178,045</u>

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 9 - Net Assets With Donor Restrictions:

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Purpose Restrictions Accomplished:		
Resource families and transitional age youth programs	\$ 484,591	\$ 292,733
Impossible	-	5,180
Total Net Assets Released from Restrictions	<u>\$ 484,591</u>	<u>\$ 297,913</u>

Note 10 - Commitments:

Deferred Compensation Plan

The Organization sponsors a 401(k) deferred compensation plan (the “Plan”). Employees may elect to contribute up to the maximum amount allowed by federal law, as defined in the Plan. Each employee self-directs the investment of his or her assets. The Organization may elect to make matching contributions to the Plan. The Organization contributed \$-0- and \$75,000 to the Plan for the years ended June 30, 2024 and 2023, respectively, which is included in payroll taxes and employee benefits.

Lease Commitments

The Organization leases its facilities under various operating lease agreements and month-to-month rentals. The leases expire at various dates through April 2027. Office rents and leases, which includes scheduled rent increases and an additional charge for common area maintenance costs, totaled \$394,797 and \$402,960 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy.

The Organization also leases certain office equipment under various month-to-month rentals. Equipment leases totaled \$32,360 and \$32,548 for the years ended June 30, 2024 and 2023, respectively, and is included in occupancy.

The following summarizes the line items on the consolidated statements of financial position for the operating lease at June 30:

	<u>2024</u>	<u>2023</u>
Right-of-use assets - operating leases, net	<u>\$ 174,331</u>	<u>\$ 319,529</u>
Operating lease liability - current portion	\$ 144,614	\$ 221,221
Operating lease liability - noncurrent portion	<u>39,027</u>	<u>117,525</u>
Total Operating Lease Liabilities	<u>\$ 183,641</u>	<u>\$ 338,746</u>

The following summarizes the weighted average remaining lease term and discount rate at June 30:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term - operating	15 months	19 months
Weighted average discount rate – operating	1.65%	2.09%

WALDEN FAMILY SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 10 - Commitments: (Continued)

Lease Commitments (Continued)

The following summarizes the line items in the consolidated statements of functional expenses which include the components of lease expense for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 394,797	\$ 400,450
Total Operating Lease Cost <i>(included in occupancy)</i>	<u>\$ 394,797</u>	<u>\$ 400,450</u>

The following summarizes cash flow information related to leases for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating cash outflows from operating leases	<u>\$ 228,233</u>	<u>\$ 226,805</u>

The following is a schedule of future minimum lease payments under the lease:

<u>Years Ended</u> <u>June 30</u>	
2025	\$ 147,548
2026	21,987
2027	<u>18,778</u>
Total Lease Payments	188,313
Less: Discount	(4,672)
Present Value of Lease Liabilities	<u>\$ 183,641</u>

WALDEN FAMILY SERVICES
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2024

	ASSETS			
	<u>Walden Family Services</u>	<u>Walden Project Homekey</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 1,738,306	\$ 200,974	\$ -	\$ 1,939,280
Accounts receivable and other receivables, net	2,017,784	14,807	(91,856)	1,940,735
Contributions receivable	231	-	-	231
Prepaid expenses and other assets	595,435	-	-	595,435
Total Current Assets	<u>4,351,756</u>	<u>215,781</u>	<u>(91,856)</u>	<u>4,475,681</u>
<u>Noncurrent Assets:</u>				
Deposits	236,189	-	-	236,189
Investment in LLC	2,651,299	-	(2,651,299)	-
Property and equipment, net	5,094	4,128,669	-	4,133,763
Right-of-use asset - operating lease, net	174,331	-	-	174,331
Total Noncurrent Assets	<u>3,066,913</u>	<u>4,128,669</u>	<u>(2,651,299)</u>	<u>4,544,283</u>
TOTAL ASSETS	<u>\$ 7,418,669</u>	<u>\$ 4,344,450</u>	<u>\$ (2,743,155)</u>	<u>\$ 9,019,964</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities:</u>				
Overpayments	\$ 175,470	\$ -	\$ -	\$ 175,470
Accounts payable - Resource parents	117,705	-	-	117,705
Accounts payable and accrued expenses	890,729	92,056	(91,856)	890,929
Accrued compensated absences	265,217	-	-	265,217
Notes payable	-	1,630,000	-	1,630,000
Operating lease liability	144,614	-	-	144,614
Total Current Liabilities	<u>1,593,735</u>	<u>1,722,056</u>	<u>(91,856)</u>	<u>3,223,935</u>
<u>Noncurrent Liabilities:</u>				
Operating lease liability, net of current portion	39,027	-	-	39,027
Total Noncurrent Liabilities	<u>39,027</u>	<u>-</u>	<u>-</u>	<u>39,027</u>
Total Liabilities	<u>1,632,762</u>	<u>1,722,056</u>	<u>(91,856)</u>	<u>3,262,962</u>
<u>Net Assets:</u>				
Without donor restrictions	5,589,224	2,622,394	(2,651,299)	5,560,319
With donor restrictions	196,683	-	-	196,683
Total Net Assets	<u>5,785,907</u>	<u>2,622,394</u>	<u>(2,651,299)</u>	<u>5,757,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,418,669</u>	<u>\$ 4,344,450</u>	<u>\$ (2,743,155)</u>	<u>\$ 9,019,964</u>

**WALDEN FAMILY SERVICES
CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2024**

	Walden Family Services	Walden Project Homekey	Eliminations	Consolidated
<u>Operating Revenue:</u>				
Transitional housing program revenue	\$ 11,209,887	\$ -	\$ -	\$ 11,209,887
Resource family placements	3,226,434	-	-	3,226,434
Nurturing parenting program revenue	541,396	-	-	541,396
Independent living revenue	291,193	-	-	291,193
Mental health revenue	273,675	-	-	273,675
Rental income	-	204,400	(204,400)	-
Adoption revenue	200,000	-	-	200,000
Housing navigator	149,994	-	-	149,994
Vaccinate 58 program revenue	142,500	-	-	142,500
Other income	135,048	-	-	135,048
Nurturing family program revenue	72,291	-	-	72,291
Heluna health revenue	36,926	-	-	36,926
Healing TAYgether	29,896	-	-	29,896
Investment income	21,833	-	-	21,833
Reach Out subcontract revenue	(12,462)	-	-	(12,462)
Total Operating Revenue	<u>16,318,611</u>	<u>204,400</u>	<u>(204,400)</u>	<u>16,318,611</u>
<u>Contributions and Public Support:</u>				
Grants and contributions	906,138	-	-	906,138
Special events, net of direct donor costs of \$6,150	192,665	-	-	192,665
In-kind contributions	9,882	-	-	9,882
Total Contributions and Public Support	<u>1,108,685</u>	<u>-</u>	<u>-</u>	<u>1,108,685</u>
Total Operating Revenue, Contributions and Public Support	<u>17,427,296</u>	<u>204,400</u>	<u>(204,400)</u>	<u>17,427,296</u>
<u>Expenses:</u>				
Program Services	<u>15,377,763</u>	<u>233,305</u>	<u>(204,400)</u>	<u>15,406,668</u>
Supporting Services:				
General and administrative	1,691,899	-	-	1,691,899
Fundraising	576,800	-	-	576,800
Total Supporting Services	<u>2,268,699</u>	<u>-</u>	<u>-</u>	<u>2,268,699</u>
Total Expenses	<u>17,646,462</u>	<u>233,305</u>	<u>(204,400)</u>	<u>17,675,367</u>
Change in Net Assets	(219,166)	(28,905)	-	(248,071)
Net Assets at Beginning of Year	<u>5,027,290</u>	<u>977,783</u>	<u>-</u>	<u>6,005,073</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,808,124</u>	<u>\$ 948,878</u>	<u>\$ -</u>	<u>\$ 5,757,002</u>

The accompanying notes are an integral part of the consolidated financial statements.

**WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
U.S. Department of Health and Human Services:					
Pass-Through Programs From:					
477 Cluster					
Temporary Assistance for Needy Families:					
County of San Diego	93.558	553682 / 557444 / 570599 / 570976	\$ -	\$ 28,030	\$ 28,030
Total Temporary Assistance for Needy Families			-	28,030	28,030
Total 477 Cluster			-	28,030	28,030
Stephanie Tubbs Jones Child Welfare Services Program (Disaster Relief) (Coronavirus Aid)					
County of San Diego	93.645	553682 / 557444 / 570599 / 570976	-	1,000	1,000
Total Stephanie Tubbs Jones Child Welfare Services Program (Disaster Relief) (Coronavirus Aid)			-	1,000	1,000
Foster Care Title IV-E:					
County of Alameda	93.658	N/A	-	14,421	14,421
County of San Bernardino		N/A	-	2,938,952	2,938,952
County of Los Angeles		19-01-40 / 13-001-42 / 13-001-02 / 13-001-05 / 17-0003-36 / 17-0003-37 / 17-0003-38	-	617,629	617,629
County of Riverside		CS-01837-07 / DPSS-0003885	-	1,121,511	1,121,511
County of San Diego		553682 / 557444 / 570599 / 570976	-	111,780	111,780
County of San Francisco		N/A	-	2,753	2,753
County of Marin		N/A	-	22,165	22,165
County of Sacramento		N/A	-	26,958	26,958
County of Orange		N/A	-	19,949	19,949
County of West Tehama		N/A	-	12,391	12,391
Total Foster Care Title IV-E			-	4,888,509	4,888,509

(Continued)

WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grants/Pass -Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
Adoption Assistance:	93.659				
California Department of Health and Human Services		N/A	-	100,000	100,000
Total Adoption Assistance			-	100,000	100,000
Social Services Block Grant	93.667				
County of San Diego		553682 / 557444 / 570599 / 570976	-	40,934	40,934
Total Social Services Block Grant			-	40,934	40,934
John H. Chafee Foster Care Program for Successful Transition to Adulthood:	93.674				
County of San Bernardino		19-306	-	145,240	145,240
County of San Bernardino		N/A	-	58,595	58,595
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			-	203,835	203,835
Total Pass-Through Programs			-	5,262,308	5,262,308
Total U.S. Department of Health and Human Services			-	5,262,308	5,262,308
Total Expenditures of Federal Awards			\$ -	\$ 5,262,308	\$ 5,262,308

WALDEN FAMILY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Walden Family Services under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule present only a selected portion of the operations of Walden Family Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Walden Family Services.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Walden Family Services has elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Consolidated Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
Walden Family Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Walden Family Services (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Walden Family Services' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walden Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Walden Family Services' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walden Family Services' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
November 14, 2024



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Walden Family Services

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Walden Family Services' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Walden Family Services' major federal program for the year ended June 30, 2024. Walden Family Services' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Walden Family Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Walden Family Services, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Walden Family Services' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Walden Family Services' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Walden Family Services' compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Walden Family Services' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Walden Family Services' compliance with the compliance requirements referred to above, and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Walden Family Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Walden Family Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing, based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
November 14, 2024

**WALDEN FAMILY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified?

_____ Yes X No

Noncompliance material to consolidated financial statements noted?

_____ Yes X No

Federal Awards

Type of auditor's report issued on compliance for the major program:

Unmodified

Internal control over major program:

Material weaknesses identified?

_____ Yes X No

Significant deficiencies identified?

_____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)?

_____ Yes X No

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

93.658

Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

**WALDEN FAMILY SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

There were no findings or questioned costs for the year ended June 30, 2023.