

**OPERATION CALIFORNIA, INC.**  
**(dba OPERATION USA)**

FINANCIAL STATEMENTS

FISCAL YEARS ENDED  
JUNE 30, 2019 and 2018

OPERATION CALIFORNIA, INC.  
INDEX TO FINANCIAL STATEMENTS

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GOLDMAN | KURLAND & MIRAGLIA  
LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Operation California, Inc.  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Operation California, Inc., dba: Operation USA, (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, which include the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used in evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation California, Inc. as of June 30, 2019 and 2018, and the results of its operations and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 4-5 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Goldman Kurland & Miraglia LLP". The signature is written in a cursive, flowing style.

Goldman Kurland and Miraglia, LLP  
Encino, California

November 13, 2019

OPERATION CALIFORNIA, INC.  
 Statements of Financial Position  
 June 30, 2019 and 2018

ASSETS

	2019	2018
Current Assets		
Cash	\$ 1,673,061	\$ 1,602,226
Accounts receivable	500	2,000
Inventory	4,560,828	4,217,205
Prepaid expenses	7,590	7,590
Total Current Assets	6,241,979	5,829,021
Equipment		
Office Furniture and equipment	9,717	9,717
Computer equipment	79,533	79,533
Less: accumulated depreciation	(89,250)	(89,250)
Total Property and Equipment	-	-
Other Assets		
Security deposits	6,900	6,900
<b>TOTAL ASSETS</b>	<b>\$ 6,248,879</b>	<b>\$ 5,835,921</b>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 4,165	\$ 2,593
Other liabilities	2,323	7,808
Total Current Liabilities	6,488	10,401
Net Assets		
Unrestricted	6,242,391	5,825,520
Total Net Assets	6,242,391	5,825,520
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,248,879</b>	<b>\$ 5,835,921</b>

See accompanying accountants' report and notes to financial statements.

OPERATION CALIFORNIA, INC.  
 Statements of Activities and Changes in Net Assets  
 Years Ended June 30, 2019 and 2018

	2019	2018
	Unrestricted	Unrestricted
<u>SUPPORT AND REVENUE</u>		
Support		
Contributions - Individuals	\$ 742,902	\$ 1,536,201
Contributions - Organizations	974,236	1,377,463
Total support	1,717,138	2,913,664
 In-Kind Donations	 912,326	 2,198,023
 Revenue		
Interest	1,289	833
Other	1,877	448
Total revenue	3,166	1,281
 TOTAL SUPPORT AND REVENUE	 2,632,629	 5,112,968
<u>EXPENSES</u>		
Program	1,367,429	1,260,647
Administrative	203,549	232,686
Fund raising	76,075	87,157
In-Kind Contributions	568,705	1,950,242
Total Expenses	2,215,758	3,530,732
 INCREASE IN NET ASSETS	 416,871	 1,582,236
 NET ASSETS, BEGINNING OF YEAR	 5,825,520	 4,243,284
 NET ASSETS, END OF YEAR	 \$ 6,242,391	 \$ 5,825,520

See accompanying accountants' report and notes to financial statements.

OPERATION CALIFORNIA, INC.  
 Statements of Functional Expenses  
 Years Ended June 30, 2019 and 2018

	2019			
	Program Expense	Adminis- trative Expense	Fund Raising	Total
Accounting & legal	\$ -	\$ 20,268	\$ -	\$ 20,268
Advertising & promotion	5,803	1,658	829	8,290
Bank charges	-	11,303	-	11,303
Contributions to other non-profit organizations and direct project costs	769,492	-	-	769,492
Conferences & meetings	1,152	329	165	1,646
Dues & subscriptions	-	15,097	-	15,097
Equipment & supplies	3,197	913	457	4,567
Freight & transportation	8,326	2,379	1,189	11,894
Health Insurance	21,666	6,190	3,095	30,951
Insurance	23,428	6,694	3,347	33,469
Office supplies	10,642	3,006	1,503	15,151
Outside services	24,638	-	-	24,638
Payroll taxes	23,052	6,586	3,293	32,931
Payroll service fees	4,913	1,404	702	7,019
Pension plan contribution	4,759	1,360	680	6,799
Postage	5,299	1,514	757	7,570
Printing	4,762	1,361	680	6,803
Professional fees & consultants	7,202	2,058	1,028	10,288
Rent-space & equipment	61,516	17,576	8,788	87,880
Salaries	333,326	95,237	47,618	476,181
Security	-	1,500	-	1,500
Taxes & licenses	6,075	1,736	868	8,679
Telephone & telex	7,530	2,152	1,076	10,758
Travel & automobile	24,847	-	-	24,847
Utilities	-	3,228	-	3,228
Warehouse expenditures	15,804	-	-	15,804
Total Expenses	<u>1,367,429</u>	<u>203,549</u>	<u>76,075</u>	<u>1,647,053</u>
In-Kind Contributions	568,705	-	-	568,705
Total Expenses	<u>\$ 1,936,134</u>	<u>\$ 203,549</u>	<u>\$ 76,075</u>	<u>\$ 2,215,758</u>

See accompanying accountants' report and notes to financial statements.

OPERATION CALIFORNIA, INC.  
 Statements of Functional Expenses  
 Years Ended June 30, 2019 and 2018

	2018			Total
	Program Expense	Adminis- trative Expense	Fund Raising	
Accounting & legal	\$ -	\$ 21,943	\$ -	\$ 21,943
Advertising & promotion	670	191	96	957
Bank charges	-	24,321	-	24,321
Contributions to other non-profit organizations and direct project costs	564,574	-	-	564,574
Conferences & meetings	2,031	581	290	2,902
Dues & subscriptions	-	18,103	-	18,103
Equipment & supplies	3,723	1,064	532	5,319
Freight & transportation	18,092	5,169	2,585	25,846
Health Insurance	21,199	6,057	3,028	30,284
Insurance	22,445	6,413	3,207	32,065
Office supplies	7,673	2,162	6,168	16,003
Outside services	80,700	22,436	11,218	114,354
Payroll taxes	23,178	6,622	3,311	33,111
Payroll service fees	4,972	1,420	710	7,102
Pension plan contribution	4,301	1,229	614	6,144
Postage	3,130	894	447	4,471
Printing	7,517	2,148	1,074	10,739
Professional fees & consultants	9,641	2,755	1,377	13,773
Rent-space & equipment	59,696	17,056	8,528	85,280
Salaries	293,593	83,884	41,942	419,419
Security	-	1,224	-	1,224
Taxes & licenses	5,430	1,551	776	7,757
Telephone & telex	8,778	2,508	1,254	12,540
Travel & automobile	101,372	-	-	101,372
Utilities	-	2,955	-	2,955
Warehouse expenditures	17,932	-	-	17,932
Total Expenses	<u>1,260,647</u>	<u>232,686</u>	<u>87,157</u>	<u>1,580,490</u>
In-Kind Contributions	1,950,242	-	-	1,950,242
Total Expenses	<u>\$ 3,210,889</u>	<u>\$ 232,686</u>	<u>\$ 87,157</u>	<u>\$ 3,530,732</u>

See accompanying accountants' report and notes to financial statements.



OPERATION CALIFORNIA, INC.  
 Statements of Cash Flows  
 Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 416,871	\$ 1,582,236
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
(Increase) decrease in operating assets		
Inventory	(343,624)	(247,780)
Accounts receivable	1,500	(2,000)
Prepaid expenses	-	1,778
Decrease in operating liabilities		
Accounts payable	(3,913)	(1,820)
NET CASH PROVIDED BY OPERATING ACTIVITIES	70,835	1,332,414
NET INCREASE IN CASH	70,835	1,332,414
CASH AT BEGINNING OF YEAR	1,602,226	269,812
CASH AT END OF YEAR	\$ 1,673,061	\$ 1,602,226

See accompanying accountants' report and notes to financial statements.

OPERATION CALIFORNIA, INC.  
Notes to Financial Statements  
Year Ended June 30, 2019 and 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Operation California, Inc. is a not-for-profit public benefit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Its principal activities are to solicit, collect and distribute donated supplies and make cash grants for relief to the victims of natural disasters in the United States and throughout the world. The cash donations collected by the Organization are spent primarily on their programs to carry out relief and development activities and to pay for the distribution of goods; for the cost of transportation of supplies; for field visits required to monitor the distribution of such supplies; and, for domestic and international grants and training programs in the relief and development field. The Organization also uses its dba: Operation USA, by which it is primarily known to the public.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Company did not have any temporarily restricted nor permanently restricted assets as of June 30, 2019 and 2018.

The costs of the program and supporting services have been reported on a functional basis. This required the allocation of certain of the costs among the various programs and supporting services based on estimates made by management. Actual results could differ slightly from those estimates.

Donated Inventory and In-Kind Donations

The Organization measures its material aid program by the value of products physically delivered to intended beneficiaries. These products are donated by corporations and supplemented by procurement and cash grants to partner non-profit agencies. Products which Operation California, Inc. is storing for later delivery to intended beneficiaries are shown as inventory in these financial statements. The Organization has always received substantial amounts of donated services from health care professionals and from transportation companies. No amounts have been reflected in these financial statements for donated services or volunteer time, as the amounts were not material.

Furniture and Equipment

Most office furniture and equipment have been donated and are recorded at the fair market value at the time of the donation. Purchased items are recorded at cost. Depreciation is computed using the straight-line method over the estimated lives of the individual assets, ranging from 5 to 10 years.

OPERATION CALIFORNIA, INC.  
Notes to Financial Statements  
Year Ended June 30, 2019 and 2018

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted and temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Concentration of Credit Risk:

The Organization maintains its cash in deposit accounts, which, at times, may exceed federally insured limits of \$250,000, as guaranteed by the Federal Deposit Insurance Corporation (FDIC).

Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B. GOVERNMENT FUNDING

The Organization does not seek nor accept US government program funding for its international relief and development efforts.

NOTE C. COMMITMENTS AND CONTINGENT LIABILITIES

In July 2011, the Organization leased office facilities under an operating lease. Under the lease term, the Organization is required to pay a monthly base rate plus a prorated share of common area operating expenses. The Organization renewed the lease on June 17, 2019 and extended the term for 3 years commencing September 1, 2019. Under the renewed lease, base rent per month is \$7,100 commencing September 1, 2019 and \$7,313 commencing September 1, 2020.

Lease payments totaled \$87,880 and \$85,280 for the year ended June 30, 2019 and 2018, respectively.

OPERATION CALIFORNIA, INC.  
Notes to Financial Statements  
Year Ended June 30, 2019 and 2018

The following is a schedule by years of future minimum lease payments required under the lease.

<u>Year ended June 30,</u>	
2020	\$ 84,800
2021	87,330
2022	<u>89,950</u>
Total	\$ <u>262,080</u>

The Organization has the use of a storage facility at 326 West "C" Street, Wilmington, California. The use of this facility has been provided free of charge from the Harbor Commission of the port of Los Angeles.

We are not aware of any pending claims or legal actions against the organization. The Organization carries a \$2,000,000 general liability policy as protection against such claims or lawsuits should they arise.

NOTE D. SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 13, 2019, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.