

**OPERATION CALIFORNIA, INC.
DBA OPERATION USA, INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Operation California, Inc., dba Operation USA, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation California, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation California, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Operation California, Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation California, Inc.'s 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.

Report on Summarized Comparative Information

We previously audited Operation California, Inc.'s June 30, 2021 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ozurovich & Associates

Rancho Santa Margarita, California
March 2, 2023

OPERATION CALIFORNIA, INC.
dba OPERATION USA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022			2021
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	\$ 397,396	\$ 2,249,140	\$ 2,646,536	\$ 1,669,815
Inventory	3,753,523	-	3,753,523	5,094,802
Total current assets	4,150,919	2,249,140	6,400,059	6,764,617
Other Assets	6,895	-	6,895	6,900
TOTAL ASSETS	\$ 4,157,814	\$ 2,249,140	\$ 6,406,954	\$ 6,771,517
LIABILITIES				
<i>Current liabilities</i>				
Accounts payable	\$ 13,520	\$ -	\$ 13,520	\$ 19,019
Accrued expenses (Note 3)	-	-	-	8,376
Total current liabilities	13,520	-	13,520	27,395
TOTAL LIABILITIES	13,520	-	13,520	27,395
NET ASSETS				
Without donor restrictions	4,144,294	-	4,144,294	5,233,891
With donor restrictions (Note 6)	-	2,249,140	2,249,140	1,510,231
Total net assets	4,144,294	2,249,140	6,393,434	6,744,122
TOTAL LIABILITIES AND NET ASSETS	\$ 4,157,814	\$ 2,249,140	\$ 6,406,954	\$ 6,771,517

OPERATION CALIFORNIA, INC.
dba OPERATION USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022			2021
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
SUPPORT AND REVENUES				
<i>Support</i>				
Contributions	\$ 446,749	\$ 1,926,453	\$ 2,373,202	\$ 1,161,381
Grants	-	-	-	75,700
In-kind donations	360,000	9,531,654	9,891,654	4,868,097
<i>Total support</i>	<u>806,749</u>	<u>11,458,107</u>	<u>12,264,856</u>	<u>6,105,178</u>
<i>Investment return</i>	<u>573</u>	<u>-</u>	<u>573</u>	<u>827</u>
<i>Net assets released from donor restrictions (Note 7)</i>				
Satisfaction of program restrictions	10,719,198	(10,719,198)	-	-
<i>Total net assets released from donor restrictions</i>	<u>10,719,198</u>	<u>(10,719,198)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>11,526,520</u>	<u>738,909</u>	<u>12,265,429</u>	<u>6,106,005</u>
OPERATING EXPENSES				
<i>Program Services</i>				
Philanthropy	12,347,187	-	12,347,187	5,885,606
<i>Supporting Services</i>				
Management and general	181,898	-	181,898	175,774
Fund raising	87,032	-	87,032	88,599
<i>Total supporting services</i>	<u>268,930</u>	<u>-</u>	<u>268,930</u>	<u>264,373</u>
TOTAL EXPENSES	<u>12,616,117</u>	<u>-</u>	<u>12,616,117</u>	<u>6,149,979</u>
CHANGE IN NET ASSETS	(1,089,597)	738,909	(350,688)	(43,974)
NET ASSETS, Beginning of year	<u>5,233,891</u>	<u>1,510,231</u>	<u>6,744,122</u>	<u>6,788,096</u>
NET ASSETS, End of year	<u>\$ 4,144,294</u>	<u>\$ 2,249,140</u>	<u>\$ 6,393,434</u>	<u>\$ 6,744,122</u>

See accompanying notes and independent auditor's report.

OPERATION CALIFORNIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022				2021
	Program Services	Supporting Services			TOTAL
	Philanthropy	Management and General	Fund Raising	TOTAL	
Salaries	\$ 353,849	\$ 101,100	\$ 50,550	\$ 505,499	\$ 523,320
Payroll taxes	32,295	9,227	4,614	46,136	47,812
Employee benefits	32,981	9,423	4,712	47,116	44,136
Total salaries, payroll taxes and benefits	419,125	119,750	59,876	598,751	615,268
Accounting and legal	21,645	6,184	3,092	30,921	26,676
Advertising	2,496	713	356	3,565	2,133
Bank fees	-	7,679	-	7,679	5,577
Contributions	461,340	-	-	461,340	114,500
Conferences and meetings	2,128	608	304	3,040	1,331
Dues and subscriptions	10,896	3,113	1,557	15,566	10,876
Equipment and supplies	3,695	1,056	528	5,279	31,370
Freight and transportation	22,357	-	-	22,357	41,362
In-kind contributions	10,872,933	-	-	10,872,933	4,746,338
Insurance	19,240	5,497	2,749	27,486	32,996
Miscellaneous	89	25	13	127	496
Office	10,992	3,141	1,570	15,703	13,444
Outside services	-	10,450	-	10,450	3,100
Postage and delivery	6,507	1,859	930	9,296	5,669
Printing	608	174	87	869	1,211
Professional fees and consultants	6,158	1,759	880	8,797	3,597
Rent-space and equipment	433,056	11,396	11,396	455,848	444,731
Security	-	1,104	-	1,104	1,020
Taxes and licenses	5,007	1,431	715	7,153	7,361
Telephone	9,493	2,712	1,356	13,561	16,263
Travel and auto	9,143	2,612	1,306	13,061	2,746
Utilities	2,222	635	317	3,174	3,361
Warehouse expenses	28,057	-	-	28,057	18,553
TOTAL EXPENSES	\$ 12,347,187	\$ 181,898	\$ 87,032	\$ 12,616,117	\$ 6,149,979

See independent auditor's report and accompanying notes

OPERATION CALIFORNIA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (350,688)	\$ (43,974)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated inventory	(9,531,654)	(4,508,097)
In-kind contributions	10,872,933	4,746,338
(Increase) decrease in assets		
Other assets	5	-
Increase (decrease) in liabilities		
Accounts payable	(5,499)	9,385
Accrued expenses	(8,376)	(2,274)
Net cash provided by operating activities	976,721	201,378
NET INCREASE IN CASH	976,721	201,378
CASH AND CASH EQUIVALENTS, beginning of year	1,669,815	1,468,437
CASH AND CASH EQUIVALENTS, end of year	\$ 2,646,536	\$ 1,669,815

See independent auditor's report and accompanying notes.

**OPERATION CALIFORNIA, INC.
DBA OPERATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 1 – ORGANIZATION

Operation California, Inc. (the “Organization”) is a California nonprofit public benefit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, which was founded on May 5, 1980. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared 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.

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 2 continued on the following page)

**OPERATION CALIFORNIA, INC.
DBA OPERATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Net Assets With Donor Restrictions – Include gifts and grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

Tax Status

The Organization is a nonprofit benefit organization organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization's federal income tax and informational returns for tax years ending June 30, 2019 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending June 30, 2018 and subsequent.

The Organization has adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. For the Organization, these provisions could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, the provisions of ASC 740-10-05 are not anticipated to have a material impact on the Organization's financial statements.

(Note 2 continued on the following page)

**OPERATION CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the financial statements, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. Commercial banks have FDIC coverage up to \$250,000 per depositor per bank. At June 30, 2022 and 2021 the uninsured amount was \$2,445,597 and \$1,431,548, respectively.

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions even if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reported period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Organization's core activities. Only those amounts that meet the criteria above are recorded in the accompanying financial statements. The Organization recognized \$360,000 as in-kind rental income during the years ended June 30, 2022 and 2021.

Inventory

The Organization's inventory is valued at its fair value on the date it is donated to the Organization or net realizable value using the first-in, first-out (FIFO) method. Inventory consists of various medical and disaster relief supplies. During the years ended June 30, 2022 and 2021, the Organization recognized \$1,940,734 and none, respectively, in losses resulting from valuing the Company's inventory at its net realizable value, which was the fair value of donated items expected to be contributed by the Organization at year end.

(Note 2 continued on the following page)

**OPERATION CALIFORNIA, INC.
DBA OPERATION USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenues

The Organization receives funding through private and Government grants. Grant revenue includes conditional contributions under which revenue is recognized when earned and expenses are recognized when incurred. Grant receipts from conditional contributions not earned are reported as deferred income, if any.

Vacation and Sick Leave Benefits

Neither vacation pay nor sick pay accumulates or vests. Therefore, no accrual has been recorded.

Advertising

The Organization uses advertising to promote its programs among the communities it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2022 and 2021, advertising costs totaled \$3,565 and \$2,133, respectively.

Risks and Uncertainties

Conditions created by the COVID-19 environment could contribute to short-term financial challenges that adversely affect the Organization's cash flows. Specifically, there is the potential for reductions in institutional grants and private donations if program activities are forced to be significantly curtailed due to government mandated shutdowns. The Organization's Board of Directors has discussed these risks and uncertainties and has formulated alternative strategic plans to mitigate the effects of these concerns.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits which are allocated based on estimates of time and effort for the Organization's personnel. The Organization's following expenses are allocated using the same percentages as the personnel costs described above because they are incurred in support of the day-to-day job functions of the Organization's employees: accounting and legal, advertising, conferences and meetings, dues and subscriptions, equipment and supplies, insurance, miscellaneous, payroll service fees, postage and delivery, printing, professional fees and consultants, taxes and licenses, telephone, travel and auto, and utilities. The following expenses are allocated using the estimated square footage of facilities used for program and supporting functions: rent-space and equipment.

(Note 2 continued on the following page)

OPERATION CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

Leases – In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its combined financial statements.

NOTE 3 – ACCRUED EXPENSES

The Organization’s accrued expense balance consists of the following categories at June 30:

	<u>2022</u>	<u>2021</u>
Deferred rent	\$ <u> </u> -	\$ <u> 8,376</u>

NOTE 4 – LEASE COMMITMENTS

The Organization is committed under a noncancelable operating leases for facilities used in day-to-day operations. The current lease is currently scheduled to expire in March 2023. The monthly minimum lease payment range from \$7,100 to \$7,758.

The future minimum lease payments under these capital leases and the net present value of the future minimum lease payments are as follows at June 30, 2022:

2023	\$ <u> 61,615</u>
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Rent expense for the year ended June 30, 2022 was \$95,848 .

**OPERATION CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 5 – RETIREMENT PLAN

The Organization has a defined matching contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). Under the plan, eligible employees may elect to defer a portion of their compensation, subject to the Internal Revenue Service limits. The assets of the plan vest immediately as they are accrued. For each Plan year, the Organization matches each employee's contribution to the plan up to 4% of each employee's salary. Retirement plan expense for the years ended June 30, 2022 and 2021 was \$7,398 and \$7,621, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods, as of June 30:

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for a specified purpose:</i>		
Disaster response relief	\$ 2,249,140	\$ 1,510,321

NOTE 7 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions during the year ended June 30, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
<i>Expenditure for a specified purpose:</i>		
Disaster response relief	\$ 10,719,198	\$ 4,930,191

NOTE 8 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in board designated funds that could be drawn upon if the governing board approves that action. However, amounts already appropriated from a board designated fund for general expenditure within one year of June 30, 2022 have not been subtracted as unavailable. There were no such board designated funds as of June 30, 2022.

The Organization's financial assets available within one year of June 30, 2022 for general expenditure are as follows:

(Note 8 continued on the following page)

OPERATION CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

NOTE 8 – AVAILABILITY OF FINANCIAL ASSETS (Continued)

<i>Financial assets, at year end</i>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,646,531	\$ 1,669,815
<i>Less those unavailable for general expenditures within one year due to:</i>		
<i>Contractual or donor-imposed restrictions:</i>		
Restricted by donor with time or purpose restrictions	<u>(2,249,140)</u>	<u>(818,988)</u>
Total	<u>\$ 397,391</u>	<u>\$ 850,827</u>

As part of The Organization’s liquidity management practices, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The Organization invests cash in excess of daily requirements in short-term investments.

NOTE 9 – PPP LOAN

On April 6, 2021, the Organization received loan proceeds in the amount of \$75,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

On October 20, 2021, the Company received notice from the Small Business Administration that its entire PPP loan amount was forgiven. Furthermore, according to the Organization’s PPP loan forgiveness application, all allowable costs were incurred during the covered period April 6, 2021 to May 31, 2021. Therefore, in accordance with ASC 958-605 *Not-for-Profit Entities – Revenue Recognition* the entire amount of the Organization’s PPP funds, \$75,700, was recognized as grant revenues in the statement of activities for the year ended June 30, 2021.

NOTE 10 – LITIGATION

The Organization may be subject to certain outside claims and litigation arising in the ordinary course of business. In the opinion of the Organization’s management and its counsel, there are no matters which could have a material effect on the accompanying financial statements.

**OPERATION CALIFORNIA, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2022 have been evaluated through March 2, 2023, the date at which the Organization's audited financial statements were to be issued. Except as described below, no events requiring disclosures have occurred through this date.

On September 1, 2022, the Organization was notified by the landlord of its warehouse that its free rent agreement with the Organization has expired. As of the report date the Organization is still in the process of relocating all of its inventory to a new location. The Organization still will receive free rent for its warehouse until it has completely relocated its inventory.