

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2022)**

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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, 2023, 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, 2023, 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, 2022 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Ozurovich & Associates*

*Ozurovich & Associates*

Rancho Santa Margarita, California  
November 30, 2023

**OPERATION CALIFORNIA, INC.**  
**dba OPERATION USA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	2023			2022
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 890,698	\$ 1,306,851	\$ 2,197,549	\$ 2,646,536
Inventory	624,371	-	624,371	3,753,523
<i>Total current assets</i>	<u>1,515,069</u>	<u>1,306,851</u>	<u>2,821,920</u>	<u>6,400,059</u>
Operating lease right of use assets (Note 3)	106,871	-	106,871	-
Deposits	6,931	-	6,931	6,895
<b>TOTAL ASSETS</b>	<u>\$ 1,628,871</u>	<u>\$ 1,306,851</u>	<u>\$ 2,935,722</u>	<u>\$ 6,406,954</u>
<b>LIABILITIES</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 32,285	\$ -	\$ 32,285	\$ 13,520
Operating lease obligations - current (Note 3)	92,273	-	92,273	-
<i>Total current liabilities</i>	<u>124,558</u>	<u>-</u>	<u>124,558</u>	<u>13,520</u>
Operating lease obligations (Note 3)	15,888	-	15,888	-
<b>TOTAL LIABILITIES</b>	<u>140,446</u>	<u>-</u>	<u>140,446</u>	<u>13,520</u>
<b>NET ASSETS</b>				
Without donor restrictions	1,488,425	-	1,488,425	4,144,294
With donor restrictions (Note 5)	-	1,306,851	1,306,851	2,249,140
<i>Total net assets</i>	<u>1,488,425</u>	<u>1,306,851</u>	<u>2,795,276</u>	<u>6,393,434</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,628,871</u>	<u>\$ 1,306,851</u>	<u>\$ 2,935,722</u>	<u>\$ 6,406,954</u>

**OPERATION CALIFORNIA, INC.**  
**dba OPERATION USA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	2023		2022	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
<b>SUPPORT AND REVENUES</b>				
<i>Support</i>				
Contributions	\$ 477,794	\$ 885,665	\$ 1,363,459	\$ 2,373,202
In-kind donations	360,000	5,366,725	5,726,725	9,891,654
<b>Total support</b>	<u>837,794</u>	<u>6,252,390</u>	<u>7,090,184</u>	<u>12,264,856</u>
<i>Investment return</i>	21,327	-	21,327	573
<i>Net assets released from donor restrictions (Note 6)</i>				
Satisfaction of program restrictions	7,194,679	(7,194,679)	-	-
<b>Total net assets released from donor restrictions</b>	<u>7,194,679</u>	<u>(7,194,679)</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>8,053,800</u>	<u>(942,289)</u>	<u>7,111,511</u>	<u>12,265,429</u>
<b>OPERATING EXPENSES</b>				
<i>Program Services</i>				
Philanthropy	10,422,206	-	10,422,206	12,347,187
<i>Supporting Services</i>				
Management and general	192,437	-	192,437	181,898
Fund raising	95,026	-	95,026	87,032
<b>Total supporting services</b>	<u>287,463</u>	<u>-</u>	<u>287,463</u>	<u>268,930</u>
<b>TOTAL EXPENSES</b>	<u>10,709,669</u>	<u>-</u>	<u>10,709,669</u>	<u>12,616,117</u>
<b>CHANGE IN NET ASSETS</b>	(2,655,869)	(942,289)	(3,598,158)	(350,688)
<b>NET ASSETS, Beginning of year</b>	<u>4,144,294</u>	<u>2,249,140</u>	<u>6,393,434</u>	<u>6,744,122</u>
<b>NET ASSETS, End of year</b>	<u>\$ 1,488,425</u>	<u>\$ 1,306,851</u>	<u>\$ 2,795,276</u>	<u>\$ 6,393,434</u>

*See accompanying notes and independent auditor's report.*

**OPERATION CALIFORNIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	<b>2023</b>				<b>2022</b>
	<b>Program Services</b>	<b>Supporting Services</b>			<b>TOTAL</b>
	<b>Philanthropy</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>TOTAL</b>	
Salaries	\$ 371,959	\$ 106,274	\$ 53,137	\$ 531,370	\$ 505,499
Payroll taxes	38,134	10,895	5,448	54,477	46,136
Employee benefits	39,036	11,153	5,577	55,766	47,116
<b>Total salaries, payroll taxes and benefits</b>	<b>449,129</b>	<b>128,322</b>	<b>64,162</b>	<b>641,613</b>	<b>598,751</b>
Accounting and legal	23,139	6,611	3,306	33,056	30,921
Advertising	1,733	495	248	2,476	3,565
Bank fees	-	9,519	-	9,519	7,679
Contributions	778,000	-	-	778,000	461,340
Conferences and meetings	2,362	675	337	3,374	3,040
Dues and subscriptions	14,247	4,071	2,035	20,353	15,566
Equipment and supplies	3,784	1,081	541	5,406	5,279
Freight and transportation	28,513	-	-	28,513	22,357
In-kind contributions	8,495,877	-	-	8,495,877	10,872,933
Insurance	23,790	6,797	3,399	33,986	27,486
Miscellaneous	4,076	1,165	582	5,823	127
Office	9,442	2,698	1,349	13,489	15,703
Outside services	-	3,000	-	3,000	10,450
Postage and delivery	384	110	55	549	9,296
Printing	12,930	3,694	1,847	18,471	869
Professional fees and consultants	1,890	540	270	2,700	8,797
Rent-space and equipment	434,376	11,431	11,431	457,238	455,848
Security	-	1,299	-	1,299	1,104
Taxes and licenses	2,191	626	313	3,130	7,153
Telephone	9,326	2,665	1,332	13,323	13,561
Travel and auto	24,367	6,962	3,481	34,810	13,061
Utilities	2,366	676	338	3,380	3,174
Warehouse expenses	100,284	-	-	100,284	28,057
<b>TOTAL EXPENSES</b>	<b>\$ 10,422,206</b>	<b>\$ 192,437</b>	<b>\$ 95,026</b>	<b>\$ 10,709,669</b>	<b>\$ 12,616,117</b>

*See independent auditor's report and accompanying notes*



**OPERATION CALIFORNIA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,598,158)	\$ (350,688)
Adjustments to reconcile change in net assets to net cash (used)/provided by operating activities		
Depreciation and amortization	1,290	-
Donated inventory	8,495,877	(9,531,654)
In-kind contributions	(5,366,725)	10,872,933
(Increase) decrease in assets		
Other assets	(36)	5
Increase (decrease) in liabilities		
Accounts payable	18,765	(5,499)
Accrued expenses	-	(8,376)
Net cash (used)/provided by operating activities	(448,987)	976,721
<b>NET (DECREASE)/INCREASE IN CASH</b>	(448,987)	976,721
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,646,536	1,669,815
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,197,549	\$ 2,646,536

*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, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**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, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**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, 2020 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, 2019 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.  
DBA OPERATION USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**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, 2023 and 2022 the uninsured amount was \$1,937,967 and \$2,445,597, respectively.

**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, 2023 and 2022, the Organization recognized \$2,969,472 and \$1,940,734, 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.

**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, 2023 and 2022.

*(Note 2 continued on the following page)*

**OPERATION CALIFORNIA, INC.  
DBA OPERATION USA, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**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, 2023 and 2022, advertising costs totaled \$2,475 and \$3,565, respectively.

**Risks and Uncertainties**

Overall economic conditions such as high rates of inflation could contribute to potential reductions in private donations as the disposable incomes of potential donors are affected by these economic factors. 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, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statement for the year ended June 30, 2022, from which the summarized information was derived.

**New Accounting Pronouncements**

**Leases** – In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization adopted the new standard on July 1, 2022. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. The Organization adopted the new standard on July 1, 2022, and will use that date as the date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before July 1, 2022.

The new standard provides a number of optional practical expedients in transition. The Organization elected the ‘package of practical expedients’, which permits the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Organization does not expect to elect the use-of hindsight or the practical expedient pertaining to land easements; the latter not being applicable to the Organization.

*(Note 2 continued on the following page)*

**OPERATION CALIFORNIA, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements (Continued)**

On adoption, the Organization recognized additional operating liabilities of \$193,901, with corresponding right-of-use assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

**NOTE 3 – OPERATING LEASE**

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 August 2024. The monthly minimum lease payment range from \$7,758 to \$7,991 over the life of the lease.

Supplemental cash flow information for the year ended June 30, 2023 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ <u>93,100</u>
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ <u>193,901</u>
	<b><u>June 30, 2023</u></b>
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	1.2 years
<b>Weighted Average Discount Rate</b>	
Operating leases	4.75%

The discount rate for calculating operating leases was the US Prime Rate upon the execution of the lease or the adoption of ASC 842 on July 1, 2022, if the lease was executed before July 1, 2022, and still had more than one year left in the agreement from that date.

The future minimum lease payments under these leases are as follows at June 30:

2024	\$ 95,428
2025	<u>15,982</u>
	<u>111,410</u>

Rent expense for the years ended June 30, 2023 and 2022 was \$97,238 and \$97,238, respectively.

**OPERATION CALIFORNIA, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
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**NOTE 4 – 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, 2023 and 2022 was \$7,682 and \$7,398, respectively.

**NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
<i>Subject to expenditure for a specified purpose:</i>		
Disaster response relief	\$ <u>1,306,851</u>	\$ <u>2,249,140</u>

**NOTE 6 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets released from donor restrictions during the year ended June 30, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
<i>Expenditure for a specified purpose:</i>		
Disaster response relief	\$ <u>7,194,679</u>	\$ <u>10,719,198</u>

**NOTE 7 – AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2023, 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, 2023 have not been subtracted as unavailable. There were no such board designated funds as of June 30, 2023.

*(Note 7 continued on the following page)*



**OPERATION CALIFORNIA, INC.**  
**DBA OPERATION USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

**NOTE 7 – AVAILABILITY OF FINANCIAL ASSETS (Continued)**

The Organization’s financial assets available within one year of June 30, 2023 for general expenditure are as follows:

<i><b>Financial assets, at year end</b></i>	<u><b>2023</b></u>	<u><b>2022</b></u>
Cash and cash equivalents	\$ 2,197,549	\$ 2,646,531
<i><b>Less those unavailable for general expenditures within one year due to:</b></i>		
<i>Contractual or donor-imposed restrictions:</i>		
Restricted by donor with time or purpose restrictions	<u>(1,306,851)</u>	<u>(2,249,140)</u>
Total	<u>\$ 890,698</u>	<u>\$ 397,391</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 8 – 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.

**NOTE 9 – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2023 have been evaluated through November 30, 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. In September 2023, the Organization completed the process of relocating all of its inventory to two new locations (warehouse space at a board member’s business and a storage facility).