

YOUTH HOMES, INCORPORATED

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE,
and
ADDITIONAL INFORMATION**

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Homes, Incorporated

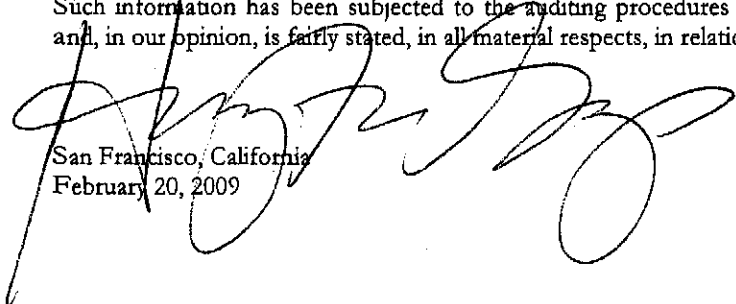
We have audited the accompanying Statement of Financial Position of Youth Homes, Incorporated (a nonprofit organization) as of June 30, 2008 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Youth Homes, Incorporated's June 30, 2007 financial statements and, in our report dated May 2, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Youth Homes, Incorporated's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Homes, Incorporated as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2009 on our consideration of Youth Homes, Incorporated's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Youth Homes, Incorporated taken as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Nonprofit Organizations*," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.



San Francisco, California
February 20, 2009

YOUTH HOMES, INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2008

With comparative totals at June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>	<u>2007</u>
Assets					
Cash	\$ 962,965	\$ 42,500	\$ -	\$ 1,005,465	\$ 182,270
Accounts receivable	381,959			381,959	223,498
Investment (Note 3)	14,497			14,497	10,354
Prepaid expenses	55,985			55,985	55,473
Other asset	16,421			16,421	21,170
Split-interest agreements (Note 4)	64,040		231,632	295,672	339,344
Property and equipment (Note 5)	981,482			981,482	1,074,116
Total assets	<u>\$ 2,477,349</u>	<u>\$ 42,500</u>	<u>\$ 231,632</u>	<u>\$ 2,751,481</u>	<u>\$ 1,906,225</u>
Liabilities and net assets					
Liabilities					
Accounts payable	\$ 65,491	\$ -	\$ -	\$ 65,491	\$ 84,454
Accrued liabilities (Note 6)	233,077			233,077	205,119
Accrued unemployment liability (Note 7)	31,000			31,000	21,000
Line of credit (Note 8)	13,308			13,308	75,082
Notes payable (Note 9)	1,043,955			1,043,955	846,541
Total liabilities	<u>1,386,831</u>	<u>-</u>	<u>-</u>	<u>1,386,831</u>	<u>1,232,196</u>
Net assets					
Unrestricted	1,090,518			1,090,518	400,541
Temporarily restricted (Note 11)		42,500		42,500	16,067
Permanently restricted (Note 12)			231,632	231,632	257,421
Total net assets	<u>1,090,518</u>	<u>42,500</u>	<u>231,632</u>	<u>1,364,650</u>	<u>674,029</u>
Total liabilities and net assets	<u>\$ 2,477,349</u>	<u>\$ 42,500</u>	<u>\$ 231,632</u>	<u>\$ 2,751,481</u>	<u>\$ 1,906,225</u>

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>	<u>2007</u>
Revenue and support					
Program service fees-government (Note 13)	\$ 3,734,385	\$ -	\$ -	\$ 3,734,385	\$ 2,610,702
Contributions	326,572	42,500		369,072	209,398
Gain on sale of property	349,284			349,284	-
Contributions - auxiliary	48,675			48,675	36,948
In-kind donations	18,570			18,570	-
Other income	4,932			4,932	3,364
Interest income	2,413			2,413	2,005
Change in value of split interest agreement	(17,883)		(25,789)	(43,672)	9,443
Net assets released from program restrictions	16,067	(16,067)		-	-
Total revenue and support	<u>4,483,015</u>	<u>26,433</u>	<u>(25,789)</u>	<u>4,483,659</u>	<u>2,871,860</u>
Expenses					
Program services	3,205,062			3,205,062	2,557,014
Management and general	442,838			442,838	351,717
Development	145,138			145,138	60,453
Total expenses	<u>3,793,038</u>	<u>-</u>	<u>-</u>	<u>3,793,038</u>	<u>2,969,184</u>
Change in net assets	689,977	26,433	(25,789)	690,621	(97,324)
Net assets, beginning of year	<u>400,541</u>	<u>16,067</u>	<u>257,421</u>	<u>674,029</u>	<u>771,353</u>
Net assets, end of year	<u>\$ 1,090,518</u>	<u>\$ 42,500</u>	<u>\$ 231,632</u>	<u>\$ 1,364,650</u>	<u>\$ 674,029</u>

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	Program Services	Management and General	Development	Total Expenses	
				2008	2007
Salaries	\$ 2,082,055	\$ 213,489	\$ 30,295	\$ 2,325,839	\$ 1,704,426
Payroll taxes and employee benefits	491,461	50,391	7,151	549,003	438,774
Total personnel costs	2,573,516	263,880	37,446	2,874,842	2,143,200
Repairs and maintenance	92,424	6,352	1,582	100,358	94,737
Food	101,820			101,820	85,645
Fund development			82,509	82,509	60,453
Interest expense and bank charges	57,981	13,731	626	72,338	72,473
Travel	55,505	5,168	198	60,871	46,463
Rent	48,014	10,459	1,484	59,957	55,484
Insurance	14,661	43,048		57,709	59,504
Professional fees	14,703	36,383	265	51,351	44,742
Utilities	49,546	1,068	152	50,766	41,764
Telephone	28,734	21,040	345	50,119	37,254
Depreciation	46,149	422		46,571	39,861
Child related expenses	39,841			39,841	27,577
Supplies	27,445	4,671	1,459	33,575	22,712
Printing	2,889	10,573	11,142	24,604	12,719
Basic care	18,989			18,989	2,377
Licenses	13,994	1,037	59	15,090	6,817
Miscellaneous	2,321	9,962		12,283	79,565
Staff development and training	7,400	1,628	320	9,348	13,717
Postage	1,365	1,923	4,966	8,254	3,893
Dues and subscriptions	30	7,365	198	7,593	6,040
Advertising and public relations		3,828	2,387	6,215	3,911
Recruiting	4,369	300		4,669	5,337
Property taxes	2,615			2,615	1,986
Amortization	751			751	784
Allowance				-	169
Total 2008 functional expenses	\$ 3,205,062	\$ 442,838	\$ 145,138	\$ 3,793,038	
Total 2007 functional expenses	\$ 2,557,014	\$ 351,717	\$ 60,453		\$ 2,969,184

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended June 30, 2008

With comparative totals for the year ended June 30, 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 690,621	\$ (97,324)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	46,571	39,861
Gain on sale of property	(349,284)	-
Change in value of split- interest agreement	43,672	(9,443)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(158,461)	(11,309)
(Increase) in prepaid expenses	(512)	(2,679)
Decrease in other assets	4,749	784
Increase (decrease) in accounts payable	(18,963)	24,920
Increase in accrued liabilities	27,958	19,531
Increase in unemployment liability	10,000	-
	<u>296,351</u>	<u>(35,659)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of investments	(4,143)	(10,354)
Purchase of property and equipment	(64,950)	(31,901)
Proceeds from sale of property and equipment	484,806	-
	<u>415,713</u>	<u>(42,255)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
Proceeds from new borrowing on note payable	361,586	47,801
Principal payments on notes payable	(188,681)	(70,321)
Net activity of borrowings and payments on line of credit	(61,774)	4,982
	<u>111,131</u>	<u>(17,538)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash	823,195	(95,452)
Cash, beginning of year	<u>182,270</u>	<u>277,722</u>
Cash, end of year	<u>\$ 1,005,465</u>	<u>\$ 182,270</u>
Supplemental disclosure:		
Operating activities reflect interest paid of:	<u>\$ 58,776</u>	<u>\$ 66,725</u>
Non-cash investing activities and financing activities:		
Pay-off of notes payable through notes payable refinance	<u>\$ 74,218</u>	<u>\$ -</u>
Acquisition of property with notes payable	<u>\$ 24,509</u>	<u>\$ 20,506</u>

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Organization

Youth Homes, Incorporated ("Youth Homes") is a not-for-profit organization under the laws of the State of California. Youth Homes provides a range of services to foster care children placed with it by various governmental agencies.

Youth Homes' range of services includes the following:

Intensive Residential Treatment: Youth Homes operates six state licensed, six bed homes in several cities in central Contra Costa County. Two of the homes are emergency shelters and three are short-term treatment programs.

Community Based Mental Health Services: Under contract with the Health Services Department, Youth Homes provides a wide variety of mental health support services to severely emotionally abused children and adolescents. These services include psychological assessment, individual and group therapy, family therapy, and day program services, which occur mostly in its residential facilities.

Therapeutic Behavioral Services: A very sophisticated, preventative program where a highly specialized team of behavioral coaches who fan out across the county each day to support children. The children served by this program are at a high risk of returning to very high level residential treatment settings or acute care hospitals.

After Care Services: In order to assure permanent homes for foster children who are transitioning to lower levels of care or independent living, Youth Homes provides an extensive after care program. This program helps foster children, who are aging out of the system, with mental health counseling, help with finding employment, assistance with finding a safe place to live, and support with their individual education goals.

Mentoring Program: A group of special volunteers work one-on-one with a child. The volunteers give the child an adult friend who is dependable, caring, and committed to their well being. This program helps the children as they transition to young adults, and well into their future.

Youth Homes receives funding from county and state agencies, with portions of its funding originating from the federal government. Youth Homes also receives funding from private sources.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Youth Homes are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Youth Homes reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Youth Homes to expend all of the income (or other economic benefits) derived from the donated assets.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than two years.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Investments

Youth Homes values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Youth Homes has money market funds at an investment institution. These funds, which are not used for daily operations, are recorded as investments.

Concentration of Credit Risks

The primary receivable balance outstanding at June 30, 2008 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Youth Homes' receivables consist of earned fees from contract programs granted by governmental agencies.

Income Taxes

Youth Homes is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Functional Allocation of Expenses

Costs of providing Youth Homes' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Youth Homes uses salary dollars to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth Homes' financial statements for the year ended June 30, 2007 from which the summarized information was derived.

3. Investments

Investments at June 30, 2008 of \$14,497 consist of money market funds at an investment firm.

4. Split-Interest Agreements

During 1980, a donor established a trust with a bank naming Youth Homes as one of the beneficiaries of a perpetual trust. Under the terms of the split interest agreement, Youth Homes is to receive one-third of the annual income, for its unrestricted use, after payment of taxes, trustee fees, and certain other beneficiary payments until the last named person's death. At the time of the last named person's death, Youth Homes will continue to receive one-third of the annual income, after payment of taxes and trustee fees, in perpetuity. One-third of the fair value of the trust assets, \$231,632 is reported as a permanently restricted net asset by Youth Homes.

In July 2000, a donor established a charitable lead annuity trust naming Youth Homes as one of three beneficiaries of the trust. Under the terms of the annuity trust agreement, Youth Homes is to receive annually one-half of 8% of the initial net value of the trust, which was \$288,750. Youth Homes receives its annual allocation in quarterly payments of \$2,887. As per the trust agreement, the trust is to operate for a period of fifteen years. At such time, the trust shall terminate and the trustee will transfer the entire remaining principal and income to two individuals, as specified in the trust agreement. The present value of the annuity payments over the next seven years, using a discount factor of 7.5% of \$64,040, is reported as an unrestricted net asset by Youth Homes.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

5. Property and Equipment

Property and equipment at June 30, 2008 consist of the following:

Land	\$ 481,008
Buildings	541,694
Leasehold improvements	179,954
Vehicles	99,196
Furniture and equipment	<u>2,959</u>
	1,304,811
Less: accumulated depreciation	<u>(323,329)</u>
	<u>\$ 981,482</u>

In May 1994, Youth Homes acquired Community Development Block Grant funds in the amount of \$80,000 from the Community Development Department of Contra Costa County for the down payment on improved real property to be used as a group home. The grant will be converted to debt, if Youth Homes changes the use of the property. Youth Homes does not intend to change the use of the property. Pursuant to the grant provisions, Youth Homes delivered to the County a deed of trust encumbering the property.

6. Accrued Liabilities

Accrued liabilities at June 30, 2008 consist of the following:

Accrued vacation	\$ 122,208
Accrued salaries	110,238
Other accrued liabilities	<u>631</u>
	<u>\$233,077</u>

7. Accrued Unemployment Liability

Youth Homes has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2008 of \$31,000 represents estimated future claims arising from payroll paid to June 30, 2008. Unemployment claims for the year ended June 30, 2008 were \$35,465.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

8. Line of Credit

Youth Homes has a revolving line of credit with a bank in the amount of \$75,000, bearing interest at 7.50 %. Total amount outstanding at June 30, 2008 was \$13,308.

9. Notes Payable

Notes payable at June 30, 2008 consist of the following:

Mortgage payable to a bank, secured by real property, monthly payments of \$1,637, including interest at 6.50%, due August 2034.	\$246,808
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Mortgage payable to a bank, secured by real property, monthly payments of \$1,746, including interest at 7.00%, due December 2033.	245,140
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Mortgage payable to a bank, secured by real property, monthly payments of \$2,595 including interest at 7.00%, due November 2037.	387,407
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Mortgage payable to a bank, secured by real property, monthly payments of \$686, including interest at 6.50%, due August 2034.	103,392
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Note payable to a corporation, unsecured monthly payments of \$5,589, including interest of 11.80%, due December 2008.	29,708
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Note payable to a corporation, unsecured monthly payments of \$441, including interest of 7.50%, due February 2010.	8,813
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Note payable to a corporation, secured by a vehicle monthly payment of \$218, including interest at 13.99%, due October 2009.	3,490
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continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable, continued

Note payable to a corporation, secured by a vehicle monthly payment of \$449, including interest at 7.95%, due September 2010.

10,297

Note payable to a corporation, secured by a vehicle monthly payment of \$317, including interest at 7.75%, due February 2011.

8,900
\$1,043,955

Maturities for notes payable are as follows:

Year ended June 30,

2009	\$ 58,082
2010	27,900
2011	18,015
2012	16,311
2013	17,456
Thereafter	<u>906,191</u>
	<u>\$1,043,955</u>

10. Commitments and Contingencies

Obligations Under Operating Leases

Youth Homes leases real property and equipment under operating leases expiring in various years. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year ended June 30,

2009	\$125,251
2010	137,449
2011	105,107
2012	106,750
2013	108,850
Thereafter	<u>45,500</u>
	<u>\$628,907</u>

Rent expense under operating leases for the year ended June 30, 2008 was \$65,013.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contingencies, continued

Contracts

Youth Homes' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Youth Homes has no provisions for the possible disallowance of program costs on its financial statements.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 consist of the following:

Youth aging out of foster care	\$36,000
After care	2,500
Materials for outdoor painting project	2,000
Video	<u>2,000</u>
	<u>\$42,500</u>

12. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2008 are \$231,632. The donors of these assets have stipulated that the principal is to be maintained in perpetuity, but Youth Homes is permitted to expend all of the income or other economic benefits derived from the donated assets (see Note 4).

13. Program Service Fees

Program service fees for the year ended June 30, 2008 consist of the following:

Residential and foster care	\$1,634,383
Therapeutic Behavioral Services	1,197,609
C-5 Mental Health Program	704,526
Dedicated group home services	120,000
Turning Point Counseling Center	<u>77,867</u>
	<u>\$3,734,385</u>

SUPPLEMENTAL SCHEDULE

YOUTH HOMES, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended June 30, 2008

	<u>Federal CFDA Number</u>	<u>Governmental Revenue Federal</u>	<u>Non-federal</u>	<u>Program Expenditures From Governmental Revenue</u>
Federal awards				
Agency/Program Grant Title				
Major awards				
U.S. Department of Health and Human Services:				
Medical Assistance Program				
Pass-through, Contra Costa County Department of Health Services-Mental Health Division:				
Therapeutic Behavioral Services		\$ 568,864	\$ 628,745	\$ 1,197,609
Turning Point Counseling Center		38,934	38,934	77,867
C-5 Mental Health Program		260,675	443,851	704,526
	93.778	<u>868,473</u>	<u>1,111,530</u>	<u>1,980,002</u>
U.S. Department of Health and Human Services:				
Pass-through, Contra Costa County Department of Human Services:				
Foster Care - Title IV-E	93.658	<u>512,379</u>	<u>1,122,004</u>	<u>1,634,383</u>
Total major awards		<u>1,380,852</u>	<u>2,233,534</u>	<u>3,614,385</u>
Non-federal awards				
County of Contra Costa:				
Department of Employment and Human Services:				
Dedicated Group Home Services			120,000	120,000
Total non-federal awards			<u>120,000</u>	<u>120,000</u>
Total federal and non-federal awards		<u>\$ 1,380,852</u>	<u>\$ 2,353,534</u>	<u>\$ 3,734,385</u>

Summary of significant accounting policies:

1. Basis of Accounting - The Schedule of Expenditures of Federal and Non-federal Awards has been reported on the accrual basis of accounting.
2. Youth Homes is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701 d.

See independent auditor's report