Adjoin
Financial Statements and
Schedule of Expenditures of Federal Awards and
Internal Control over Compliance
and Independent Auditor’s Reports

December 31, 2023 and 2022

Index

JGD&Associates
TRUST | INTEGRITY | SINCE 1977

9191 Towne Centre Drive, Suite 340
San Diego, CA 92122
Phone (858) 587-1000 | Fax (858) 587-0212

Independent Auditor's Report

To the Board of Directors
Adjoin
San Diego, California

Opinion

We have audited the accompanying financial statements of Adjoin (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adjoin as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. 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 Adjoin 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Adjoin's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Adjoin'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 Adjoin'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2024, on our consideration of Adjoin’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Adjoin 2023’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adjoin 2023’s internal control over financial reporting and compliance.

JGD & Associates, LLP

San Diego, California
July 17, 2024

Adjoin

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 411,892	$ 178,663
Investments (Note 4)	5,859,768	5,990,563
Accounts receivable, net	1,986,419	2,597,191
Prepaid expenses	172,326	135,622
Total current assets	8,430,405	8,902,039
Deposits	185,439	182,560
Property and equipment, net (Note 5)	273,692	225,082
Operating leases - right-of-use assets, net (Note 8)	1,650,351	1,632,273
Total assets	$ 10,539,887	$ 10,941,954
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 263,181	$ 237,739
Accrued payroll and taxes	963,912	939,453
Accrued expenses	173,713	253,217
Current portion of operating lease liability (Note 8)	996,953	757,315
Deferred revenue	3,633	8,719
Total current liabilities	2,401,392	2,196,443
Operating lease liability, net of current portion (Note 8)	732,429	950,201
Total liabilities	3,133,821	3,146,644
Net assets without donor restriction:		
Board designated	5,975,178	6,120,990
Undesignated	1,430,888	1,674,320
Total net assets without donor restriction	7,406,066	7,795,310
Total liabilities and net assets	$ 10,539,887	$ 10,941,954

See Notes to Financial Statements.

Adjoin

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Revenue and support without donor restriction:		
Consumer service revenue	$ 13,472,708	$ 12,270,882
Grants:		
Supportive Services for Veteran Families	8,674,933	10,224,736
Contributions	28,672	28,747
Miscellaneous income	64,316	26,651
Total revenue and support without donor restrictions	22,240,629	22,551,016
Operating expenses:		
Program services:		
Developmental disabilities program	12,865,179	11,942,216
Veterans housing services	7,672,037	9,440,081
Path-Now services	252,719	20,726
Supporting services:		
Management and general	2,169,146	2,094,273
Fundraising	191,575	252,362
Total operating expenses	23,150,656	23,749,658
Other income (expense):		
Investment gain (loss)	520,783	(542,774)
Total other income (expense)	520,783	(542,774)
Change in net assets without donor restriction	(389,244)	(1,741,416)
Net assets without donor restriction, beginning of year	7,795,310	9,536,726
Net assets without donor restriction, end of year	$ 7,406,066	$ 7,795,310

See Notes to Financial Statements.

Adjoin

Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Developmental Disabilities Program	Veterans Housing Services	Path-Now Services	Management and General	Fundraising	Total
Salaries	$ 8,962,389	$ 1,392,760	$ 75,067	$ 902,350	$ 97,914	$ 11,430,480
Insurance	1,489,491	190,017	8,302	102,286	13,927	1,804,022
Payroll taxes	767,848	115,740	5,981	75,057	7,999	972,625
Retirement plan contributions	130,110	13,207	664	31,185	2,552	177,718
Other employee benefits	4,460	290	100	1,410	60	6,321
Total salaries and related benefits	11,354,297	1,712,014	90,113	1,112,288	122,453	14,391,165
Consumer	1,003	5,424,393	-	-	-	5,425,396
Purchased services	124,593	88,338	100,284	406,332	4,233	723,780
Rent	265,804	241,518	8,697	181,305	11,800	709,124
Travel	462,271	37,607	513	16,487	454	517,332
Office	151,782	21,700	19,012	97,461	45,111	335,066
Insurance - general	85,209	31,960	653	82,112	570	200,505
Telephone	128,383	33,865	2,221	23,560	2,207	190,236
Maintenance and repairs	73,190	7,076	214	14,854	339	95,673
Dues and subscriptions	4,459	99	51	70,696	2,017	77,323
Depreciation and amortization	20,913	-	27,578	20,685	-	69,176
Equipment lease	43,682	11,297	-	12,155	-	67,134
Seminars and training	46,892	4,824	100	14,378	516	66,710
Bad debts	51,443	-	-	15,000	-	66,443
Utilities	20,954	19,840	740	12,743	485	54,763
Bank charges	6	11	67	50,507	990	51,582
Professional fees - legal	-	33,333	1,650	2,605	-	37,588
Interest	-	-	-	21,156	-	21,156
Program supplies	13,863	1,104	659	4,689	284	20,599
Personnel recruitment	8,773	170	108	8,396	116	17,563
Professional fees - screening	6,741	1,048	59	817	-	8,664
Professional fees - other	920	1,840	-	920	-	3,680
	1,510,881	5,960,023	162,606	1,056,858	69,123	8,759,491
Total expenses	$ 12,865,179	$ 7,672,037	$ 252,719	$ 2,169,146	$ 191,575	$ 23,150,656

See Notes to Financial Statements.

Adjoin

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services		
	Developmental Disabilities Program	Veterans Housing Services	Path-Now Services	Management and General	Fundraising	Total
Salaries	$ 8,283,201	$ 1,729,108	$ -	$ 885,513	$ 131,978	$ 11,029,800
Insurance	1,315,712	289,404	-	95,381	15,203	1,715,700
Payroll taxes	698,946	140,089	-	62,288	11,231	912,554
Retirement plan contributions	103,320	34,480	-	34,019	761	172,580
Other employee benefits	1,577	626	-	3,900	-	6,103
Total salaries and related benefits	10,402,756	2,193,707	-	1,081,101	159,173	13,836,737
Consumer	1,449	6,605,088	-	-	-	6,606,537
Rent	232,719	216,592	-	223,083	17,346	689,740
Purchased services	115,358	189,912	2,234	324,484	24,140	656,128
Travel	347,701	58,926	-	16,850	431	423,908
Bad debts	262,673	-	-	40,000	-	302,673
Office	119,052	40,563	3,812	97,704	37,861	298,992
Telephone	125,842	30,704	153	19,663	2,016	178,378
Insurance - general	68,214	31,732	-	77,082	661	177,689
Equipment lease	87,217	21,795	-	7,487	-	116,499
Seminars and training	54,093	18,899	-	37,485	678	111,155
Dues and subscriptions	8,818	85	176	57,204	5,577	71,860
Utilities	22,225	20,167	-	14,730	579	57,701
Maintenance and repairs	42,557	6,860	-	6,333	151	55,901
Depreciation and amortization	26,944	-	10,400	16,606	-	53,950
Bank charges	10	28	4	48,804	742	49,588
Personnel recruitment	14,100	2,366	172	2,482	301	19,421
Professional fees - legal	-	-	3,750	14,114	-	17,864
Professional fees - screening	7,431	1,017	25	2,074	96	10,643
Program supplies	1,804	209	-	5,802	2,610	10,425
Professional fees - other	1,253	1,431	-	895	-	3,579
Interest	-	-	-	290	-	290
	1,539,460	7,246,374	20,726	1,013,172	93,189	9,912,921
Total expenses	$ 11,942,216	$ 9,440,081	$ 20,726	$ 2,094,273	$ 252,362	$ 23,749,658

See Notes to Financial Statements.

Adjoin

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets from operations	$ (389,244)	$ (1,741,416)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	66,443	302,673
Depreciation and amortization	69,176	53,950
Amortization of operating leases of right-of-use assets	963,249	662,235
(Gain) loss on investments	(474,224)	605,498
Changes in operating assets and liabilities:		
Accounts receivable	544,329	38,072
Prepaid expenses	(36,704)	(44,812)
Deposits	(2,879)	58,726
Operating lease liability	(959,462)	(586,992)
Accounts payable	25,442	(265,647)
Accrued payroll and taxes	24,459	(19,534)
Accrued expenses	(79,504)	17,155
Deferred revenue	(5,086)	(16,281)
Net cash used in operating activities	(254,005)	(936,373)
Cash flow from investing activities		
Proceeds from sales of investments	622,207	5,753,760
Purchases of investments	(17,188)	(5,692,906)
Purchases of property and equipment	(117,785)	(148,271)
Net cash provided by (used in) investing activities	487,234	(87,417)
Net change in cash and cash equivalents	233,229	(1,023,790)
Cash and cash equivalents, beginning of year	178,663	1,202,453
Cash and cash equivalents, end of year	$ 411,892	$ 178,663
Supplemental disclosure of cash flow Information:		
Interest paid	$ 21,156	$ 290
Supplemental disclosure of non-cash financing activities:		
Operating lease assets acquired in exchange for operating lease liability	$ 406,059	$ 2,294,508

See Notes to Financial Statements.

Note 1 – Organization and summary of significant accounting policies

Nature of activities
Adjoin (the "Organization") is a California not-for-profit public benefit corporation providing individuals with disabilities and special needs advocacy, services, programs and other means necessary to improve their quality of life and to enable them to seek and achieve self-sufficiency within and integrate into the community, and to provide assistance to veterans with housing, identifying and accessing benefits and resources for which they are eligible, meeting their career and/or educational goals and other aspects of their life to ensure a successful transition into civilian life.

Basis of accounting
The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial statement presentation
The financial statements of the Organization have been prepared in accordance with US GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. The Organization had no net assets with donor restrictions during the years ended December 31, 2023 and 2022.

Use of 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.

Cash and cash equivalents
The Organization considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments
Investments are carried at fair value, and realized and unrealized gains and losses are reflected in investment gain (loss) in the accompanying statements of activities and changes in net assets.

Accounts receivable
Accounts receivable arise in the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs

experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. The allowance for doubtful accounts as of December 31, 2023 and 2022 was $85,000 and $70,000, respectively.

Property and equipment

Acquisitions of property and equipment of $5,000 or more are capitalized. Property and equipment are recorded at cost for purchased assets and at fair market value at the time of donation for donated assets. Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from two to seven years. Amortization of leasehold improvements is provided using the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. Amortization of leasehold improvements is included in depreciation expense.

Valuation of long-lived assets

Accounting Standards Codification ("ASC") Topic 360, Property, Plant, and Equipment, requires that long-lived assets and certain identifiable intangibles to be held and used by the Organization be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment, which is determined based upon the estimated fair value of the asset, is recorded when estimated undiscounted cash flows expected to be generated by the asset is insufficient to recover its net carrying value. As of December 31, 2023 and 2022, the Organization did not identify any events or circumstances that would require the recognition of an impairment loss under this standard.

Revenue and support

In accordance with Topic 606, Revenue from Contracts with Customers, and Topic 958, Not-for-Profit Entities, the Organization recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Revenues for the Organization primarily consist of fee-for-service contracts and grants awarded by federal and state agencies. Management has determined that these sources of revenue are most appropriately classified as conditional contributions, and therefore, revenue is recognized as conditions are met, which is typically when services are performed.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Deferred revenue

Deferred revenue is defined as income received prior to the performance or to which the income is earned and is recorded as a liability. Deferred revenue is reduced and recorded as the income is earned. As of December 31, 2023 and 2022, deferred revenue totaled $3,633 and $3,879, respectively.

Contributed materials and services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. Certain volunteer services do not meet the criteria for recognition as a contribution and are, therefore, not reflected in the financial statements.

Income taxes
Adjoin is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization may be subject to tax on income which is not related to their exempt purpose. For the years ended December 31, 2023 and 2022, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made. Adjoin is not a private foundation.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

Fair value measurements
The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs.

The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair value as of December 31, 2023 and 2022, due to the relative short maturities of these instruments.

Board designations
The Organization’s governing board, through specific action, has created self-imposed limits on net assets without donor restrictions.

The board has earmarked $5,975,178 and $6,120,990 for the following purposes as of December 31, 2023 and 2022, respectively:

	2023	2022
Board designated for operating reserves	$ 3,704,599	$ 3,789,378
Board designated for mergers and acquisitions	1,135,290	1,165,806
Board designated for capital expenditures	1,135,290	1,165,806
	$ 5,975,178	$ 6,120,990

Functional expense allocations
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 depreciation, printing, and office and occupancy, which are allocated based on total expenses or employee headcount, as well as salaries and benefits, training, and travel, which are allocated on the basis of estimates of time and effort.

Lessee arrangements
The Organization is the lessee under non-cancelable real estate and equipment lease agreements. Beginning on January 1, 2022, the date of the Organization's adoption of Accounting Standards Update ("ASU") No. 2016-02, Leases ("Topic 842"), operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term. The Organization's lease terms may include options to extend or terminate the lease. The Organization assesses these options using a threshold of reasonably certain. For leases the Organization is reasonably certain to renew, those option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

As the Organization's leases do not provide an implicit rate, the incremental borrowing rates are estimated based on the information available at the commencement date in determining the present value of lease payments. The implicit rate will be used when readily determinable. The operating lease ROU asset also includes any prepaid lease payments made and are net of lease incentives. The Organization does not record an asset or liability for operating leases with a term of 12 months or less.

For additional information, including the required disclosures, related to the impact of adopting this standard, see Note 8 — Commitments and contingencies.

New accounting pronouncements
In June 2016, the FASB issued ASC 326, Financial Instruments – Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. This guidance was effective January 1, 2023 and does not have an impact on the current year financial statements.

Subsequent events
The Organization has evaluated subsequent events through July 17, 2024, which is the date the financial statements were available to be issued.

Note 2 – Financial assets and liquidity resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Interest income or dividends earned from invested unrestricted reserve funds are not available to meet operating needs as these earnings are re-invested into the reserve funds.

Financial assets in excess of daily cash requirements are invested in money market or other short-term investments. Financial assets in excess of annual cash requirements are transferred to unrestricted reserve funds which are invested. The Organization operates with a balanced budget and anticipates collecting sufficient revenues to cover general expenditures not covered by donor-restricted resources.

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. Amounts not available include board-designated special project funds that are intended to fund special board initiatives not considered in the annual operating budget. At the Board's discretion, unrestricted reserve funds could be made available to meet general expenditure needs. To help manage unanticipated needs, the Organization maintains two lines of credit (Note 6) which are drawn upon as needed during the year to manage cash flow needs and is then repaid as soon as practicable. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2023 and 2022.

The Organization's financial assets available within one year of the statement of financial position for general expenditures are as follows:

	2023	2022
Financial assets at year end		
Cash and cash equivalents	$ 411,892	$ 178,663
Investments	5,859,768	5,990,563
Accounts receivable, net	1,986,419	2,597,191
Total financial assets	8,258,079	8,766,417
Less amounts not available to be used within one year		
Board designated for operating reserves	3,704,599	3,789,378
Board designated for mergers and acquisitions	1,135,290	1,165,806
Board designated for capital expenditures	1,135,290	1,165,806
	5,975,178	6,120,990
Financial assets available to meet general expenditures over the next twelve months	$ 2,282,901	$ 2,645,427

Note 3 – Concentration of credit risk

The Organization maintains its cash at two financial institutions. Cash balances are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the amount on deposit with a single financial institution may exceed federal depository insurance limits. At December 31, 2023 and 2022, the Organization had cash exceeding $250,000 in the amount of $316,248 and $189,161, respectively. The Organization has not experienced losses in any such accounts and believes it is not exposed to any significant loss of cash.

Note 4 – Investments

The fair market value of investments is categorized as follows for the year ended December 31, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 213,812	$ -	$ 213,812
Equities	2,924,280	-	-	2,924,280
Corporate bonds	2,721,676	-	-	2,721,676
	$ 5,645,956	$ 213,812	$ -	$ 5,859,768

The fair market value of investments is categorized as follows for the year ended December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 213,790	$ -	$ 213,790
Equities	2,876,293	-	-	2,876,293
Corporate bonds	2,900,480	-	-	2,900,480
	$ 5,776,773	$ 213,790	$ -	$ 5,990,563

Note 5 – Property and equipment, net

Property and equipment, net at December 31, 2023 and 2022,consisted of the following:

	2023	2022
Vehicles	$ 171,293	$ 171,293
Equipment and software	355,705	249,347
Furniture and fixture	3,459	8,966
Leasehold improvements	7,000	12,200
	537,457	441,806
Less accumulated depreciation	(263,765)	(216,724)
	$ 273,692	$ 225,082

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was $69,176 and $53,950, respectively.

Note 6 – Lines of credit

The Organization has a $200,000 line of credit with Bank of America, collateralized by a $213,812 certificate of deposit. The line of credit bears interest at the prime rate, which was 8.50% at December 31, 2023, and initially expired March 1, 2023. The line of credit automatically was renewed for an additional 12 months through March 1, 2024 and was extended for a second time for 12 months and now expires March 1, 2025. There was no outstanding balance on this line of credit as of December 31, 2023 and 2022, respectively. The Organization opened an additional $1,500,000 line of credit with City National Bank during 2022, bearing an interest rate of 5.812%, which expires on September 15, 2025. There was no outstanding balance for this line of credit as of December 31, 2023 and 2022.

Note 7 – Third party reimbursements

The Organization depends significantly on revenue received from Regional Centers operating under Title 17 regulations of the Department of Developmental Services of the State of California (Department). Under the terms of the agreements, the Organization is classified as a vendor and submits monthly invoices for reimbursement, based on the participants' enrollment and activities according to the Department's funding policies. During the years ended December 31, 2023 and 2022, approximately 60% and 54%, respectively, of the Organization’s total revenue was received from five of these regional centers. The accounts receivable due from these regional centers at December 31, 2023 and 2022 were $1,382,069 and $1,746,270, respectively.

The Organization also received revenue from the Department of Veterans Affairs: Supportive Services for Veterans Families (SSVF) Program. Approximately 39% and 45% of revenue came from SSVF during the years ended December 31, 2023 and 2022, respectively. The accounts receivable due from SSVF at December 31, 2023 and 2022 were $649,386 and $787,809, respectively.

Note 8 – Commitments and contingencies

Leases

The Organization has entered into various operating lease agreements for its office locations. The office leases expire at various dates through April 2028 and require monthly payments of approximately $48,170. Other office locations are leased either short-term or month-to-month. The Organization also leases vehicles and equipment under operating leases which require monthly payments of approximately $14,817. The leases expire at various dates through June 2027.

The facility lease agreements include an initial term with renewal options and provide for minimum fixed rental payments. The Organization does not include lease renewal options in the lease term for calculations of its right-of-use assets and lease liabilities until it is reasonably certain that the Organization plans to renew these leases.

The majority of the Organization’s leases only have a monthly fixed rent component. The Organization’s leases do not provide an implicit rate, so the incremental borrowing rate, based on the information available at commencement or modification date, is used in determining the present value of lease payments.

For operating leases that commenced prior to the date of adoption of the new lease accounting guidance, the Organization used the incremental borrowing rate that corresponded to the remaining lease term as of the date of adoption.

Supplemental balance sheet information related to the operating lease liability is as following as of December 31, 2023:

	2023
Right of use asset obtained in exchange for lease obligation:	
Operating leases	$ 1,650,351
Weighted average remaining lease term	
Operating leases (in months)	30
Weighted average discount rate	
Operating leases	5.00%

Future minimum lease payments for operating leases in each of the five years subsequent to December 31, 2023 and thereafter are as follows:

Year Ending December 31,	
2024	$ 764,782
2025	469,379
2026	353,484
2027	212,066
2028	58,053
Thereafter	-
Total minimum lease payments	1,857,764
Amount of interest	(128,382)
Present value of lease liability	$ 1,729,382

Litigation
From time to time, the Organization is subject to various litigation as a result of their activities. Management believes that the outcome of any such litigation will not have a material adverse effect on the Organization's financial position, changes in net assets or liquidity.

Grants and contracts
The Organization has received funds from the state and federal government for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that the outcome of any such litigation will not have a material adverse effect on the Organization's financial position, changes in net assets or liquidity.

Note 9 – Retirement plan

The Organization has adopted a 403(b) employer contributory tax deferred annuity plan covering all employees who have met certain service requirements. For the years ended December 31, 2023 and 2022, the Organization matched 50% of employee elective deferrals, not to exceed 8% of the employee's salary. The Organization contributed $177,718 and $172,580 for the years ended December 31, 2023 and 2022, respectively.

Note 10 – Employee retention credit program

The Employee Retention Credit program under the CARES Act provides a tax credit to certain employers that either (1) fully or partially suspend operations because of government orders associated with COVID-19 or (2) experience a substantial decline in income but continue to pay employees their wages. The tax credit is equal to 50 percent of the qualified wages paid by a qualified employer to an employee, up to a maximum of $10,000 in qualified wages per employee, and can be applied against payroll taxes, with any excess tax credit eligible for a cash refund. In 2023, the Organization applied for $3,439,408 in tax credits for Q2 2020 through Q2 2021. The Organization expects to receive the tax credits in 2024. The Organization has not recognized any of the credits as revenue as of December 31, 2023.

Note 11 – Subsequent event

On January 19, 2024, the Organization received an automatic extension of its $200,000 line of credit with Bank of America, which now expires on March 1, 2025.

Supplementary Information

Adjoin 2023

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Veterans Affairs				
Supportive Services for Veteran Families (SSVF) Program	64.033	N/A	$ -	$ 5,044,512
Supportive Services for Veteran Families (SSVF) Program Special NOFA	64.033	N/A	-	28,117
Supportive Services for Veteran Families (SSVF) Shallow Subsidy Program	64.033	N/A	-	3,494,411
Total SSVF Expenditures			-	8,567,040
Total Expenditures of Federal Awards			$ -	$ 8,567,040

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Adjoin 2023 (the "Organization") under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures are recognized following the cost principles contained in by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

Revenues from award programs are recognized in the period in which terms of the grant or contractual agreements have been met and the revenue earned and are included in the Organization's financial statements as "Grants from Supportive Services for Veteran Families".

Note 3 – Indirect Cost Rate

Adjoin 2023 elected to use the 10% de minimums cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

JGD&Associates
TRUST | INTEGRITY | SINCE 1977

9191 Towne Centre Drive, Suite 340
San Diego, CA 92122
Phone (858) 587-1000 | Fax (858) 587-0212

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

To the Board of Directors
Adjoin
San Diego, California

We have audited, in accordance with the 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, the financial statements of Adjoin 2023 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adjoin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adjoin 2023's internal control. Accordingly, we do not express an opinion on the effectiveness of Adjoin 2023's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adjoin 2023's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Adjoin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Adjoin 2023's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JGD & Associates, LLP

San Diego, California
July 17, 2024

JGD&Associates
TRUST | INTEGRITY | SINCE 1977

9191 Towne Centre Drive, Suite 340
San Diego, CA 92122
Phone (858) 587-1000 | Fax (858) 587-0212

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

To the Board of Directors
Adjoin
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Adjoin's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Adjoin's major federal program for the year ended December 31, 2023. Adjoin's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Adjoin complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

JGD & Associates, LLP

San Diego, California
July 17, 2024

Adjoin 2023

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	______yes	X no
Significant deficiencies identified?	______yes	X none identified
Noncompliance material to financial statements noted?	______yes	X no

Federal Awards

Internal control over major programs:

Material weaknesses identified?	______yes	X no
Significant deficiencies identified?	______yes	X none identified

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______yes	X no

Identification of major programs:

CFDA Number	Name of Federal Program	Expenditures
64.033	Supportive Services for Veteran Families Program	$ 8,567,040

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? X yes ___no

Adjoin 2023

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section II - Financial Statement Findings Section

None noted

Section III - Federal Award Findings and Questioned Costs Section

None noted

Adjoin 2023

Schedule of Prior year Findings and Questioned Costs
Year Ended December 31, 2022

Section IV – Schedule of Prior Year Findings and Questioned Costs

None noted