

Adjoin
(A California Nonprofit Organization)

Financial Statements and Independent Auditor's Report

December 31, 2024 and 2023

Adjoin

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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, 2024 and 2023, 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, 2024 and 2023, 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. 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 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, 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.

JGI & Associates, LLP

San Diego, California
July 25, 2025

Adjoin

Statements of Financial Position December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 568,618	\$ 411,892
Investments (Note 4)	6,565,385	5,859,768
Accounts receivable, net	2,545,695	1,986,419
Prepaid expenses	<u>166,772</u>	<u>172,326</u>
Total current assets	9,846,470	8,430,405
Deposits	174,655	185,439
Property and equipment, net (Note 5)	226,577	273,692
Operating leases - right-of-use assets, net (Note 8)	<u>1,183,423</u>	<u>1,650,351</u>
Total assets	<u>\$ 11,431,125</u>	<u>\$ 10,539,887</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 417,871	\$ 263,181
Accrued payroll and taxes	1,128,565	963,912
Accrued expenses	1,146,042	173,713
Current portion of operating lease liability (Note 8)	809,996	996,953
Deferred revenue	<u>-</u>	<u>3,633</u>
Total current liabilities	3,502,474	2,401,392
Operating lease liability, net of current portion (Note 8)	<u>445,654</u>	<u>732,429</u>
Total liabilities	<u>3,948,128</u>	<u>3,133,821</u>
Net assets without donor restriction:		
Board designated	6,653,244	5,975,178
Undesignated	<u>829,753</u>	<u>1,430,888</u>
Total net assets without donor restriction	<u>7,482,997</u>	<u>7,406,066</u>
Total liabilities and net assets	<u>\$ 11,431,125</u>	<u>\$ 10,539,887</u>

See Notes to Financial Statements.

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Statements of Activities and Changes in Net Assets Years Ended December 31, 2024 and 2023

	2024	2023
Revenue and support without donor restriction:		
Consumer service revenue	\$ 15,070,427	\$ 13,472,708
Grants - Supportive Services for Veteran Families	14,680,729	8,674,933
Contributions	18,348	28,672
Miscellaneous income	11,800	64,316
Total revenue and support without donor restriction	29,781,304	22,240,629
Operating expenses:		
Program services:		
Developmental disabilities program	13,760,099	12,865,179
Veterans housing services	13,537,381	7,672,037
Path-Now services	240,121	252,719
Supporting services:		
Management and general	2,874,830	2,169,146
Fundraising	15,459	191,575
Total operating expenses	30,427,889	23,150,656
Other income:		
Investment gain, net	723,516	520,783
Total other income	723,516	520,783
Change in net assets without donor restriction	76,931	(389,244)
Net assets without donor restriction, beginning of year	7,406,066	7,795,310
Net assets without donor restriction, end of year	\$ 7,482,997	\$ 7,406,066

See Notes to Financial Statements.

Adjoin

Statement of Functional Expenses Year Ended December 31, 2024

	Program Services			Supporting Services		Total
	Developmental Disabilities Program	Veterans Housing Services	Path-Now Services	Management and General	Fundraising	
Salaries	\$ 9,424,133	\$ 2,556,440	\$ 65,628	\$ 926,381	\$ -	\$ 12,972,583
Insurance	1,794,021	385,617	14,471	144,508	-	2,338,617
Payroll taxes	796,210	205,021	5,446	74,233	-	1,080,909
Retirement plan contributions	137,647	26,963	1,251	31,333	-	197,193
Other employee benefits	7,527	1,310	-	765	-	9,602
Total salaries and related benefits	12,159,537	3,175,352	86,796	1,177,219	-	16,598,904
Consumer	10,341	9,559,582	-	-	1,400	9,571,323
Purchased services	124,608	97,767	91,706	418,320	-	732,401
Professional fees - legal	-	40,016	-	676,597	-	716,613
Rent	253,336	258,849	10,508	130,702	-	653,394
Travel	500,690	88,521	442	26,776	-	616,428
Office	108,636	172,066	6,613	82,733	13,112	383,160
Insurance - general	87,156	36,525	660	96,750	17	221,108
Telephone	130,325	51,807	1,628	22,637	-	206,397
Equipment lease	159,428	11,574	-	9,896	-	180,899
Dues and subscriptions	6,243	18	2,499	91,427	448	100,635
Depreciation and amortization	21,113	-	38,932	25,685	-	85,729
Maintenance and repairs	66,347	10,176	157	3,868	-	80,549
Seminars and training	45,625	8,268	113	5,164	-	59,170
Bank charges	3	6	10	55,587	482	56,088
Bad debts	33,015	-	-	4,500	-	37,515
Utilities	19,084	17,069	28	329	-	36,510
Program supplies	19,475	80	-	9,311	-	28,867
Personnel recruitment	7,698	6,007	-	12,558	-	26,263
Interest	-	-	-	22,580	-	22,580
Professional fees - screening	6,519	1,858	28	1,141	-	9,546
Professional fees - other	920	1,840	-	1,050	-	3,810
	1,600,561	10,362,029	153,325	1,697,611	15,459	13,828,985
Total expenses	\$ 13,760,099	\$ 13,537,381	\$ 240,121	\$ 2,874,830	\$ 15,459	\$ 30,427,889

See Notes to Financial Statements.

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Statement of Functional Expenses Year Ended December 31, 2023

	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	<u>11,354,297</u>	<u>1,712,014</u>	<u>90,113</u>	<u>1,112,288</u>	<u>122,453</u>	<u>14,391,165</u>
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
	<u>1,510,881</u>	<u>5,960,023</u>	<u>162,606</u>	<u>1,056,858</u>	<u>69,123</u>	<u>8,759,491</u>
Total expenses	<u>\$ 12,865,179</u>	<u>\$ 7,672,037</u>	<u>\$ 252,719</u>	<u>\$ 2,169,146</u>	<u>\$ 191,575</u>	<u>\$ 23,150,656</u>

See Notes to Financial Statements.

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Statements of Cash Flows Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets from operations	\$ 76,931	\$ (389,244)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	37,515	66,443
Depreciation and amortization	85,729	69,176
Amortization of operating leases right-of-use assets	529,267	459,489
Loss on disposal of property and equipment	(22,136)	-
Gain on investments	(689,523)	(474,224)
Changes in operating assets and liabilities:		
Accounts receivable	(596,791)	544,329
Prepaid expenses	5,554	(36,704)
Deposits	10,784	(2,879)
Operating lease liability	(491,799)	(455,702)
Accounts payable	154,690	25,442
Accrued payroll and taxes	164,653	24,459
Accrued expenses	972,329	(79,504)
Deferred revenue	(3,633)	(5,086)
	<u>233,570</u>	<u>(254,005)</u>
Cash flow from investing activities		
Proceeds from sales of investments	11,490	622,207
Purchases of investments	(27,584)	(17,188)
Purchases of property and equipment	(60,750)	(117,785)
	<u>(76,844)</u>	<u>487,234</u>
Net change in cash and cash equivalents	156,726	233,229
Cash and cash equivalents, beginning of year	<u>411,892</u>	<u>178,663</u>
Cash and cash equivalents, end of year	\$ <u><u>568,618</u></u>	\$ <u><u>411,892</u></u>
Supplemental disclosure of cash flow Information:		
Interest paid	\$ <u><u>22,580</u></u>	\$ <u><u>21,156</u></u>
Supplemental disclosure of non-cash financing activities:		
Operating lease assets acquired in exchange for operating lease liability	\$ <u><u>-</u></u>	\$ <u><u>406,059</u></u>

See Notes to Financial Statements.

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Notes to Financial Statements December 31, 2024 and 2023

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, 2024 and 2023.

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 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

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Notes to Financial Statements December 31, 2024 and 2023

experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. The allowance for doubtful accounts as of December 31, 2024 and 2023 was \$89,500 and \$85,000, 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, 2024 and 2023, 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 ASC Topic 606, Revenue from Contracts with Customers, and ASC 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, 2024 and 2023, deferred revenue totaled \$0 and \$3,633, 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

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Notes to Financial Statements December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 \$6,653,244 and \$5,975,178 for the following purposes as of December 31, 2024 and 2023, respectively:

	<u>2024</u>	<u>2023</u>
Board designated for operating reserves	\$ 4,111,180	\$ 3,704,598
Board designated for mergers and acquisitions	1,271,032	1,135,290
Board designated for capital expenditures	1,271,032	1,135,290
	<u>\$ 6,653,244</u>	<u>\$ 5,975,178</u>

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Notes to Financial Statements December 31, 2024 and 2023

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, see Note 8 — Commitments and contingencies.

Reclassifications

Certain prior year balances have been reclassified to agree to the current year presentation. This included reclassifying \$503,760 out of Amortization of Operating Leases of Right-of-Use Assets and into Operating Lease Liability on the Statement of Cash Flows.

Subsequent events

The Organization has evaluated subsequent events through July 25, 2025, 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

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Notes to Financial Statements December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>
Financial assets at year end		
Cash and cash equivalents	\$ 568,618	\$ 411,892
Investments	6,565,385	5,859,768
Accounts receivable, net	<u>2,545,695</u>	<u>1,986,419</u>
Total financial assets	<u>9,679,698</u>	<u>8,258,079</u>
Less amounts not available to be used within one year		
Board designated for operating reserves	4,111,180	3,704,598
Board designated for mergers and acquisitions	1,271,032	1,135,290
Board designated for capital expenditures	<u>1,271,032</u>	<u>1,135,290</u>
	<u>6,653,244</u>	<u>5,975,178</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,026,454</u>	<u>\$ 2,282,901</u>

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, 2024 and 2023, the Organization had cash balances exceeding \$250,000 in the amount of \$791,846 and \$316,248, respectively. The Organization has not experienced losses in any such accounts and believes it is not exposed to any significant loss of cash.

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Notes to Financial Statements December 31, 2024 and 2023

Note 4 – Investments

The fair market value of investments is categorized as follows for the year ended December 31, 2024:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 213,833	\$ -	\$ 213,833
Equities	3,924,295	-	-	3,924,295
Corporate bonds	2,427,257	-	-	2,427,257
	\$ 6,351,552	\$ 213,833	\$ -	\$ 6,565,385

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

Investments in equities and corporate bonds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quote for transactions in active exchange markets involving identical assets. Certificates of deposits are designated as Level 2 instruments and valuations are obtained from readily available pricing sources for comparable instruments. There were no transfers between levels during the year ended December 31, 2024 and 2023. Transfers are recognized at the end of the reporting period.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 – Property and equipment, net

Property and equipment, net at December 31, 2024 and 2023, consisted of the following:

	2024	2023
Vehicles	\$ 127,022	\$ 171,293
Equipment and software	416,455	355,705
Furniture and fixture	3,459	3,459
Leasehold improvements	7,000	7,000
	553,936	537,457
Less accumulated depreciation	(327,359)	(263,765)
	\$ 226,577	\$ 273,692

Adjoin

Notes to Financial Statements December 31, 2024 and 2023

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$85,729 and \$69,176, respectively.

Note 6 – Lines of credit

The Organization has a \$200,000 line of credit with Bank of America, collateralized by a \$213,833 certificate of deposit. The line of credit bears interest at the prime rate, which was 7.50% at December 31, 2024, and initially expired March 1, 2024. The line of credit automatically was renewed for an additional 12 months through March 1, 2025 and was extended for a second time for 12 months and now expires March 1, 2026. There was no outstanding balance on this line of credit as of December 31, 2024 and 2023, 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, 2024 and 2023.

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, 2024 and 2023, approximately 50% and 60%, respectively, of the Organization's total revenue was received from four of these regional centers. The accounts receivable due from these regional centers at December 31, 2024 and 2023 were \$1,749,770 and \$1,382,069, respectively.

The Organization also received revenue from the Department of Veterans Affairs: Supportive Services for Veterans Families (SSVF) Program. Approximately 49% and 39% of revenue came from SSVF during the years ended December 31, 2024 and 2023, respectively. The accounts receivable due from SSVF at December 31, 2024 and 2023 were \$720,723 and \$649,386, 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 \$14,817. The leases expire at various dates through October 2028.

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.

Adjoin

Notes to Financial Statements December 31, 2024 and 2023

Supplemental balance sheet information related to the operating lease liability is as following as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Right of use asset obtained in exchange for lease obligation:		
Operating leases	\$ 1,183,423	1,650,351
Weighted average remaining lease term		
Operating leases (in months)	18	30
Weighted average discount rate		
Operating leases	5.00%	5.00%

Future minimum lease payments for operating leases in each of the five years subsequent to December 31, 2024 and thereafter are as follows:

Year Ending <u>December 31,</u>	
2025	\$ 505,785
2026	414,142
2027	292,457
2028	<u>127,792</u>
Total minimum lease payments	1,340,176
Amount of interest	<u>(84,526)</u>
Present value of lease liability	<u>\$ 1,255,650</u>

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. During the year ended December 31, 2024, the Organization entered into a settlement for a class action lawsuit. As of December 31, 2024, the Organization has accrued \$675,000 in settlement costs and is recorded in Accrued Expenses on the Statement of Financial Position.

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. The Organization was engaged in a government audit for the period ended December 31, 2023, and was finalized on February 10, 2025. There was a result of \$939,294 in questioned costs related to improper tracking of federal expenses on the general ledger. The Organization has disputed the questioned costs and responded to the findings, noting the questioned costs are allowable and there are no expectations for it to be paid. The Organization has received no follow up from the agency. No accruals related to the questioned costs were recorded as of December 31, 2024.

Adjoin

Notes to Financial Statements December 31, 2024 and 2023

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, 2024 and 2023, the Organization matched 50% of employee elective deferrals, not to exceed 8% of the employee's salary. The Organization contributed \$197,193 and \$177,718 for the years ended December 31, 2024 and 2023, 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 2025. The Organization has not recognized any of the credits as revenue as of December 31, 2024. The Organization received \$641,198 and \$1,905,492 in tax credits related to the years ended December 31, 2020 and 2021, respectively, on April 29, 2025 and July 8, 2025.

Note 11 – Subsequent events

On March 28, 2024, the Organization entered into a lease agreement for a new Veteran's office in San Diego, CA. The lease has a commencement date as of January 1, 2025, and the lease term is five years, with an expiration date of December 31, 2029.

On January 6, 2025, the Organization entered into a lease agreement for a building in Chula Vista, CA. The lease term is three years and nine months, with an expiration date of November 30, 2028.

On January 27, 2025, the Organization entered a lease amendment for a building expansion in Stockton, CA. The expansion lease includes a base rent adjustment for a new suite and commences on March 1, 2025, with an expiration date of May 31, 2028.

On February 18, 2025, the Organization received an automatic extension of its \$200,000 line of credit with Bank of America, which now expires on March 1, 2026.

The Organization received \$641,198 and \$1,905,492 in tax credits related to the years ended December 31, 2020 and 2021, respectively, on April 29, 2025 and July 8, 2025.