AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of AMVETS Department of California Foundation
Garden Grove, California

Opinion

We have audited the accompanying financial statements of AMVETS Department of California Service Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, 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 AMVETS Department of California Service Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AMVETS Department of California Service Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (Continued)

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 AMVETS Department of California Service Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 AMVETS Department of California Service Foundation'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 AMVETS Department of California Service Foundation 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.

Guzman and Gray CPAs
Long Beach, CA
July 12, 2023

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 4,349,753	$ 5,077,811
Accounts receivable	42,445	34,440
Inventory	470,387	670,913
Investments	7,907,582	9,758,850
Operating lease right of use asset	9,501	-
Property, plant, and equipment, net	7,755,733	8,035,514
Prepaid expenses	121,473	170,176
Deposits	4,274	4,274
TOTAL ASSETS	$ 20,661,148	$ 23,751,978
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 202,111	$ 170,647
Sales tax payable	64,118	58,637
Accrued payroll and other liabilities	483,790	381,814
Line of credit	-	844,370
Finance lease liabilities	28,408	61,815
Operating lease liabilities	9,449	-
Security deposit	8,050	8,050
TOTAL LIABILITIES	$ 795,926	$ 1,525,333
NET ASSETS		
Without donor restrictions		
Board designated	10,000,000	10,000,000
Undesignated	9,865,222	12,226,645
TOTAL NET ASSETS	19,865,222	22,226,645
TOTAL LIABILITIES AND NET ASSETS	$ 20,661,148	$ 23,751,978

See Independent Auditors' Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	Without Donor Restrictions	
	2022	2021
SUPPORT AND REVENUE		
Retail sales	$ 9,382,170	$ 8,924,626
Salvage sales	211,980	193,632
Total sales of donated goods	9,594,150	9,118,258
Contributions - donated goods	15,613,178	15,830,465
Grants and contributions	178,545	94,432
Rental revenue	141,626	90,065
PPP loan forgiveness	-	2,370,790
Investment return, net	(1,842,932)	809,173
Other	40,894	123,515
Gain on sale of fixed assets	109,459	(338,137)
TOTAL SUPPORT AND REVENUE	23,834,920	28,098,561
EXPENSES		
Program Services		
Thrift store operations	21,511,438	20,980,649
Service to veterans	1,803,571	1,188,065
Welcome home program	875,681	657,159
Total program services	24,190,690	22,825,873
Support Services		
Management and general	1,666,658	1,590,021
Fundraising	338,995	297,663
TOTAL EXPENSES	26,196,343	24,713,557
CHANGE IN NET ASSETS	(2,361,423)	3,385,004
BEGINNING NET ASSETS	22,226,645	18,841,641
ENDING NET ASSETS	$ 19,865,222	$ 22,226,645

See Independent Auditors' Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Support Services		
	Thrift Stores	Service to Veterans	Welcome Home	Program Total	Management and General	Fundraising	Total
Salaries and wages	$ 4,948,993	$ 763,473	$ 148,437	$ 5,860,903	$ 216,306	$ 57,456	$ 6,134,665
Payroll taxes	420,101	53,931	12,885	486,917	16,350	4,343	507,610
Employee benefits	105,473	19,743	5,695	130,911	6,029	1,601	138,541
Workman's comp	445,018	-	1,684	446,702	20,195	-	466,897
	5,919,585	837,147	168,701	6,925,433	258,880	63,400	7,247,713
Accounting	-	-	-	-	89,850	-	89,850
Bank and merchant fees	-	-	-	-	181,417	-	181,417
Cost of goods sold - donated goods	15,102,161	-	2,378	15,104,539	-	-	15,104,539
Depreciation	305,662	7,819	5,213	318,694	83,405	22,155	424,254
Amvetsone	-	17,220	-	17,220	-	-	17,220
Equipment rental	5,303	1,130	182	6,615	2,906	772	10,293
Insurance	27,007	18,005	12,003	57,015	192,053	51,014	300,082
Interest	8,314	-	-	8,314	-	30,797	39,111
Legal	-	-	-	-	19,162	-	19,162
License, fees, and permits	2,097	1,398	932	4,427	14,915	3,962	23,304
Maintenance and repairs	-	100,802	926	101,728	33,784	600	136,112
Marketing	42	67,574	919	68,535	301	80	68,916
Meals and entertainment	-	1,978	-	1,978	11,574	-	13,552
Miscellaneous	-	-	1	1	(4,073)	-	(4,072)
Other professional services	7,096	4,731	3,154	14,981	50,460	13,403	78,844
Postage and shipping	-	361	1,133	1,494	6,601	-	8,095
Payroll expense	53,270	7,397	-	60,667	-	-	60,667
Grants and assistance	-	-	576,200	576,200	-	-	576,200
Rent	-	-	25,510	25,510	-	-	25,510
Security, armored services	15,995	10,663	7,109	33,767	114,743	30,212	178,722
Software, computer, and information technology	-	1,464	-	1,464	-	-	1,464
Dues and subscriptions	153	102	68	323	1,089	289	1,701
Supplies	-	218,470	8,745	227,215	12,532	-	239,747
Taxes	9,735	6,490	4,327	20,552	134,360	18,388	173,300
Telecommunications	-	6,074	4,183	10,257	54,759	-	65,016
Training	1,080	3,045	480	4,605	7,680	2,040	14,325
Travel	-	31,526	1,943	33,469	9,578	-	43,047
Utilities	51,560	34,373	50,517	136,450	366,649	97,391	600,490
Vehicle expense	2,378	425,802	1,057	429,237	24,033	4,492	457,762
Total Expenses	$ 21,511,438	$ 1,803,571	$ 875,681	$ 24,190,690	$ 1,666,658	$ 338,995	$ 26,196,343

See Independent Auditors' Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services		
	Thrift Stores	Service to Veterans	Welcome Home	Program Total	Management and General	Fundraising	Total
Salaries and wages	$ 4,550,354	$ 493,804	$ 150,271	$ 5,194,429	$ 205,587	$ 54,609	$ 5,454,625
Payroll taxes	174,650	43,703	14,248	232,601	15,026	3,991	251,618
Employee benefits	116,599	19,119	9,366	145,084	6,453	1,714	153,251
Workman's comp	397,038	-	19,216	416,254	68,336	-	484,590
	5,238,641	556,626	193,101	5,988,368	295,402	60,314	6,344,084
Accounting	-	-	-	-	101,850	-	101,850
Bank and Merchant fees	-	-	-	-	174,495	-	174,495
Cost of goods sold - donated goods	15,259,059	-	-	15,259,059	-	-	15,259,059
Depreciation	311,964	10,328	6,885	329,177	110,160	29,261	468,598
Equipment rental	5,322	1,133	183	6,638	2,929	778	10,345
Insurance	30,334	20,223	13,482	64,039	215,712	57,298	337,049
Interest	8,314	-	-	8,314	-	13,214	21,528
Legal	-	-	-	-	4,359	-	4,359
License, fees, and permits	1,963	1,309	873	4,145	13,962	3,709	21,816
Maintenance and repairs	-	102,948	842	103,790	21,581	-	125,371
Marketing	82	54,547	180	54,809	581	154	55,544
Meals and entertainment	-	2,986	-	2,986	5,723	-	8,709
Miscellaneous	-	-	185	185	14,226		14,411
Other professional services	5,246	3,497	2,331	11,074	37,304	9,909	58,287
Postage and shipping	-	1,073	634	1,707	6,902		8,609
Payroll fee	54,592	4,460	-	59,052		-	59,052
Rent	180	120	38,881	39,181	1,280	340	40,801
Security, armored services	10,786	7,190	4,794	22,770	77,659	20,373	120,802
Software, computer, and information technology	-	2,406	-	2,406			2,406
Dues and subscriptions	147	98	65	310	1,043	277	1,630
Supplies	-	110,640	6,501	117,141	9,020	-	126,161
Taxes	9,490	6,326	4,218	20,034	121,220	17,925	159,179
Telecommunications	-	5,820	3,679	9,499	47,601		57,100
Training	1,638	2,745	728	5,111	13,304	3,094	21,509
Transportation	-	14,791	2,988	17,779	6,056	-	23,835
Utilities	41,874	27,916	40,082	109,872	297,770	79,095	486,737
Vehicle	1,017	250,883	452	252,352	9,882	1,922	264,156
Total Expenses	$ 20,980,649	$ 1,188,065	$ 657,159	$ 22,825,873	$ 1,590,021	$ 297,663	$ 24,713,557

See Independent Auditors' Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,361,423)	$ 3,385,004
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	424,254	468,598
Forgiveness of PPP loan	-	(2,370,790)
(Gain) loss on sale of fixed assets	(109,459)	338,137
Realized loss (gain) on investments	52,477	(176,256)
Unrealized loss (gain) on investments	1,951,205	(530,170)
Amortization on operating lease right of use assets	3,473	-
(Increase) decrease in assets:		
Accounts receivable	(8,005)	(12,035)
Inventory	200,526	(321,493)
Prepaid expenses	48,703	(46,483)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	31,464	67,263
Sales tax payble	5,481	8,005
Accrued payroll and related liabilties	101,976	(125,107)
Operating lease liabilities	(3,525)	-
Other liabilities	-	(3,116)
NET CASH PROVIDED BY OPERATING ACTIVITIES	337,147	681,557
Proceeds from sale of fixed asset	128,377	-
Proceeds from sale of investments	4,732,467	1,243,540
Purchases of investments	(4,884,881)	(1,490,193)
Purchases of property and equipment	(163,391)	(121,129)
NET CASH USED BY INVESTING ACTIVITIES	(187,428)	(367,782)
CASH FLOWS FROM FINANCING ACTIVITES		
Principal payments on line of credit	(844,370)	(1,804)
Principal payments on finance lease liabilities	(33,407)	(54,212)
Proceeds from line of credit	-	22,787
Proceeds from PPP loan	-	1,185,395
NET CASH USED BY FINANCING ACTIVITIES	(877,777)	1,152,166
NET DECREASE IN CASH	(728,058)	1,465,941
BEGINNING CASH	5,077,811	3,611,870
ENDING CASH	$ 4,349,753	$ 5,077,811

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	$ 39,111	$ 21,528
INCOME TAXES	NONE	NONE

See Independent Auditors' Report and Notes to Financial Statements.

NOTE 1 – ORGANIZATION

AMVETS Department of California Service Foundation ("AMVETS" or "the Organization") is a California public benefit corporation. AMVETS was founded in 1949, but had humble origins starting in 1943 in the midst of WWII. Formed in Washington D.C., two independent clubs, one on the campus of George Washington University, the other a group of Veterans employed by the government, joined together to sponsor a serviceman's party. By September 1944, other such veterans' clubs organized in California, Florida, Louisiana, New York, Oklahoma, Rhode Island, Texas, and Tennessee. In 1949, AMVETS formally began operations as a veteran's support organization.

The Department of Veterans Affairs (VA) has accredited AMVETS's Service Officers to represent veterans and their dependents in processing their claims for benefits before the VA. These Service Officers are located in VA Hospitals, VA Regional Centers, and other VA facilities in California and Nevada. For decades these Service Officers have earned a well-deserved reputation in the veteran community by assisting deserving California veterans and their families

AMVETS operates thrift stores that are veteran managed and veteran operated. The stores offer donated household items and clothing to the general public at a discounted price. Proceeds from the sales of the donated merchandise are used to support the AMVETS and its programs, which serve veterans within California. The recruiting process of AMVETS actively recruits military veterans to work within the thrift stores and the Organization. Hiring veterans to work within the thrift stores and organization provides additional opportunities to the Southern California veteran community and also acts as a form of therapy for the veterans returning home from combat with post-traumatic stress or other mental disabilities.

Through AMVETS Welcome Home Program, AMVETS assists veterans returning from duty and/or formerly homeless veterans by providing them home furnishing and appliances. AMVETS transforms the residence into a real home complete with furniture, household items and appliances, thanks to donors and volunteers, entirely at the expense of AMVETS. AMVETS is continually developing programs to assist homeless veterans. Currently, AMVETS donates clothing across the state, gives grants to homeless veteran programs, and advocates for veteran's rights. Welcome Home Program served 341 veterans and their families.

AMVETS provides veterans with information, counseling and claims service related to education, disability compensation, pension, and other benefits. The Career Center provides career training and employment assistance to veterans, active duty service members, and members of the National Guard and Reserves who have honorably served America. This is provided at no cost to qualified veterans.

NOTE 1 – ORGANIZATION (continued)

California is home to over 145,000 women veterans, many of whom are enrolled in college. AMVETS cares about the issues facing female veterans and has dedicated significant funds and volunteer hours through the AMVETS Reaching Women Veterans Program.

Other programs supported by AMVETS include: Americanism, Blood Drives, Care Bear, Clothing & Food Drives, Community Service, Leadership Conference (Valley Forge), Habitat for Humanity, Scholarships, Legislative Advocates Sacramento, POW/MIA, ROTC, Service and Rehabilitation, Sick and Hospitalized, Veterans, Special Olympics, Support for National Guard Troops, Support Our Troops, VAVS, Veteran History Project (Library of Congress), and Veterans Suicide Hotline.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and follow the recommendations of the Accounting Standards Codification (ASC) 958-205, Financial Statements of Not for Profit Organizations.

Financial Statement Presentation

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

Net Assets without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that Is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization applies the five-step model to contracts when it is probable that the Organization will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, Revenue from Contracts with Customers, the Organization performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Organization satisfies a performance obligation. The Organization then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

Contributions - Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (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 statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Thrift store revenue - Performance obligations for retail sales are typically satisfied when customers take possession of the merchandise, usually at the point of sale. Revenue is recognized once performance obligations have been satisfied. Salvage sales revenue is recognized at the time goods are shipped to the customer.

Returns and refunds - Refunds are seldom given to customers due the nature of thrift value items being sold in stores. Accordingly, there is no liability account for returned items.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist primarily of amounts related to contracts for salvage sales and recycling. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements.

Merchandise Inventory

Merchandise inventory consists of donated clothing, household goods, furniture, and various other items, as well as accessories purchased for resale. The physical count of inventory was performed by the store's employees in December 2022. Donated inventory is valued at expected average selling prices. Purchased inventory is stated at cost.

Plant, Property, Equipment and Depreciation

Property and equipment items are stated at cost, if purchased, or at fair value at the date of the gift, if donated and significant. The Organization capitalizes all expenditures for property and equipment in excess of $1,000; normal repairs and maintenance are expensed as incurred. Gains and losses are recognized in the statements of activities upon disposal of property and equipment. Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Improvements	15 years
Equipment and furniture	5-7 years
Vehicles	5 years

Long Lived Assets

The Organization reviews long-lived assets, such as property and equipment, to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, Fair Value Measurements. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The inputs are categorized in the following levels:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.

Level 3 - Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost, which approximates fair value because of the short-term nature of these instruments, and thus are not categorized. These instruments include cash, receivables, accounts payable and accrued liabilities.

Functional Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Expenses are charged to program or supporting services categories based on direct expenditures incurred, then possible. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, occupancy, maintenance, depreciation, and other, which are allocated on the basis ratio of all Foundation's employees' time spent and allocated to all overhead related accounts.

Income Tax Status

AMVETS is exempt from federal and state income taxes relating to revenue received in connection with exempt programs under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. In prior years the Organization was exempt under Section 501(c)(19); the conversion took place and was accepted by the IRS in 2016. The Organization uses the same accounting methods for tax and financial reporting.

The Organization follows ASC 740, Accounting for Uncertainty in Income Taxes, which provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of December 31, 2022, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respective.

Advertising Costs

Advertising costs are expensed as incurred and were $8,949 and $3,046 for the year ended December 31, 2022 and 2021, respectively.

Reclassification

Cash and cash equivalents and accrued payroll on the balance sheet for the Organization, for the year ended December 31, 2021, in the amount of $137,498 have been reclassified to conform to the presentation in the consolidated financial statement of the Organization.

FASB ASU 2020-07

In September 2020, the FASB issued ASU 2020-07 (the "Update"), Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU aims to increase transparency of contributed nonfinancial assets, commonly known as gifts-in-kind, through enhancement to presentation and disclosures. Not-for-Profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose the disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. Each category is subject to certain additional disclosures. The Update should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The adoption of FASB ASU 2020-07 did not have a material impact on the Organization's financial statements.

FASB ASC 842

Effective January 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed the Organization to carry forward the historical lease classification.

FASB ASC 842 (Continued)
The adoption of FASB ASC 842 resulted in the recognition of operating lease right-of-use-asset of $13,025 and operating lease liability of $12,973 at January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's statement of activities or cash flows.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash held in checking and savings accounts, cash on hand, and cash in money market funds. Certain liquid accounts which are generally not used in operations and designated for long-term investment purposes are excluded from cash equivalents.

The Organization maintains cash balances at several financial institutions located In Southern California. The balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Money market accounts in brokerage institutions are not insured. At December 31, 2022, the cash balances in excess of FDIC limit were $3,796,223. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

The following is a summary of cash and cash equivalents at December 31, 2022:

Cash in financial institutions	$ 4,339,753
Petty Cash	10,000
Financial assets available to meet cash needs for general expenditures within one year	$ 4,349,753

NOTE 4 – INVESTMENTS

Investments consist of the following at December 31, 2022:

	Fair Value	Cost	Unrealized Gain
Cash	$ 142,296	$ 142,296	$ -
Stocks	1,859,201	1,592,176	267,024
Exchange-traded and closed-end funds	1,241,966	1,079,811	162,155
Corporated fixed income	260,700	264,727	(4,026)
Government securities	286,815	291,798	(4,983)
Mutual funds	4,116,604	4,318,455	(201,851)
	$ 7,907,582	$ 7,689,263	$ 218,319

NOTE 4 – INVESTMENTS (Continued)

Investments consist of the following at December 31, 2021:

	Fair Value	Cost	Unrealized Gain
Cash	$ 213,209	$ 213,209	$ -
Stocks	5,101,746	3,290,689	1,811,057
Mutual funds	3,975,838	3,546,845	428,993
Corporate bonds	145,634	145,296	338
Government securities	322,423	327,977	(5,554)
	$ 9,758,850	$ 7,524,016	$ 2,234,834

The investment return for the year ended December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Unrealized G/L	$ (1,951,205)	$ 530,170
Realized G/L	(52,477)	176,256
Interest and dividends	219,578	182,447
Investment fee	(58,828)	(79,700)
Total investment return	$ (1,842,932)	$ 809,173

Investment securities, in general, are exposed to various risks, such as Interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities. It is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements. Several brokerage accounts serve as collateral for a portfolio loan account (see Note 6).

NOTE 5 – PROPERY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Land	$ 2,429,604	$ 2,448,522
Buildings	8,995,972	8,995,972
Improvements	1,656,369	1,646,764
Furniture, fixtures and equipment	661,413	543,577
Vehicles	1,068,909	1,050,300
Less: Accumulated depreciation	(7,056,534)	(6,649,621)
Property and equipment, net	$ 7,755,733	$ 8,035,514

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Depreciation expense charged to operations was $424,254 and $468,598 for the year ended December 31, 2022 and 2021, respectively.

NOTE 6 – LINE OF CREDIT

The Organization entered into a portfolio loan account agreement with Morgan Stanley bank. The portfolio loan account allows the borrower to access variable rate revolving line of credit, standby letter of credit, or fixed rate loan, up to a maximum amount of $10,000,000. The portfolio loan is a demand loan facility; accordingly, the bank may demand full or partial payment of the outstanding balance at any time. The loan account is collateralized by securities held in Morgan Stanley Smith Barney, LLC, an affiliate broker-dealer of the bank. The Organization borrowed $800,000 from the line of credit at an effective interest rate of 3.049% in 2019. The interest rate for 2022 was 5.13% and as of December 7, 2022, the loan has been paid off.

NOTE 7 - COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and sick days. For nonexempt employees, vacation accrual varies from 10 to 25 days per year, depending on length of service, and may be carried over to the next year up to a maximum of two years equivalent of accrued time. Sick leave can be accrued up to a maximum of 30 days and should be used in the following year. Unused sick leave is not paid upon employee termination and, therefore, is not included as a liability on the financial statements.

NOTE 8 - RETIREMENT PLAN

The Organization has a 401(k) defined contribution retirement plan for the benefit of all employees who meet eligibility standards as defined by the plan documents. Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation. The Organization can make discretionary matching contributions. For the year ended December 31, 2022 and 2021, the Organization did not contribute to the plan.

NOTE 9 – LEASES AS LESSOR

The Organization has one operating lease used as a commercial brewery, which generates rental income from tenants and operating cash flows for the Organization. The 10-year lease began on November 1, 2016 with an option to renew for another ten-year term at the end of the lease date. Rental payment increases annually and the tenant is responsible for paying all expenses such as property taxes, building insurance, and maintenance.

NOTE 9 – LEASES AS LESSOR (Continued)

The components of rental revenue consist of the following for the years ended December 31, 2022:

Fixed lease revenue	$ 79,626

Maturity Analysis of Lease Payments as Lessor

The Organization's operating lease is disclosed in the aggregate due to their consistent nature as real estate leases. At December 31, 2022, the undiscounted cash flows to be received from lease payments of the Organization's remaining operating leases on an annual basis are as follows:

Year Ending December 31,	
2023	$ 81,219
2024	82,843
2025	84,500
2026	78,876
	$ 327,438

NOTE 10 – OPERATING LEASING ACTIVITIES

The Organization has two operating leases for equipment used at its office located in Garden Grove.

The following summarizes the line items in the statement of financial position which includes amounts for operating leases at December 31, 2022:

Operating lease right-of-use asset	$ 9,501
Lease liability, current portion	$ 3,583
Lease liability, non-current portion	5,866
Total operating lease liabilities	$ 9,449

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	2.72 years
Weighted Average Discount Rate	
Operating lease	5.13%

NOTE 10 – OPERATING LEASING ACTIVITIES (Continued)

The maturities of lease liabilities are as follows at December 31, 2022:

Year Ending December 31,	
2023	$ 3,968
2024	3,348
2025	2,790
Total lease payments	10,106
Less: Interest	(657)
Present value of lease liabilities	$ 9,449

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease cost	$ 4,092

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 4,092
Lease assets obtained in exchange for lease obligations:	
Operating leases	$ 3,524

NOTE 11 – FINANCE LEASING ACTIVITIES

The Organization leases vehicles under agreements that are classified as finance leases. The following summarizes the line items in the statement of financial position which includes amounts for finance leases at December 31, 2022:

Finance lease right-of-use asset	$ 6,536
Lease liability, current portion	$ 5,223
Lease liability, non-current portion	1,827
Total finance lease liabilities	$ 7,050

NOTE 11 – FINANCE LEASING ACTIVITIES (Continued)

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2022:

Weighted Average Remaining Lease Term	
Finance lease	1.34 years
Weighted Average Discount Rate	
Finance lease	5.13%

The maturities of lease liabilities are as follows at December 31, 2022:

Year Ending December 31,	
2023	$ 5,442
2024	1,840
Total lease payments	7,282
Less: Interest	(232)
Present value of lease liabilities	$ 7,050

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

Amortization of ROU assets from finance leases	$ 35,990
Interest on lease liabilities from finance leases	1,125
Variable lease cost from finance leases	1,600
	$ 38,715

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 1,125
Financing cash flows from finance leases	$ 38,681
Lease assets obtained in exchange for lease obligations:	
Finance leases	$ 3,524

NOTE 12 - BOARD DESIGNATED FUND

In 2014, the Board approved the establishment of a Board designated fund. The purpose of the fund is to segregate $10,000,000 for long-term investment and growth.

NOTE 13 – GIFTS-IN-KIND

The Organization received gifts-in-kind in the amount of $15,613,178 for the year ended December 31, 2022. These gifts were provided to the Organization to sell in its thrift stores.

All gifts-in-kind received by the Organization for the year ended December 31, 2022 were considered without donor restrictions and able to be used by the Organization as determined by management to carry out its mission.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary sources of support are sale of donated merchandise inventory and income from investments.

The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	$ 4,349,753
Accounts receivable	42,445
Investments	7,907,582
Total financial assets at year-end	12,299,780
Less those unavailable for general expenditures within one year, due to:	
Board-designated reserve	(10,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,299,780

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting and selling sufficient donated merchandise inventory. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses.

To manage liquidity the Organization maintains a line-of-credit with a bank that is drawn upon as needed during the year to manage cash flow. In addition, board designations could be drawn upon if the board approves that action.

NOTE 15 - RELATED PARTY TRANSACTIONS

The Organization is affiliated with AMVETS National Headquarters, chartered AMVETS Departments, and AMVETS Posts and Auxiliaries.

Financial assistance provided to affiliated organizations for 2022 and 2021 are as follows:

	2022	2021
AMVETS Department of California	$ 320,000	$ 250,000

An additional $175,000 was paid to AMVETS Department of California in January of 2023, but due to the conditions stated in the grant agreement, this amount was not booked as a payable as of December 31, 2022.

The Organization received $12,500 and $9,600 from AMVETS Posts for building rent in 2022 and 2021, respectively.

NOTE 16 - FAIR VALUE MEASUREMENTS

The following table presents fair value hierarchy for assets measured at fair value on a reoccurring basis as of December 31, 2022:

	Total	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash	$ 142,296	$ 142,296	$ -	$ -
Common stocks	1,859,201	1,859,201		
Exchange-traded funds	1,241,966	1,241,966		
Mutual funds	4,116,604	4,116,604		
Corporate bonds	260,700	260,700		
Government securities	286,815	286,815		
Total	$ 7,907,582	$ 7,907,582	$ -	$ -

The following table presents fair value hierarchy for assets measured at fair value on a reoccurring basis as of December 31, 2021:

	Total	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash	$ 213,209	$ 213,209	$ -	$ -
Common stocks	3,821,704	3,821,704		
Exchange-traded funds	1,280,042	1,280,042		
Mutual funds	3,975,838	3,975,838		
Corporate bonds	145,634	145,634		
Government securities	322,423	322,423		
Total	$ 9,758,850	$ 9,758,850	$ -	$ -

NOTE 16 - FAIR VALUE MEASUREMENTS (Continued)

Investments in money funds are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Equities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in active markets for which closing stock prices are readily available.

Mutual fund investments are classified as Level 1 and Level 2 as they are listed in over-the-counter markets for which quoted market prices are available from sources such as financial publications.

Alternative investments in hedge funds are classified as Level 3 as they are illiquid and may not be valued daily. The fair value of those investments has been estimated using net asset value per share or its equivalents.

Unrealized gains and losses were included in the change of net assets without donor restrictions. There were no significant transfers between input levels and no changes in the valuation techniques during 2022.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Unemployment Insurance

The Organization has elected not to pay state unemployment insurance taxes and, instead, is charged for its share of unemployment benefits actually paid by the State of California to former employees. The total amount paid to the California Employment Development Department was $171,334 and $102,153 in 2022 and 2021, respectively.

Workers' Compensation

The Organization is insured under its workers' compensation insurance program. The program is administered by an insurance organization. Excess policies provide insurance coverage on individual claims which exceed specified amounts. The Organization pays up to the first $250,000 of the claim. The Organization recognizes the cost of insurance as claims are reported. The costs of the claims are based on estimates, which may be above or below the ultimate liability on such claims. The Organization is also required to maintain standby letter of credit payable to the insurance organization to cover all remaining open claims.

Prior to October 2010, the AMVETS was covered under insurance of its former thrift store management organization. As a part of the settlement with its prior management organization, the Organization is required to make payments for claims for work-related injuries occurring between 2006 and 2010. The old worker compensation claims are being actively managed to negotiate settlements. The liability for those claims cannot be reasonably estimated due to uncertainty.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events were evaluated through July 12, 2023 which is the date the financial statements were available to be issued.