AMVETS Department of California Service Foundation

Financial Statements

December 31, 2024

WINDES

AUDIT | TAX | ADVISORY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AMVETS Department of California Service Foundation

Opinion

We have audited the accompanying financial statements of AMVETS Department of California Service Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AMVETS Department of California Service Foundation as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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'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.

Windes, Inc.

Long Beach, California
September 17, 2025

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

ASSETS

ASSETS	
Cash and cash equivalents	$ 1,388,424
Accounts receivable	78,732
Inventory	580,427
Investments	9,999,069
Operating lease right-of-use assets	1,310,206
Property and equipment, net	8,047,451
Prepaid expenses	54,037
Deposits	22,899
TOTAL ASSETS	$ 21,481,245

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 898,637
Grants payable	175,000
Sales tax payable	67,077
Accrued payroll and employee-related expenses	598,674
Finance lease liabilities	144,842
Operating lease liabilities	1,368,676
Security deposit	8,050
Total liabilities	3,260,956
COMMITMENTS AND CONTINGENCIES (Note 12)	
NET ASSETS	
Without donor restrictions	
Board-designated	10,000,000
Undesignated	8,220,289
Total net assets	18,220,289
TOTAL LIABILITIES AND NET ASSETS	$ 21,481,245

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

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

SUPPORT AND REVENUE	
Thrift store sales	$ 10,176,910
Salvage sales	217,592
Total sales	10,394,502
Contributed goods	10,358,918
Grants and contributions	113,730
Rental revenue	94,843
Investment return, net	920,993
Other income	12,510
Loss on disposal of property and equipment	(12,183)
Total other support	11,488,811
TOTAL SUPPORT AND REVENUE	21,883,313
EXPENSES	
Program Services	
Thrift stores	19,523,928
Service to Veterans	1,633,265
Welcome Home	560,894
Total program services	21,718,087
Supporting services	
Management and general	1,793,404
Fundraising	148,125
Total supporting services	1,941,529
TOTAL EXPENSES	23,659,616
CHANGE IN NET ASSETS	(1,776,303)
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED (Note 13)	19,996,592
NET ASSETS AT END OF YEAR	$ 18,220,289

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services				Support Services		
	Thrift Stores	Service to Veterans	Welcome Home	Program Total	Management and General	Fundraising	Total
Salaries and wages	$ 5,321,247	$ 990,615	$ 161,699	$ 6,473,561	$ 279,802	$ -	$ 6,753,363
Payroll taxes	412,401	78,380	12,299	503,080	20,038	-	523,118
Employee benefits	126,765	33,492	2,547	162,804	11,576	-	174,380
Total personnel costs	5,860,413	1,102,487	176,545	7,139,445	311,416	-	7,450,861
Accounting	-	-	-	-	92,400	-	92,400
Automobile expense	277,450	3,091	48,811	329,352	7,187	-	336,539
Bad debt expense	27,951	-	-	27,951	-	-	27,951
Bank and merchant fees	-	-	-	-	197,795	-	197,795
Depreciation	335,733	24,477	30,909	391,119	91,648	-	482,767
Dues and subscriptions	325	365	65	755	3,036	-	3,791
Insurance	911,113	24,982	4,459	940,554	93,536	-	1,034,090
Legal fees	-	-	-	-	837,731	-	837,731
Marketing	26,633	2,347	26	29,006	16	-	29,022
Occupancy	1,401,976	59,917	119,896	1,581,789	67,184	-	1,648,973
Office supplies	455,222	12,909	776	468,907	10,077	-	478,984
Professional services	161,607	15,684	2,609	179,900	51,638	148,125	379,663
Grants and assistance	106	369,000	174,472	543,578	-	-	543,578
Donated goods	10,053,391	180	-	10,053,571	-	-	10,053,571
Travel	12,008	17,826	2,326	32,160	29,740	-	61,900
Total functional expenses	$ 19,523,928	$ 1,633,265	$ 560,894	$ 21,718,087	$ 1,793,404	$ 148,125	$ 23,659,616

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

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,776,303)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	482,767
Amortization of operating lease right-of-use assets	234,502
Loss on disposal of property and equipment	12,183
Net realized and unrealized gain on investments	(656,161)
(Increase) decrease in assets:	
Accounts receivable	(32,492)
Inventory	(123,339)
Prepaid expenses	(12,526)
Deposits	(18,625)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	769,866
Sales tax payble	4,523
Accrued payroll and employee-related expenses	59,843
Operating lease liabilities	(176,045)
Net Cash Used In Operating Activities	(1,231,807)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	2,105,327
Purchases of investments	(2,289,649)
Purchases of property and equipment	(714,285)
Net Cash Used In Investing Activities	(898,607)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on finance lease obligations	(42,506)
Net Cash Used In Financing Activities	(42,506)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,172,920)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,561,344
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,388,424

The accompanying notes are an integral part of these 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 were 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 National Service Officers (NSO) to represent veterans and their dependents in processing their claims for benefits before the VA. These NSOs are located in VA hospitals, VA regional centers, and other VA facilities in California and Nevada. For decades, these NSOs have earned a well-deserved reputation in the veteran community by assisting deserving California veterans and their families.

AMVETS operates thrift stores that are managed and operated by veterans. The stores offer donated household items and clothing to the general public at a discounted price. Proceeds from sales are used to support AMVETS and its programs. 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 career opportunities and 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 with home furnishings and appliances. AMVETS transforms residences into real homes complete with furniture, household items, and appliances, thanks to donors and volunteers, entirely at the expense of AMVETS. The AMVETS Welcome Home Program served 341 veterans and their families in 2024.

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.

NOTE 1 – Organization (Continued)

AMVETS provides veterans with information, counseling, and claims service related to education, disability compensation, pension, and other benefits. The AMVETS 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 qualifying veterans.

California is home to over 145,000 women veterans, many of whom are enrolled in college. AMVETS cares about the issues facing women 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 (U.S. GAAP).

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 as follows:

> *Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions. At December 31, 2024, the Board of Directors (the Board) designated $10,000,000 from net assets without donor restrictions for an operating reserve for the Organization’s long-term investment and growth. These funds remain available and may be spent at the discretion of the board if needed.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by actions of the Organization or the passage of time. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. There were no net assets subject to donor-imposed restrictions as of December 31, 2024.

Revenue and Revenue Recognition

The Organization recognizes revenue through the following sources:

Thrift store and salvage sales revenue – Thrift store revenue is recognized at the point of sale when customers take possession of the merchandise. Salvage sales revenue is recognized at the time goods are shipped to the customer.

Contributions - All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Concentration of Credit Risk

AMVETS maintains its cash and cash equivalents with major financial institutions. At times during the year, such cash and cash equivalent balances may exceed federally insured limits. AMVETS has not experienced any losses and believes it is not exposed to any significant risk of loss on its cash and cash equivalent balances.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less, to be cash and cash equivalents. Cash equivalents of $1,179,577 that were previously classified as investments at the beginning of the year were reclassified to be included with cash and cash equivalents to conform with current year presentation.

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 credit losses is included in the financial statements. Accounts receivable balances were $78,732 and $46,240 for the years ended December 31, 2024 and 2023, respectively.

Inventory

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 thrift stores' employees in December 2024. Donated inventory is valued at expected realizable value.

Investments

AMVETS's investments are stated at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income are recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by donor restrictions or by law.

Investments in marketable securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of financial position.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment 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 $2,500; normal repairs and maintenance are expensed as incurred. Gains and losses are recognized in the statement of activities upon disposal of property and equipment. Amortization of leasehold improvements and financed leased assets are based on the shorter of the lease terms or the life of the asset. Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Leasehold improvements	15 years
Equipment and furniture	5-7 years
Vehicles	5 years

Long-Lived Assets

The Organization reviews its long-lived assets, such as property and equipment, for impairment whenever events or changes occur that indicate the carrying value of the assets may have declined and may not be recoverable. No circumstances have occurred during the year that would cause 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.

Grants

Grant expense is recognized in the period the Organization unconditionally promises a grant to another organization. Conditional grants are recognized as grant expense and as grants payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. As of December 31, 2024, grants payable amounted to $175,000, all of which is expected to be paid in 2025. Grant expense totaled $543,578 for the year ended December 31, 2024.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 as incurred. Certain categories of expenses are attributable to more than one program or supporting service. Therefore, those expenses require allocation on a reasonable basis that is consistently applied.

Such expenses include certain personnel costs, facility costs, and related operating expenses, which are allocated based on a pooled methodology of direct expense ratios.

Income Taxes

The Organization 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 23701d of the California Tax Code. Accordingly, no provision has been made for income taxes in these financial statements.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*, which provides accounting and disclosure guidance about positions taken by the 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, 2024, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure.

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 purposes is generally three and four years, respectively.

Leasing Arrangements

Leases are classified as operating or finance leases at the lease commencement date and reported on the statement of financial position as a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based on the U.S. Treasury rate at the commencement date.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Leasing Arrangements (Continued)

At lease inception, the Organization determines the lease term by considering the noncancelable lease term and all optional renewal periods that the Organization is reasonably certain to renew.

Subsequent Events

In preparing these financial statements, AMVETS's management has evaluated subsequent events and transactions for potential recognition or disclosure from the date of the statement of financial position through September 17, 2025, the date the financial statements were available to be issued.

NOTE 3 – Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of December 31, 2024, reduced by amounts not available for general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	$ 1,388,424
Accounts receivable	78,732
Investments	9,999,069
Total financial assets at year-end	11,466,225
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	$ 1,466,225

In addition to financial assets available to meet cash needs for general expenditures within one year, the Organization anticipates covering general expenditures by collecting and selling donated inventory. The Organization has also recently expanded fundraising initiatives in an effort to reduce the reliance on thrift store sales revenues. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses.

NOTE 3 – Liquidity and Availability of Financial Assets (Continued)

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. The Organization also has the ability, through Board approval, to access the $10,000,000 board-designated reserve, if needed, to satisfy general expenditures.

NOTE 4 – Fair Value Measurements

The Organization follows the provisions of FASB ASC 820, *Fair Value Measurement*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to measurements involving significant unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities.

Level 2: Valuations based on other observable inputs, which include quoted prices in active markets for similar assets and liabilities, either directly or indirectly. These inputs may include observable inputs such as interest rates that are observable at commonly quoted intervals.

Level 3: Valuations based on unobservable inputs for assets and liabilities, which are typically based on the Organization's own assumptions and estimates.

NOTE 4 – Fair Value Measurements (Continued)

The following table presents the fair value hierarchy for assets measured at fair value on a reoccurring basis as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Equities	$ 3,362	$ -	$ -	$ 3,362
Stocks	2,786,939	-	-	2,786,939
Exchange-traded and closed-end funds	1,730,639	-	-	1,730,639
Corporated fixed income	-	331,758	-	331,758
Government securities	-	237,653	-	237,653
Mutual funds	4,908,718	-	-	4,908,718
Total	$ 9,429,658	$ 569,411	$ -	$ 9,999,069

NOTE 5 – Investments

Net investment return for the year ended December 31, 2024 is summarized as follows:

Unrealized gain	$ 302,778
Realized gain	353,383
Interest and dividends	335,403
Investment fee	(70,571)
	$ 920,993

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 invest 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.

NOTE 6 – Property and Equipment

Property and equipment consist of the following at December 31, 2024:

Buildings	$ 8,983,312
Leasehold improvements	2,358,244
Furniture, fixtures, and equipment	828,643
Vehicles	895,988
	13,066,187
Less accumulated depreciation and amortization	(7,448,340)
	5,617,847
Land	2,429,604
Property and equipment, net	$ 8,047,451

Depreciation and amortization expense was $482,767 for the year ended December 31, 2024.

NOTE 7 – Retirement Plan

The Organization has a 401(k) defined contribution retirement plan for the benefit of all employees who meet eligibility requirements 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 during 2024 with the Board's approval. The Organization made no discretionary matching contributions during the year ended December 31, 2024.

NOTE 8 – Leasing Arrangements

Lessor Arrangements

The Organization leases commercial space under a 10-year lease commencing on November 1, 2016, with an option to renew for another 10-year term at the end of the lease. Rental payment increases annually, and the tenant is responsible for paying all expenses such as property taxes, building insurance, and maintenance. Rental income under this lease was $94,843 for 2024.

The Organization leases office space to a related party under a short-term lease agreement. (See Note 11).

Lessee Arrangements

The Organization leases its office space, facilities and certain vehicles under operating and finance leases expiring at various dates through January 2031. Some of the leases include options to renew, and the exercise of these renewals is at the sole discretion of the Organization. The Organization did not include these renewal periods in the measurement of lease assets and liabilities, as the Organization has not determined the options to be reasonably certain to be exercised.

The following summarizes the line items in the statement of financial position, which includes amounts for operating leases as of December 31, 2024:

Operating lease right-of-use assets	$ 1,310,206
Operating lease liabilities, current portion	$ 225,611
Operating lease liabilities, non-current portion	1,143,065
	$ 1,368,676

NOTE 8 – Leasing Arrangements (Continued)

Lessee Arrangements (Continued)

The following summarizes the line items in the statement of financial position, which includes amounts for finance leases as of December 31, 2024:

Vehicles subject to finance leases	$	232,409
Finance lease liabilities, current portion	$	47,491
Finance lease liabilities, non-current portion		97,351
	$	144,842

The following table summarizes the operating lease expenses for the year ended December 31, 2024, which are included in "Occupancy" in the statement of functional expenses:

Operating lease costs	$	246,461

The Organization recognized interest expense on finance lease liabilities for the year ended December 31, 2024 of $9,363, which is included in "Automobile expense" in the statement of functional expenses.

The following summarizes the cash flow information related to leases for the year ended December 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	9,363
Operating cash flows from operating leases	$	228,338
Financing cash flows from finance leases	$	42,506
Noncash investing and financing activity:		
Right-of-use assets obtained in exchange for new finance lease liabilities	$	72,238
Right-of-use assets obtained in exchange for new operating lease liabilities	$	1,538,600

NOTE 8 – Leasing Arrangements (Continued)

Lessee Arrangements (Continued)

The following summarizes the weighted-average remaining lease term and discount rate for the finance and operating leases at December 31, 2024:

Weighted-average remaining lease term:	
Finance leases	2.92 years
Operating leases	5.35 years
Weighted-average discount rate:	
Finance leases	19.67%
Operating leases	4.19%

The maturities of finance and operating lease liabilities as of December 31, 2024 are as follows:

Year Ending December 31,	Finance Leases	Operating Leases
2025	$ 62,209	$ 278,688
2026	62,209	283,890
2027	40,137	292,410
2028	6,022	301,183
2029	-	198,181
Thereafter	-	180,713
Total minimum lease payments	170,577	1,535,065
Less amounts representing interest	(25,735)	(166,389)
Present value of minimum lease payments	$ 144,842	$ 1,368,676

NOTE 9 – Line of Credit

The Organization has a line of credit with a bank secured by the Organization's investment account with that bank, permitting borrowing of up to 25% of the market value of investments held within the account. At December 31, 2024, the Organization had $2,711,005 available under this line. Borrowings under this line have an interest rate of the SOFR rate plus 1.25% (5.9% at December 31, 2024). The line of credit has no maturity date.

The Organization also maintains two standby letters of credit with this bank with maturity dates of February 4, 2025 and October 31, 2025 for $349,980 and $335,000, respectively, which reduce the amount of available borrowing under the line of credit by the same amount. There were no borrowings outstanding at December 31, 2024.

NOTE 10 – Contributed Goods

The Organization received contributions of goods to be used as thrift store inventory in the amount of $10,358,918 for the year ended December 31, 2024. Contributed goods are valued at expected realizable value, determined using historical sales data, market prices for comparable goods, and general market trends.

All contributed goods received by the Organization for the year ended December 31, 2024 were considered to be without donor restrictions and able to be used by the Organization as determined by management.

NOTE 11 – Related-Party Transactions

During the year ended December 31, 2024, the Organization made grants totaling $350,000 to AMVETS Department of California, an affiliated organization, for services provided to veterans.

The Organization leases office space that it owns to AMVETS Posts, an affiliated organization, on month-to-month basis. Rental income under this agreement totaled $12,000.

NOTE 12 – 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 paid by the California Employment Development Department to former employees. The total amount paid to the California Employment Development Department was $205,331 for the year ended December 31, 2024.

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 for such claims.

The Organization is also required to maintain standby letters of credit payable to the insurance organization to cover all remaining open claims. The Organization accrued claim costs of approximately $20,000 related to insurance claims that existed at December 31, 2024, and are included in accrued expenses on the statement of financial position.

Prior to October 2010, the Organization 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. These claims are being actively managed to negotiate settlements. The liability for those claims cannot be reasonably estimated and are expensed as incurred. There were no claims expenses related to these employees for the year ended December 31, 2024.

NOTE 12 – Commitments and Contingencies (Continued)

Litigation

The Organization may be subject to various legal proceedings and claims arising in the ordinary course of its operations. While the ultimate outcome of these matters is difficult to predict, management believes that the resolution of these matters will not have a material adverse effect on the Organization's financial statements. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

As of December 31, 2024, the Organization recognized $670,000 of legal fees for settlements on current legal proceedings, which are expected to be paid and settled in 2025. These fees are included in accounts payable and accrued expenses on the statement of financial position.

NOTE 13 – Restatement

Subsequent to the issuance of the financial statements for the year ended December 31, 2023, the Organization determined that a grant pledged but unpaid had not been accrued. This resulted in a misstatement of grants payable and undesignated net assets in the previously reported financial statements. An adjustment was recorded to correct this error as follows:

January 1, 2024	As Previously Reported	Adjustment	As Restated
Grants payable	$ -	$ 175,000	$ 175,000
Undesignated net assets	$ 10,171,592	$ (175,000)	$ 9,996,592

NOTE 14 – Subsequent Events

In January 2025, the Organization renewed a standby letter of credit with a bank for $460,000 that expires in February 2026.