AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION
FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

CONTENTS

INDEPENDENT AUDITOR'S 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, 2023, 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, 2023, 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 Auditor's 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.

Prior Period Financial Statements

The financial statements of AMVETS Department of California Service Foundation as of December 31, 2022, were audited by a predecessor auditor and whose report dated July 12, 2023, expressed an unmodified opinion on those statements.

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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.

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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

GuzmanGray
Costa Mesa, CA
September 25, 2024

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
ASSETS		
Cash and cash equivalents	$ 2,381,767	$ 4,349,753
Accounts receivable	46,240	42,445
Inventory	457,088	470,387
Investments	10,338,163	7,907,582
Operating lease right of use asset	6,108	9,501
Property, plant, and equipment, net	7,755,878	7,755,733
Prepaid expenses	41,511	121,473
Deposits	4,274	4,274
TOTAL ASSETS	$ 21,031,029	$ 20,661,148
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 128,771	$ 202,111
Sales tax payable	62,554	64,118
Accrued payroll and employee related expenses	538,831	483,790
Finance lease liabilities	115,110	28,408
Operating lease liabilities	6,121	9,449
Security deposit	8,050	8,050
TOTAL LIABILITIES	859,437	795,926
NET ASSETS		
Without donor restrictions		
Board designated	10,000,000	10,000,000
Undesignated	10,171,592	9,865,222
TOTAL NET ASSETS	20,171,592	19,865,222
TOTAL LIABILITIES AND NET ASSETS	$ 21,031,029	$ 20,661,148

See Independent Auditor’s Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

	Without Donor Restrictions	
	2023	2022
SUPPORT AND REVENUE		
Retail sales	$ 9,388,072	$ 9,382,170
Salvage sales	171,291	211,980
Total sales of donated goods	9,559,363	9,594,150
Contributions - donated goods	13,903,276	15,613,178
Grants and contributions	174,895	178,545
Rental revenue	93,219	141,626
Investment return, net	1,432,718	(1,842,932)
Other	37,010	40,894
Gain on sale of fixed assets	55,804	109,459
TOTAL SUPPORT AND REVENUE	25,256,285	23,834,920
EXPENSES		
Program Services		
Thrift store operations	19,736,180	21,511,438
Service to veterans	1,965,679	1,803,571
Welcome home program	865,534	875,681
Total program services	22,567,393	24,190,690
Support Services		
Management and general	1,983,933	1,666,658
Fundraising	398,589	338,995
TOTAL EXPENSES	24,949,915	26,196,343
CHANGE IN NET ASSETS	306,370	(2,361,423)
BEGINNING NET ASSETS	19,865,222	22,226,645
ENDING NET ASSETS	$ 20,171,592	$ 19,865,222

See Independent Auditor’s Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services				Support Services		
	Thrift Stores	Service to Veterans	Welcome Home	Program Total	Management and General	Fundraising	Total
Salaries and wages	$ 5,240,424	$ 838,020	$ 152,527	$ 6,230,971	$ 233,676	$ 62,070	$ 6,526,717
Payroll taxes	473,659	71,348	16,718	561,725	17,953	4,769	584,447
Employee benefits	153,333	27,055	5,933	186,321	6,784	1,802	194,907
Workman's comp	453,575	-	-	453,575	80,555	-	534,130
	6,320,991	936,423	175,178	7,432,592	338,968	68,641	7,840,201
Accounting	-	-	-	-	90,450	-	90,450
Bank and merchant fees	-	-	-	-	182,499	-	182,499
Cost of goods sold - donated goods	13,175,951	-	-	13,175,951	-	-	13,175,951
Depreciation	39,922	26,615	17,743	84,280	283,893	75,409	443,582
Amvetsone	-	28,412	-	28,412	-	-	28,412
Equipment rental	8,518	1,165	190	9,873	3,042	808	13,723
Insurance	32,809	21,872	14,582	69,263	233,306	61,972	364,541
Interest	-	-	-	-	-	7,526	7,526
Legal	-	-	-	-	36,701	-	36,701
License, fees, and permits	1,646	1,098	732	3,476	11,707	3,110	18,293
Maintenance and repairs	-	117,563	1,018	118,581	23,819	2,032	144,432
Marketing	-	74,199	1,116	75,315	-	-	75,315
Meals and entertainment	-	1,383	-	1,383	11,686	-	13,069
Miscellaneous	-	-	160	160	466	-	626
Other professional services	5,813	3,875	2,584	12,272	41,337	10,980	64,589
Postage and shipping	-	529	1,633	2,162	6,688	-	8,850
Payroll expense	61,531	5,340	-	66,871	-	-	66,871
Grants and assistance	-	-	541,683	541,683	-	-	541,683
Rent	363	242	26,310	26,915	2,585	687	30,187
Security, armored services	15,928	10,619	7,079	33,626	114,596	30,087	178,309
Software, computer, and information technology	-	1,777	-	1,777	-	-	1,777
Dues and subscriptions	157	104	70	331	1,114	296	1,741
Supplies	-	212,258	8,552	220,810	4,304	-	225,114
Taxes	10,064	6,709	4,473	21,246	81,296	19,009	121,551
Telecommunications	-	4,460	3,545	8,005	61,505	-	69,510
Training	1,620	1,080	720	3,420	11,584	3,060	18,064
Travel	39	34,871	2,521	37,431	16,233	74	53,738
Utilities	58,189	38,793	54,472	151,454	413,791	109,913	675,158
Vehicle expense	2,639	436,292	1,173	440,104	12,363	4,985	457,452
Total Expenses	$ 19,736,180	$ 1,965,679	$ 865,534	$ 22,567,393	$ 1,983,933	$ 398,589	$ 24,949,915

See Independent Auditor's 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 IT	-	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 Auditor’s Report and Notes to Financial Statements.

AMVETS DEPARTMENT OF CALIFORNIA SERVICE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 306,370	$ (2,361,423)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	443,582	424,254
Gain on disposal of fixed assets	(55,804)	(109,459)
Realized loss on investments	127,410	52,477
Unrealized (gain) loss on investments	(1,401,166)	1,951,205
Amortization on operating lease right of use assets	-	3,473
(Increase) decrease in assets:		
Accounts receivable	(3,795)	(8,005)
Inventory	13,299	200,526
Operating lease right of use asset	3,393	-
Prepaid expenses	79,962	48,703
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(73,340)	31,464
Sales tax payble	(1,564)	5,481
Accrued payroll and employee related expenses	55,041	101,976
Operating lease liabilities	(3,328)	(3,525)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(509,940)	337,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	-	128,377
Proceeds from sale of investments	1,659,362	4,732,467
Purchases of investments	(2,816,187)	(4,884,881)
Purchases of property and equipment	(387,923)	(163,391)
NET CASH USED FOR INVESTING ACTIVITIES	(1,544,748)	(187,428)
CASH FLOWS FROM FINANCING ACTIVITES		
Principal payments on line of credit	-	(844,370)
Net change in finance lease liabilities	86,702	(33,407)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	86,702	(877,777)
NET DECREASE IN CASH	(1,967,986)	(728,058)
BEGINNING CASH	4,349,753	5,077,811
ENDING CASH	$ 2,381,767	$ 4,349,753

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	$ 7,526	$ 39,111
INCOME TAXES	NONE	NONE

See Independent Auditor’s 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. As of December 31, 2023, the Organization did not have any net assets with donor restrictions.

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 2023. 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 23701d 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

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, 2023, 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 state purposes is generally three and four years, respective.

Advertising Costs

Advertising costs are expensed as incurred and were $9,138 and $8,949 for the years ended December 31, 2023 and 2022, respectively. Advertising costs are included with marketing costs noted on the statement of functional expenses.

FASB ASC 842

Leases are classified as operating or finance leases at the lease commencement date and reported on the statement of financial position in the form of 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 treasury rate at the commencement date. The Organization does not record short-term or month-to-month leases.

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.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Codification (ASC) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted. The adoption of FASB ASC 842 did not have an impact on the Organization’s financial statements.

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, 2023 and 2022, the cash balances in excess of FDIC limit were $1,825,388 and $3,796,223, respectively. 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, 2023 and 2022:

	2023	2022
Cash in financial institutions	$ 2,371,767	$ 4,339,753
Petty Cash	10,000	10,000
Financial assets available to meet cash needs for general expenditures within one year	$ 2,381,767	$ 4,349,753

NOTE 4 - 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, 2023 and 2022, reduced by amounts not available for general expenditures within one year.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 2,381,767	$ 4,349,753
Accounts receivable	46,240	42,445
Investments	10,338,163	7,907,582
Total financial assets at year-end	12,766,170	12,299,780
Less those unavailable for general expenditures within one year, due to:		
Board-designated reserve	(10,000,000)	(10,000,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,766,170	$ 2,299,780

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 5 – INVESTMENTS

Investments consist of the following at December 31, 2023:

	Fair Value	Cost	Unrealized Gain
Cash held for investment	$ 1,179,577	$ 1,179,577	$ -
Equities	3,182	3,182	-
Stocks	2,504,678	1,750,611	754,067
Exchange-traded and closed-end funds	1,591,115	1,166,628	424,487
Corporated fixed income	259,069	250,981	8,088
Government securities	266,571	268,512	(1,941)
Mutual funds	4,533,971	4,119,155	414,816
	$ 10,338,163	$ 8,738,646	$ 1,599,517

Investments consist of the following at December 31, 2022:

	Fair Value	Cost	Unrealized Gain
Cash held for investment	$ 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 5 – INVESTMENTS (Continued)

The investment return for the years ended December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Unrealized gain/loss	$ 1,401,166	$ (1,951,205)
Realized gain/loss	(127,410)	(52,477)
Interest and dividends	216,022	219,578
Investment fee	(57,060)	(58,828)
Total investment return	$ 1,432,718	$ (1,842,932)

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.

NOTE 6 – PROPERY AND EQUIPMENT

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

	2023	2022
Land	$ 2,429,604	$ 2,429,604
Buildings	8,995,972	8,995,972
Improvements	1,856,978	1,656,369
Furniture, fixtures and equipment	705,034	661,413
Vehicles	817,206	1,068,909
	14,804,794	14,812,267
Less: Accumulated depreciation	(7,048,916)	(7,056,534)
Property and equipment, net	$ 7,755,878	$ 7,755,733

Depreciation expense charged to operations was $443,582 and $424,254 for the years ended December 31, 2023 and 2022, respectively.

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.

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.

The Organization also received rental income from a related party (see Note 14).

The components of rental revenue consist of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Fixed lease revenue	$ 93,219	$ 141,626

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, 2023, 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,	
2024	$ 82,843
2025	84,500
2026	78,876
	$ 246,219

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, 2023:

Operating lease right-of-use asset	$ 6,108
Lease liability, current portion	$ 3,335
Lease liability, non-current portion	2,786
Total operating lease liabilities	$ 6,121

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2023:

Weighted Average Remaining Lease Term	
Operating lease	22 months
Weighted Average Discount Rate	
Operating lease	0.29%

The maturities of lease liabilities are as follows at December 31, 2023:

Year Ending December 31,	
2024	$ 3,348
2025	2,790
Total lease payments	6,138
Less: Interest	(17)
Present value of lease liabilities	$ 6,121

NOTE 10 – OPERATING LEASING ACTIVITIES (Continued)

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2023:

Operating lease cost	$ 3,401

The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 3,348
Lease assets obtained in exchange for lease obligations:	
Operating leases	$ -

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, 2023:

Finance lease right-of-use asset	$ 199,899
Lease liability, current portion	$ 45,213
Lease liability, non-current portion	69,897
Total finance lease liabilities	$ 115,110

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2023:

Weighted Average Remaining Lease Term	
Finance lease	41 months
Weighted Average Discount Rate	
Finance lease	5.56%

NOTE 11 – FINANCE LEASING ACTIVITIES (Continued)

The maturities of lease liabilities are as follows at December 31, 2023:

Year Ending December 31,	
2024	$ 45,213
2025	41,799
2026	41,799
2027	20,900
Total lease payments	149,711
Less: Interest	(34,601)
Present value of lease liabilities	$ 115,110

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2023:

Amortization of ROU assets from finance leases	$ 48,226
Interest on lease liabilities from finance leases	3,598
	$ 51,824

The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 3,547
Financing cash flows from finance leases	$ 28,281
Lease assets obtained in exchange for lease obligations:	
Finance leases	$ 159,098

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 $13,903,276 and $15,613,178 for the years ended December 31, 2023 and 2022, respectively. These gifts were provided to the Organization to sell in its thrift stores and consist of items such as accessories, shirts, pants, dresses, linen, and electronics.

All gifts-in-kind received by the Organization for the year ended December 31, 2023 and 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 - 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 2023 and 2022 are as follows:

	2023	2022
AMVETS Department of California	$ 350,000	$ 320,000

The Organization received $12,000 and $12,500 from AMVETS Posts for building rent in 2023 and 2022, respectively.

NOTE 15 - FAIR VALUE MEASUREMENTS

The following table presents fair value hierarchy for assets measured at fair value on a reoccurring basis as of December 31, 2023:

	Total	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash	$ 1,179,577	$ 1,179,577	$ -	$ -
Equities	3,182	3,182		
Stocks	2,504,678	2,504,678		
Exchange-traded and closed-end funds	1,591,115	1,591,115		
Corporated fixed income	259,069	259,069		
Government securities	266,571	266,571		
Mutual funds	4,533,971	4,533,971		
Total	$ 10,338,163	$ 10,338,163	$ -	$ -

NOTE 15 - FAIR VALUE MEASUREMENTS (Continued)

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	$ -	$ -

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 2023.

NOTE 16 - 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 $189,401 and $171,334 in 2023 and 2022, 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.

Line of Credit

The Organization has a line of credit in the amount of $2,761,770 with an interest rate of 6.71%. There are two letters of credit with a maturity date of February 4, 2024 and October 31, 2024 for $438,230 and $200,000, respectively. There are no borrowings outstanding at December 31, 2023.

Litigation

On July 17, 2023, the Organization received a Summons and Complaint regarding a slip-and-fall incident. An estimate of loss cannot be made available at the time this report was ready to be issued and as such, no loss was reflected within these financial statements.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 25, 2024 which is the date the financial statements were available to be issued.

On January 30, 2024, the Organization was served a civil action lawsuit in regards to property encroachment. As of the date of this report, the parties are interested in discussing settlement options. No settlement expense was reflected in these financial statements.