NOVOGRADAC & COMPANY LLP®

Swords to Plowshares: Veterans Rights Organization and Subsidiaries

Consolidated Financial Statements with Report of Independent Auditors

For the years ended June 30, 2025 and 2024

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NOVOGRADAC & COMPANY LLP®

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Swords to Plowshares: Veterans Rights Organization and Subsidiaries:

Opinion

We have audited the accompanying consolidated financial statements of Swords to Plowshares: Veterans Rights Organization (a California non-profit public benefit corporation) and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related Consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The schedule of the status of prior audit findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Novogradac & Company LLP

Petaluma, California
December 29, 2025

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,030,916	$ 1,690,307
Tenant security deposits	320,347	328,279
Pledges receivable	28,000	28,000
Grants and contracts receivable	3,761,862	2,840,628
Due from affiliates	1,323,519	645,390
Other receivables	81,483	536,345
Investments	706,534	295,905
Prepaid expenses	23,046	73,268
Total current assets	8,275,707	6,438,122
Property and equipment, net	20,533,454	20,399,835
Investment in affordable housing partnerships	1,290,563	1,290,835
Other assets		
Operating reserves	504,521	485,005
Replacement reserves	391,593	371,287
Deposits	100,918	90,426
Right-of-use asset - leases	8,425,576	10,049,257
	9,422,608	10,995,975
Total assets	$ 39,522,332	$ 39,124,767
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,921,284	$ 1,371,890
Grants payable	298,435	-
Tenant security deposits payable	313,693	307,751
Representative payee liability	198,153	99,071
Accrued expenses	969,271	1,127,420
Leases payable, current portion	1,606,292	1,751,804
Total current liabilities	5,307,128	4,657,936
Leases payable, less current portion	7,150,265	8,566,347
Notes payable	15,019,432	14,490,363
Total liabilities	27,476,825	27,714,646
Net assets		
Without donor restrictions	7,838,411	8,271,242
With donor restrictions	4,207,096	3,138,879
Total net assets	12,045,507	11,410,121
Total liabilities and net assets	$ 39,522,332	$ 39,124,767

see accompanying notes

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND OTHER SUPPORT			
Grants and contributions	$ 1,018,656	$ 2,383,450	$ 3,402,106
Government grants and contracts	26,101,458	-	26,101,458
Program fee income	749,150	-	749,150
Special event revenue net of $87,623 of expenses	526,100	-	526,100
Investment income	27,756	-	27,756
Management and other fees	335,473	-	335,473
Development fee income	799,464	-	799,464
Reimbursable expenses from limited partnerships	7,227,030	-	7,227,030
Other income	7,761	-	7,761
	36,792,848	2,383,450	39,176,298
Net assets released from restrictions	1,315,233	(1,315,233)	-
Total operating revenue and other support	38,108,081	1,068,217	39,176,298
OPERATING EXPENDITURES			
Program services	32,720,451	-	32,720,451
Management and general	4,622,751	-	4,622,751
Fundraising	575,976	-	575,976
Total operating expenditures	37,919,178	-	37,919,178
NET OPERATING SURPLUS	188,903	1,068,217	1,257,120
OTHER EXPENDITURES			
Interest expense	(652)	-	(652)
Depreciation	(621,082)	-	(621,082)
Total other expenditures	(621,734)	-	(621,734)
CHANGE IN NET ASSETS	(432,831)	1,068,217	635,386
NET ASSETS AT BEGINNING OF YEAR	8,271,242	3,138,879	11,410,121
NET ASSETS AT END OF YEAR	$ 7,838,411	$ 4,207,096	$ 12,045,507

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND OTHER SUPPORT			
Grants and contributions	$ 1,273,163	$ 1,211,672	$ 2,484,835
Government grants and contracts	25,931,515	-	25,931,515
Program fee income	627,864	-	627,864
Special event revenue net of $48,198 of expenses	332,161	-	332,161
Investment income	26,076	-	26,076
Management and other fees	532,226	-	532,226
Development fee income	355,000	-	355,000
Reimbursable expenses from limited partnerships	4,760,285	-	4,760,285
Other income	89,889	-	89,889
	33,928,179	1,211,672	35,139,851
Net assets released from restrictions	1,981,519	(1,981,519)	-
Total operating revenue and other support	35,909,698	(769,847)	35,139,851
OPERATING EXPENDITURES			
Program services	30,561,751	-	30,561,751
Management and general	4,484,330	-	4,484,330
Fundraising	587,890	-	587,890
Total operating expenditures	35,633,971	-	35,633,971
NET OPERATING SURPLUS (DEFICIT)	275,727	(769,847)	(494,120)
OTHER INCOME (EXPENDITURES)			
Settlement income	500,000	-	500,000
Interest expense	(317)	-	(317)
Depreciation	(628,906)	-	(628,906)
Total other income (expenditures)	(129,223)	-	(129,223)
CHANGE IN NET ASSETS	146,504	(769,847)	(623,343)
NET ASSETS AT BEGINNING OF YEAR	8,124,738	3,908,726	12,033,464
NET ASSETS AT END OF YEAR	$ 8,271,242	$ 3,138,879	$ 11,410,121

see accompanying notes

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services						Supporting Services		
	Employment	Legal	Health & Support Services	Housing	Institute for Veteran Policy	Program Services Total	Management & General	Fundraising	Total
Operating expenditures									
Salaries	$ 656,443	$ 866,724	$ 3,912,654	$ 5,649,475	$ 566,513	$ 11,651,809	$ 2,888,847	$ 368,389	$ 14,909,045
Payroll taxes and benefits	170,120	224,650	1,089,782	1,766,679	124,545	3,375,776	737,078	77,449	4,190,303
Professional services	11,103	51,161	188,501	1,726,088	7,652	1,984,505	285,963	32,707	2,303,175
Re-grant expense	-	-	-	-	237,217	237,217	-	-	237,217
Client support	215,191	-	5,347,323	486,480	7,641	6,056,635	1,859	9,211	6,067,705
Occupancy	26,647	19,989	170,107	3,892,819	15,605	4,125,167	94,585	9,361	4,229,113
Lease expense	121,839	91,051	822,739	747,937	-	1,783,566	30,325	-	1,813,891
Insurance	9,541	21,552	72,098	1,671,223	7,119	1,781,533	17,387	4,303	1,803,223
Professional development & conferences	7,381	23,766	57,232	59,105	47,976	195,460	147,344	22,280	365,084
Supplies	14,407	10,459	87,258	219,062	4,867	336,053	48,826	4,795	389,674
Property management	-	-	-	712,698	-	712,698	-	-	712,698
Bank & payroll service fees	-	-	8,368	16,296	-	24,664	93,610	15,349	133,623
Printing & outreach	4,783	1,003	8,988	24,920	618	40,312	63,887	14,090	118,289
Other expenses	8,449	16,253	66,844	268,683	54,827	415,056	213,040	18,042	646,138
Total operating expenditures	1,245,904	1,326,608	11,831,894	17,241,465	1,074,580	32,720,451	4,622,751	575,976	37,919,178
Other expenditures									
Interest expense	-	-	-	-	-	-	652	-	652
Depreciation	6,021	6,021	43,258	344,376	-	399,676	221,406	-	621,082
Total other expenditures	$ 6,021	$ 6,021	$ 43,258	$ 344,376	$ -	$ 399,676	$ 222,058	$ -	$ 621,734

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services						Supporting Services		
	Employment	Legal	Health & Support Services	Housing	Institute for Veteran Policy	Program Services Total	Management & General	Fundraising	Total
Operating expenditures									
Salaries	$ 601,187	$ 736,074	$ 3,724,427	$ 5,561,300	$ 528,950	$ 11,151,938	$ 2,748,421	$ 374,223	$ 14,274,582
Payroll taxes and benefits	155,219	206,342	1,038,294	1,476,468	114,296	2,990,619	732,203	72,514	3,795,336
Professional services	206	58,250	85,328	881,930	138	1,025,852	195,394	727	1,221,973
Client support	250,438	-	6,994,231	417,523	(945)	7,661,247	4,888	-	7,666,135
Occupancy	40,545	31,021	267,284	3,616,575	16,631	3,972,056	104,731	10,003	4,086,790
Lease expense	115,096	97,880	783,280	788,537	-	1,784,793	29,098	-	1,813,891
Insurance	4,719	15,832	41,129	204,639	3,870	270,189	45,998	2,331	318,518
Professional development & conferences	9,763	23,301	62,602	71,957	11,010	178,633	153,825	21,416	353,874
Supplies	16,983	17,212	122,352	258,634	9,467	424,648	48,050	5,713	478,411
Property management	-	-	-	499,044	-	499,044	149	-	499,193
Bank & payroll service fees	-	-	7,350	11,949	-	19,299	82,545	11,599	113,443
Printing & outreach	2,232	1,376	24,362	36,339	3,620	67,929	110,550	28,530	207,009
Other expenses	9,779	13,304	221,373	254,013	17,035	515,504	228,478	60,834	804,816
Total operating expenditures	1,206,167	1,200,592	13,372,012	14,078,908	704,072	30,561,751	4,484,330	587,890	35,633,971
Other expenditures									
Interest Expense	17	-	-	-	-	17	300	-	317
Depreciation	6,021	6,021	63,370	354,198	-	429,610	199,296	-	628,906
Total other expenditures	$ 6,038	$ 6,021	$ 63,370	$ 354,198	$ -	$ 429,627	$ 199,596	$ -	$ 629,223

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 635,386	$ (623,343)
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation	621,082	628,906
Net realized and unrealized (loss) gains on investments	1,917	(302)
Loss on investment in limited partnerships	272	2,169
(Increase) decrease in assets:		
Rental deposits	(10,492)	-
Pledges receivable	-	(5,000)
Grants and contracts receivable	(921,234)	(33,497)
Due from affiliates	(678,129)	161,089
Other receivables	454,862	(289,278)
Prepaid expenses	50,222	(16,222)
Right-of-use asset - leases	1,623,681	1,593,086
Increase (decrease) in liabilities:		
Accounts payable	(33,454)	387,265
Grants Payable	298,435	-
Tenant security deposits payable	5,942	(5,864)
Representative payee liability	99,082	53,977
Accrued expenses	(158,149)	23,832
Leases payable	(1,561,594)	(1,481,705)
Net cash provided by operating activities	427,829	395,113
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments, net	(412,546)	(12,318)
Purchases of property and equipment	(754,701)	(630,343)
Investment in limited partnerships	-	(250,000)
Net cash used in investing activities	(1,167,247)	(892,661)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funding of notes payable	1,111,917	397,716
Net cash provided by financing activities	1,111,917	397,716
Net change in cash, cash equivalents and restricted cash	372,499	(99,832)
Cash, cash equivalents and restricted cash at beginning of year	2,874,878	2,974,710
Cash, cash equivalents and restricted cash at end of year	$ 3,247,377	$ 2,874,878
Cash and cash equivalents	$ 2,030,916	$ 1,690,307
Tenant security deposits	320,347	328,279
Operating reserves	504,521	485,005
Replacement reserves	391,593	371,287
Total cash, cash equivalents and restricted cash	$ 3,247,377	$ 2,874,878

see accompanying notes

1. Organization

Founded in 1974, Swords to Plowshares: Veterans Rights Organization ("Swords") and Subsidiaries (collectively the "Organization") is a community-based, not-for-profit organization that provides counseling and case management, employment and training, housing, and legal assistance to homeless and low-income veterans in the San Francisco Bay Area. The agency promotes and protects the rights of veterans through advocacy, public education, and partnerships with local, state, and national entities. War causes wounds and suffering that last beyond the battlefield. The Organization's mission is to heal the wounds, to restore dignity, hope, and self-sufficiency to all veterans in need, and to significantly reduce homelessness and poverty among veterans.

2. Summary of significant accounting policies

Basis of accounting
The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization's year end for tax and financial reporting purposes is June 30.

Basis of presentation
The Organization is required to report 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: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Principles of consolidation
The consolidated financial statements include the accounts of Swords to Plowshares: Veterans Rights Organization and its wholly owned subsidiaries, Swords-150 Otis, LLC, Swords-MB3E, LLC, Swords-Maceo May Apts, LLC, and 629 Post, LLC. All intercompany transactions and balances have been eliminated in consolidation.

Investment in partnerships – equity method
The Organization uses the equity method of accounting for its investments in 150 Otis Associates, L.P. ("150 Otis LP"), MB3E, L.P. ("MB3E LP") and Maceo May Apts, L.P. ("Maceo May Apts LP"), in which the Organization, who has a 0.005% ownership interest in each partnership, serves as the administrative general partner and has significant influence over, but not control of the major operating and financial policies of the limited partnerships. Under this method, the Organization's share of income, losses, and distributions incurred by the limited partnerships is recognized as an increase or reduction of the carrying value of the investments. Impairment losses other than temporary impairment are recorded even if they reduce the investment more than what would have been recognized in the normal application of the equity method.

2. Summary of significant accounting policies (continued)

Estimates
The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Tenant security deposits, operating reserves, and replacement reserves are treated as restricted cash, but not considered cash and cash equivalents, and include cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, and repairs or improvements to the buildings that extend their useful lives.

Concentrations of credit risk
The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Pledges receivable and contributions
Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Grants and contracts receivable
Grants and contracts receivable represent balances due from various governmental agencies for contract services and are stated at the amount management expects to collect from outstanding balances. The Organization records an allowance for credit losses based on losses expected to arise over the contractual term of the financial asset. Assets are written off when the Organization deems the receivable to be uncollectable. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, which do not exceed the aggregate of previous write-offs, are included in determining the allowance account. As of both June 30, 2025 and 2024, management believes that the Organization's receivable are fully collectable and as such, the allowance for credit losses is zero.

Other receivables
Other receivables consist primarily of noninterest-bearing amounts due that are not related to government contracts and affiliates. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, the Organization expects all such other receivables to be collectible. Accordingly, an allowance for uncollectible amounts has not been established as of both June 30, 2025 and 2024.

2. Summary of significant accounting policies (continued)

Investments

Investments consist of cash, U.S Treasuries which are carried at fair value based on quoted prices in active markets and certificates of deposit with original maturity dates of one to four years which are carried at cost plus accrued interest (which approximates fair value).

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Organization's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Organization for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

The following tables present the Organization's assets that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2025 and 2024:

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

	June 30, 2025			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments				
Certificate of deposit	$ -	$ 405,995	$ -	$ 405,995
U.S. Treasuries	100,074	-	-	100,074
Total	$ 100,074	$ 405,995	$ -	$ 506,069

	June 30, 2024			
	Level 1	Level 2	Level 3	Fair Value Measurements
Investments				
Certificate of deposit	$ -	$ 99,993	$ -	$ 99,993
Total	$ -	$ 99,993	$ -	$ 99,993

Property and equipment
Property and equipment purchased with estimated useful lives in excess of one year are capitalized at cost. Donated assets are capitalized at the fair market value on the date of receipt. Depreciation is computed over the estimated useful lives of the respective assets on a straight-line basis.

Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses for each of the years ended June 30, 2025 and 2024.

Endowment funds
In August 2008, Financial Accounting Standards Board provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). This guidance also improves disclosures about an organization’s endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization is subject to the required disclosures in that the Organization classifies its unrealized gains and losses on donor-restricted endowed funds as net assets with donor restrictions. To the extent unrealized losses exceed previous unrealized gains, the unrealized losses are recorded to net assets with donor restrictions. As of June 30, 2025 and 2024, no fund balances were below the historical gift amount.

2. Summary of significant accounting policies (continued)

Representative payee liability
As part of the service umbrella offered, the Organization serves as a representative payee to assist in budget management for the veterans by holding funds earmarked for budgeted expenses such as rent and living allowances. This is the liability for the cash currently held by the Organization for the veterans.

Revenue recognition
The Organization receives contract and grant funding from various government agencies. Revenue from such grants is recognized once all conditions are met in accordance with grant agreements. Revenue resulting from special events is recorded equal to the fair value of direct benefits to donors. Revenue resulting from fees charged by the Organization, reimbursable expenses from 150 Otis LP, MB3E LP and Maceo May Apts LP and other income is recognized when performance obligations are met.

Income taxes
The Organization is a non-profit corporation organized pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of the California Franchise Tax Code. As such, the Organization is exempt from taxes on its business-related income.

Swords-150 Otis, LLC, Swords-MB3E, LLC, Swords-Maceo May Apts, LLC and 629 Post, LLC are pass-through entities for income tax reporting purposes and, accordingly, do not pay tax on their taxable income. Instead, allocated income or loss is reported on the tax returns of the Organization. The entities are subject to a minimum franchise tax for the State of California.

The preparation of financial statements in accordance with U.S. GAAP requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Economic concentrations
The Organization receives a significant amount of revenue from managing various programs to support its mission. These sources of funds are dependent upon the continued successful development and management of these programs.

The Organization, either as a direct owner, advisor or general partner, has an economic interest in real estate projects that are subject to business risks associated with the economy and level of unemployment in California. In addition, these projects operate in a heavily regulated environment. The operations of these projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Department of Housing and Urban Development ("HUD"). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

2. Summary of significant accounting policies (continued)

Re-grant expense

Grants are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Organization receives or is notified of the refund. All grant payable and re-grant expense, as of and for the year ended June 30, 2025, was related to the Rand Corporation as part of a subcontract agreement dated October 15, 2024. As of June 30, 2025 and 2024, grant payable were $298,435 and $0, respectively. For the years ended June 30, 2025 and 2024, re-grant expense was $237,217 and $0, respectively.

Functional allocation of expenses

The Organization's costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Direct costs associated with specific programs are recorded as program expenses. Personnel costs are charged to programs and supporting services on the basis of time sheets. Occupancy and depreciation are allocated based on square footage. Other expenses are allocated based on time and effort. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

Leases

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease terms. The Organization uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the leases when it is reasonably certain that the Organization will exercise that option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements include monthly rental payments. Lease liabilities are not remeasured throughout the life of the leases since all predetermined changes in the monthly rent payments have already been considered in the lease liability calculation.

Subsequent events

Subsequent events have been evaluated through December 29, 2025, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The following represents the Organization's financial assets at June 30, 2025 and 2024:

	2025	2024
Financial assets at year end:		
Cash and cash equivalents	$ 2,030,916	$ 1,690,307
Tenant security deposits	320,347	328,279
Pledges receivable	28,000	28,000
Grants and contracts receivable	3,761,862	2,840,628
Due from affiliates	1,323,519	645,390
Other receivables	81,483	536,345
Investments	706,534	295,905
Operating reserves	504,521	485,005
Replacement reserves	391,593	371,287
Deposits	100,918	90,426
Total financial assets	9,249,693	7,311,572
Less amounts not available to be used within one year:		
Tenant security deposits	320,347	328,279
Due from affiliates	1,323,519	645,390
Replacement reserves	391,593	371,287
Deposits	100,918	90,426
Representative payee	198,153	99,071
Net assets with donor restrictions	4,207,096	3,138,879
Total amounts not available to be used	6,541,626	4,673,332
Financial assets available to meet general expenditures over the next twelve months	$ 2,708,067	$ 2,638,240

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

4. Investments

Investments are stated at current market value and consist of the following as of June 30, 2025 and 2024:

	2025	
	Cost	Market Value
Cash	$ 200,465	$ 200,465
Certificate of deposit	405,995	405,995
U.S. Treasuries	100,000	100,074
Total investments	$ 706,460	$ 706,534

	2024	
	Cost	Market Value
Cash	$ 195,912	$ 195,912
Certificate of deposit	100,000	99,993
Total investments	$ 295,912	$ 295,905

5. Property and equipment and depreciation

As of June 30, 2025 and 2024, the Organization's property and equipment consists of the following:

	2025	2024
Leasehold improvements	$ 11,488,355	$ 10,787,712
Furniture and equipment	433,089	433,089
Land and building	14,028,930	14,013,964
Vehicles	142,207	141,454
Accumulated depreciation	(5,559,127)	(4,976,384)
Net	$ 20,533,454	$ 20,399,835

For the years ended June 30, 2025 and 2024, depreciation expense was $621,082 and $628,906, respectively.

6. Replacement and other operating reserves

The Organization is required to fund certain operating and replacement reserves for its four housing programs. Monthly deposit requirements are determined based on either explicit amount or calculated amount per the respective agreements. The operating reserves for the Presidio – Academy Program, Treasure Island – Halibut, Treasure Island – Chinook and DeMontfort Avenue have reached and maintained the required balances as of June 30, 2025 and 2024; therefore, monthly deposits are currently not required.

Operating reserve funds may be used for emergency operating needs associated with the programs. Replacement reserves may be used for replacement or repair of building components or large equipment.

7. Investment in affordable housing partnerships

150 Otis LP

150 Otis LP, a limited partnership was formed by Swords-150 Otis, LLC and CCDC-150 Otis, LLC, which is owned by Chinatown Community Development Center ("CCDC"). The limited partnership's purpose is to develop and operate 76 units of low-income housing located in San Francisco and provide supportive housing for homeless veterans and veterans at risk of homelessness ("Veterans Commons"). Veterans Commons participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide for rent and other restrictions through 2067.

Under the limited partnership agreement, Swords-150 Otis, LLC and CCDC-150 Otis, LLC are co-general partners, with CCDC-150 Otis, LLC acting as the managing general partner and Swords-150 Otis, LLC as the administrative general partner, each with a 0.005% general partner interest, and with the remaining interest held by a limited partner. Swords-150 Otis, LLC's original investment in 150 Otis LP amounted to $365,000.

As of June 30, 2025 and 2024, Swords-150 Otis, LLC's investment in 150 Otis LP was $364,029 and $364,062, respectively.

7. Investment in affordable housing partnerships (continued)

MB3E LP

MB3E LP, a limited partnership was formed by Swords-MB3E LLC and CCDC-MB3E LLC, which is owned by CCDC. The limited partnership's purpose is to develop and operate a 119 unit project in Mission Bay in San Francisco similar to Veterans Commons described above.

Under the MB3E LP limited partnership agreement, Swords-MB3E, LLC and CCDC-MB3E, LLC are co-general partners, with CCDC-MB3E, LLC acting as the managing general partner with 0.0051% partner interest and Swords-MB3E, LLC as the administrative general partner with a 0.0049% general partner interest, and with the remaining interest held by a limited partner.

As of June 30, 2025 and 2024, Swords-MB3E, LLC's investment in MB3E LP was $78,661 and $78,792, respectively.

Maceo May Apts LP

Maceo May Apts, LP, a limited partnership was formed by Swords-Maceo May Apts LLC and CCDC-Maceo May Apts LLC, which is owned by CCDC. The limited partnership's purpose is to develop and operate 105 units of low-income housing located in San Francisco, similar to Veterans Commons as described above.

Under the limited partnership agreement, Swords-Maceo May Apts LLC and CCDC-Maceo May Apts LLC are co-general partners, each with a 0.005% general partner interest, and with the remaining interest held by limited partners.

As of June 30, 2025 and 2024, Swords-Maceo May Apts LLC's investment in Maceo May Apts, LP was $847,873 and $847,981 , respectively.

The condensed combined balance sheets of 150 Otis LP, Maceo May Apts LP, and MB3E LP as of December 31, 2024 and 2023, are as follows:

COMBINED BALANCE SHEETS
(unaudited)

	2024	2023
Total assets (primarily property and equipment)	$ 165,557,761	$ 170,583,963
Total liabilities (accounts payable and debt)	$ 111,785,236	$ 137,048,237
Partners' equity	53,772,525	33,535,726
	$ 165,557,761	$ 170,583,963

7. Investment in affordable housing partnerships (continued)

The condensed combined statements of operations of 150 Otis LP, Maceo May Apts LP and MB3E LP for the years ended December 31, 2024 and 2023, are as follows:

COMBINED STATEMENTS OF OPERATIONS
(unaudited)

	2024	2023
Total revenue	$ 9,012,143	$ 7,290,540
Total expense	(7,042,691)	(6,196,816)
Operating income	1,969,452	1,093,724
Depreciation	(4,436,551)	(4,284,824)
Interest expense	(2,738,572)	(4,343,424)
Other expense	(291,503)	(540,606)
Net loss	$ (5,497,174)	$ (8,075,130)

8. Related party transactions

150 Otis LP has various agreements with CCDC-150 Otis, LLC and Swords-150 Otis, LLC (collectively referred to as "General Partners") as follows:

Tax credit compliance fee agreement - Under the terms of this agreement, the General Partners receive an annual fee totaling $15,000 (shared equally) to advise 150 Otis LP with respect to compliance with applicable state law tax credit requirements and compliance with any and all obligations of the partnership under any agreements with lenders, to maintain all necessary office and accounting facilities and equipment, and to provide ongoing review during the compliance period of the leasing and management of the project. For each of the years ended June 30, 2025 and 2024, the Organization earned $7,500 in tax credit compliance fees, and is included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Asset management fee agreement - Under the terms of this agreement, the General Partners are entitled to an annual cumulative general partner asset management fee in an annual amount of $10,000, payable from excess/distributable cash, and increasing 3% per year thereafter, in consideration for services performed in accordance with the partnership agreement. For the years ended June 30, 2025 and 2024, the Organization earned $6,721 and $6,525, respectively in asset management fees, and is included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Incentive management fee agreement - Under the terms of this agreement, the General Partners are entitled to an annual non-cumulative incentive management fee, payable from excess/distributable cash for administrative and management services. The fee shall not exceed the lesser of i) $25,000 when combined with the general partner asset management fee, or ii) 12% of the Partnership's effective gross income for such year when combined with the general partner asset management fee and the property management fee. For the years ended June 30, 2025 and 2024, the Organization earned $5,779 and $5,975, respectively in incentive management fees, which is included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

8. Related party transactions (continued)

Property sub-management agreement - Under the terms of this agreement, CCDC-150 Otis, LLC, as the appointed property manager, appointed Swords as the subagent to perform all obligations stated under the management agreement. The monthly fee is 5.75% of gross income less $1,000. The term of the agreement is for one year and remains effective on a monthly basis thereafter. For the years ended June 30, 2025 and 2024, Swords earned $103,018 and $91,093, respectively, in property management fees. In addition, for each of the years ended June 30, 2025 and 2024, Swords earned $11,592 for bookkeeping fees. Both fees are included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Reimbursed expenses for 150 Otis LP - Swords also incurs expenses for the ongoing operations of Veterans Commons pursuant to agreements with CCDC-150 Otis, LLC. These expenses are reimbursed by 150 Otis LP and recorded as revenue in the Statement of Activities. For the years ended June 30, 2025 and 2024, total reimbursements earned were $1,965,049 and $1,575,358, respectively, and are included in reimbursable expenses from limited partnerships on the accompanying consolidated statements of activities and changes in net assets. Reimbursements earned but not paid are recorded as due from affiliate in the consolidated statements of financial position. As of June 30, 2025 and 2024, the related receivable from 150 Otis LP was $207,482 and $118,991, respectively.

Indemnification - The General Partners agreed to indemnify the investor limited partner in the event of a reduction in projected tax benefits.

Purchase option - The limited partner has an option to require Swords to purchase the limited partner's interest for $100. The option will commence on January 1, 2023, the end of the tax credit period, and will expire on December 31, 2026, the end of the 15-year compliance period. Swords has a right of first refusal to acquire the 150 Otis LP project commencing on January 1, 2027, the day after the end of the 15-year compliance period, and will expire on December 31, 2027. The purchase price of Veterans Commons is the greater of $100 or the sum of the amount sufficient to pay all secured debt, including loans by a general partner, plus an amount sufficient to pay all debt and taxes owed to the limited partner. Swords has an option to acquire Veterans Commons or the limited partner’s interest. The option will commence on January 1, 2027, the day after the end of the 15-year compliance period, and will expire on December 31, 2028. The purchase price of Veterans Commons is the sum of any amount owed to the limited partner and the greater of the fair market value of Veterans Commons or an amount sufficient to pay all existing debt and exit taxes. The purchase price of the limited partner's interest is the sum of any amount owed to the limited partner and the greater of the fair market value of the limited partner's interest or an amount sufficient to pay all existing debt and exit taxes.

MB3E LP has various agreements with CCDC-MB3E, LLC and Swords-MB3E, LLC (collectively referred to as “MB3E General Partners”) as follows:

GP asset management fee agreement - Under the terms of this agreement, the MB3E General Partners are entitled to an annual cumulative general partner asset management fee in an annual amount of $21,649, payable from excess/distributable cash, and increasing 2% per year thereafter, in consideration for services performed in accordance with the partnership agreement. The GP asset management fee is distributed 50% each to CCDC-MB3E, LLC and Swords-MB3E, LLC and commenced on October 1, 2019. As of and for the years ended June 30, 2025 and 2024, the Organization did not earn an asset management fee.

8. Related party transactions (continued)

Incentive management fee agreement - Under the terms of this agreement, the MB3E General Partners are entitled to an incentive management fee of up to 90% of available cash flow as defined in the incentive management agreement and the MB3E partnership agreement or $100,000, whichever is the lesser amount. The GP asset management fee and the incentive management fee combined cannot exceed 12% of cash receipts received by the Partnership in that fiscal year. The incentive management fee is distributed 50% each to CCDC-MB3E, LLC and Swords-MB3E, LLC. The fee is non-cumulative and is incurred and payable only to the extent of cash flow available in the current year. As of and for the years ended June 30, 2025 and 2024, the Organization did not earn an incentive management fee.

Property sub-management agreement - Under the terms of this agreement, CCDC-MB3E, LLC as the appointed property manager, appointed Swords as the subagent to perform all obligations stated under the management agreement. The monthly fee is $60 per unit, increasing annually by 2%, less $1,000 of the monthly fee retained by CCDC-MB3E, LLC. The term of the agreement is for one year and remains effective on a monthly basis thereafter. For the years ended June 30, 2025 and 2024, Swords earned $75,394 and $78,924, respectively, in property management fees. In addition, for each of the years ended June 30, 2025 and 2024, Swords earned $13,566 for bookkeeping fees. Both fees are included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Resident service fee - Under the terms of this agreement, MB3E LP contracted Swords to provide resident services to the project. For the years ended June 30, 2025 and 2024, Swords earned $0 and $151,572, respectively, for resident service fee, and is included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Operating deficit guaranty- The General Partners agree and guarantee to fund all operating deficits incurred by MB3E precedent to the limited partner's third capital contribution, at which point the obligation is capped at $1,250,000 in aggregate and continues to be subject to the provisions listed in MB3E's partnership agreement.

Reimbursed expenses for MB3E LP - Swords also incurs expenses for the ongoing operations of the project pursuant to agreements with CCDC-MB3E, LLC. These expenses are reimbursed by MB3E LP and recorded as revenue in the Statement of Activities. For the years ended June 30, 2025 and 2024, total reimbursements earned were $2,467,280 and $1,794,291, respectively, and are included in reimbursable expenses from limited partnerships on the accompanying consolidated statements of activities and changes in net assets. Reimbursements earned but not paid are recorded as due from affiliate in the consolidated statements of financial position. As of June 30, 2025 and 2024, the related receivable from MB3E LP was $413,279 and $140,401, respectively.

Maceo May Apts LP has various agreements with CCDC-Maceo May Apts, LLC and Swords-Maceo May Apts, LLC (collectively referred to as "Maceo May General Partners") as follows:

Development fee agreement - Under the terms of this agreement, Swords and CCDC earned a total development fee of $3,500,000, subject to adjustments stipulated in the agreement, for services related to the development of the project. The unpaid balance of the development fee as of the investor limited partner's final contribution is deferred and payable from available cash flow. The development fee does not accrue interest.

8. Related party transactions (continued)

The development fee is distributed 50% each to CCDC-Maceo May Apts, LLC and Swords-Maceo May Apts, LLC. For the years ended June 30, 2025 and 2024, Swords earned $799,464 and $250,000, respectively, in development fees. For the years ended June 30, 2025 and 2024, capital contribution to Maceo May Apts LP were $0 and $250,000, respectively.

Partnership management fee agreement - Under the terms of this agreement, the Maceo May General Partners are entitled to an annual cumulative partnership management fee in an annual amount of $22,650, payable from excess/distributable cash, and increasing 3.5% per year thereafter, in consideration for services performed in accordance with the partnership agreement. The partnership management fee is distributed 50% each to CCDC-Maceo May Apts, LLC and Swords-Maceo May Apts, LLC and commenced on April 1, 2020. As of and for the years ended June 30, 2025 and 2024, Swords earned $14,253 and $11,325, respectively, in partnership management fee.

Asset management fee - Under the terms of this agreement, the Maceo May General Partners are entitled to an annual cumulative general partner asset management fee in an annual amount of $24,280, payable from excess/distributable cash, and increasing 3.5% per year thereafter, in consideration for services performed in accordance with the partnership agreement. For the years ended June 30, 2025 and 2024, the Organization earned $5,531 and $12,140, respectively, in asset management fees, and is included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Property sub-management agreement - Under the terms of this agreement, CCDC, as the appointed property manager, appointed Swords as the subagent to perform all obligations stated under the management agreement. The monthly fee is $65 per unit, increasing annually by 3.5%, less $1,000 of the monthly fee retained by CCDC. The term of the agreement is for one year and remains effective on a monthly basis thereafter. For the years ended June 30, 2025 and 2024, Swords earned $76,369 and $109,200, respectively, in property management fees. In addition, for the years ended June 30, 2025 and 2024, Swords earned $15,750 and $32,813, respectively, for bookkeeping fees. Both fees are included in management and other fees on the accompanying consolidated statements of activities and changes in net assets.

Indemnification - The Maceo May General Partners agreed to indemnify the investor limited partner in the event of a reduction in projected tax benefits.

Reimbursed expenses for Maceo May Apts LP - Swords also incurs expenses for the ongoing construction of the project pursuant to agreements with CCDC-Maceo May Apts, LLC. These expenses are reimbursed by Maceo May Apts LP and recorded as revenue in the Statement of Activities. For the years ended June 30, 2025 and 2024, total reimbursements earned were $2,662,289 and $1,336,092, respectively. Reimbursements earned but not paid are recorded as due from affiliate in the consolidated statements of financial position. As of June 30, 2025 and 2024, the related receivable from Maceo May Apts LP was $702,758 and $385,998, respectively.

Operating deficit guaranty- The General Partners agree and guarantee to fund all operating deficits incurred by Maceo May Apts LP precedent to the limited partner's stabilization capital contribution, at which point the obligation is capped at $1,600,000 in aggregate and continues to be subject to the provisions listed in Maceo May Apts LP's partnership agreement.

8. Related party transactions (continued)

Purchase option - The limited partner has an option to require Swords to purchase either the project or the limited partner's interest. The option to purchase period for Swords commences on the first date after expiration of the Credit Period (which is defined in the Internal Revenue Code ("IRC") Section 42(f)(1) as the first ten years starting either the first taxable year the project was placed in service or the immediate year after) until the year before the expiration of the Compliance Period (which is defined by IRC 42(i)(1) as the fifteen years starting the first year of the Credit Period).

9. Notes payable

Construction loan – Veterans Academy
The Organization was granted a construction loan in the amount of $2,500,000 from the Bank of San Francisco to develop housing located on Veterans Academy (the "Veterans Academy Loan"). The Veterans Academy Loan bears interest at a rate of 5% per annum, and requires monthly payments of interest. The Veterans Academy Loan matures on August 31, 2030. On September 13, 2022, Phi Associates, LP, a third party, was awarded a $2,500,000 settlement and granted the Organization $2,000,000 for the purpose of paying down the Veterans Academy Loan. The remaining $500,000 is for the purpose of providing housing at Veterans Academy. For the years ended June 30, 2025 and 2024, settlement income was recognized for $0 and $500,000, respectively.

As of June 30, 2025 and 2024, $0 remained payable on the Veterans Academy Loan. For the years ended June 30, 2025 and 2024, interest expensed was $652 and $317, respectively.

Construction loan – 629 Post, LLC
On April 6, 2023, 629 Post, LLC was granted a construction loan in the amount of $30,385,225 from the City and County of San Francisco for the acquisition and rehabilitation of a hotel (the "629 Post Loan"). The 629 Post Loan does not bear interest and matures on July 1, 2027. As of June 30, 2025 and 2024, $15,019,432 and $14,490,363, respectively, was drawn and remained payable on the 629 Post Loan.

Minimum annual principal payments required under notes payable are as follows:

Year ending June 30,	
2026	$ -
2027	15,019,432
2028	-
2029	-
Thereafter	-
Total	$ 15,019,432

10. Forgivable debt

The Organization was granted a loan in the amount of $426,586 from the City and County of San Francisco to develop housing located on subleased property on Treasure Island. The term of the loan is until the earlier of the termination of the sublease, including extensions and renewals for the Treasure Island property, or 50 years (2049). The Organization's obligation to repay the loan will be waived at the end of the loan term provided that the loan is not in default, as defined in the agreement. No interest will be charged on the loan unless the loan is in default. In the event of default, interest on the loan will be charged at the lesser of 10% or the maximum lawful rate, and the loan will be due and payable upon notice from the City and County of San Francisco. As of both June 30, 2025 and 2024, forgivable debt was $426,586.

10. Forgivable debt (continued)

Per the settlement agreement (Note 9), the $2,000,000 granted to the Organization is treated as a 16-year forgivable loan. In exchange for the Organization providing housing at Veterans Academy to qualified veterans for the next 16 years, the City and County of San Francisco will forgive $125,000 each year that the Organization is in compliance with the settlement agreement. As of June 30, 2025 and 2024, forgivable debt was $1,625,000 and $1,750,000, respectively.

Management has determined that the likelihood of the Organization violating the terms of the above loan agreement and the settlement income used to pay down the Veterans Academy Loan is remote. Therefore, the forgivable loan proceeds totaling $2,426,586 were recorded as revenue when received, and the remaining balance of $2,051,586 is classified as net assets with donor restrictions (Note 11). This amount will remain in net assets with donor restrictions until the loan is forgiven.

11. Net assets with donor restrictions

Net assets with donor restrictions are comprised of the following as of June 30:

	2025	2024
Legal	$ 414,308	$ 253,550
Forgivable debt (refer to Note 10)	2,051,586	2,176,586
Supportive housing and services programs	1,211,049	459,924
Institute for veteran policy	250,000	151,258
Employment and training	109,975	50,026
East Bay	17,643	-
Housing	100,000	-
SF Drop-in	5,000	-
Endowment	47,535	47,535
Total	$ 4,207,096	$ 3,138,879

During the years ended June 30, 2025 and 2024, releases from donor restrictions consist of the following:

	2025	2024
Legal	$ 299,242	$ 308,242
Forgivable debt	125,000	125,000
Institute for veteran policy	151,258	50,000
Supportive housing and services programs	699,824	1,278,525
Housing	-	40,000
Employment and training	22,552	63,207
East Bay	17,357	6,545
Academy	-	10,000
SF Drop-in	-	100,000
Total	$ 1,315,233	$ 1,981,519

The Organization started an endowment fund in prior years to provide support to the Veterans Academy.

The Organization is subject to the requirements of UPMIFA governing endowments. However, the fund balance, which amounts to $47,535 as of both June 30, 2025 and 2024, is too small to generate meaningful income. Accordingly, the Organization has not formalized spending and investing policies for this fund.

12. Leases

The Organization leases two buildings at the Presidio, which are used for the Veterans Academy Program. The lease term expires on June 30, 2037. For the years ended June 30, 2025 and 2024, the monthly rent was $12,065 and $11,714, respectively, per building and incrementally increases to $17,202 per building by the end of the lease term.

The Organization leases three floors of office space in San Francisco, which is used for intake, counseling and administrative offices. The lease term expires on December 31, 2028. For the years ended June 30, 2025 and 2024, the monthly rent was $60,932 and $59,158, respectively, and incrementally increases to $66,583 by the end of the lease term.

The Organization leases space on the third floor of the War Memorial Building, located in San Francisco, which is used for its administrative offices. The lease term expires on March 5, 2034. For each of the years ended June 30, 2025 and 2024, the monthly rent was $9,289.

The Organization leases office space in Oakland under a new agreement that extends the lease term through March 31, 2031. For each of the years ended June 30, 2025 and 2024, monthly rent was $23,393.

The Organization leases a building for its Safe Haven housing program. The original term went through June 30, 2015 with fourteen one-year options to extend through June 30, 2029. For the years ended June 30, 2025 and 2024, the monthly rent was $29,498 and $28,937, respectively. The lease was extended to June 30, 2026.

The Organization has a sublease agreement with the Treasure Island Development Authority to provide transitional and permanent housing on Treasure Island (Chinook and Halibut). The Organization is required to pay monthly common area charges and utility fees. In August 2015, the sublease was renewed to September 30, 2021. On October 1, 2021, the sublease agreement was amended to extend the sublease to June 30, 2024. No rent is charged under this agreement, but for the years ended June 30, 2025 and 2024, the Organization was required to pay a monthly fee for common area maintenance of $0 and $8,815, respectively.

The balances for operating leases are presented as follows on the consolidated statement of financial position as of June 30:

	2025	2024
Operating leases:		
Operating lease right-of-use asset(s)	$ 8,425,576	$ 10,049,257
Operating lease liability	$ 8,756,557	$ 10,318,151

Lease expense on the consolidated statements of activities and changes in net assets consists of the following for the year ended June 30:

	2025	2024
Operating lease expense:		
Operating lease – base rent	$ 1,813,891	$ 1,813,891
Operating lease - variable	-	-
Total operating lease expense	$ 1,813,891	$ 1,813,891
Total lease expense	$ 1,813,891	$ 1,813,891

12. Leases (continued)

The weighted-average remaining lease term for these leases approximated 8 years and the discount rate approximated 2.01% as of both June 30, 2025 and 2024.

The lease agreements did not provide an implicit rate of return and the Organization used its risk-free rate based on information available at the commencement date in determining the present value of lease payments.

Lease payments for the next 5 years and thereafter are estimated to be:

Year ending June 30,	
2026	$ 1,606,292
2027	1,550,958
2028	1,590,264
2029	1,219,182
2030	447,156
Thereafter	3,067,341
Total lease payments	9,481,193
Less: imputed interest	(724,636)
Present value of lease obligations	$ 8,756,557

13. Retirement plans

The Organization has a 403(b) retirement plan (the "403(b) Plan"). The 403(b) Plan covers substantially all Organization employees who have met a one-year service requirement, as defined. Eligible employees may contribute any portion of their compensation up to the statutory maximum amount. The Organization may make discretionary employer contributions, which are immediately vested. For the years ended June 30, 2025 and 2024, total employer contributions were $505,225 and $481,433, respectively.

In addition, the Organization has a 457(b) retirement plan (the "457(b) Plan"). The 457(b) Plan covers officers of the Organization and management, as defined. Eligible employees may contribute any portion of their compensation up to the statutory maximum amount. The Organization does not make any employer contributions to the 457(b) Plan.

SUPPLEMENTAL SCHEDULES

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Agent/Program Title	Assistance Listing Number	Pass Through Identifying Number	Contract Period	Federal Expenditures	Pass Through to Subrecipients
Department of Housing and Urban Development					
Passed through from State of California					
Passed through from San Francisco City and County					
Passed through from Mayor's Office of Community Development					
CDBG - Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants	14.218	203911-23	7/1/24 - 6/30/25	$ 86,264	$ -
				86,264	-
Passed through from San Francisco Housing Authority					
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	CA001SRO019	7/1/24 - 6/30/25	2,271,724	-
				2,271,724	-
Passed through from San Francisco City and County					
Passed through San Francisco Human Services Agency					
Veterans' Academy Support Services	14.267	873346/6438018	7/1/15 - 6/30/25	321,199	-
Passed through from San Francisco City and County					
Passed through Department of Homelessness and Supportive Housing					
Rental Assistance & Case Management for Veterans I	14.267	837535/3239745	4/1/24 - 7/31/25	72,313	-
Mission Bay/Edwin Lee Support Services	14.267	2766616/776319	11/1/23 - 10/31/24	20	-
Mission Bay/Edwin Lee Support Services	14.267	895283/6568668	11/1/24 - 17/31/25	37,257	-
Misssion Bay CoC Rental Assistance	14.267	895284/6568691	11/1/24 - 7/31/25	118,773	-
Misssion Bay CoC Rental Assistance	14.267	3028013/776323	11/1/23 - 10/31/24	61,236	-
Fairfax CoC Admin Reimbursement	14.267	837530/3239750	4/1/24 - 7/31/25	18,163	-
Veterans Commons CoC Admin Reimbursement	14.267	873535/6436907	7/1/24 - 6/30/25	8,896	-
Maceo May CoC Admin Reimbursement	14.267	776259/3441660	11/1/23 - 10/31/24	16,481	-
Maceo May CoC Admin Reimbursement	14.267	875061/3441665	11/1/24 - 07/31/25	16,481	-
Project Based Subsidies - Fairfax	14.267	837530/3239750	4/1/24 - 3/31/25	405,294	-
				754,914	-
Total Department of Housing and Urban Development				3,434,102	-

see report of independent auditors and notes to schedule of expenditures of federal awards

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Agent/Program Title	Assistance Listing Number	Pass Through Identifying Number	Contract Period	Federal Expenditures	Pass Through to Subrecipients
Department of Labor					
Passed through from San Francisco City and County Workforce Development Division					
Office of Economic and Workforce Development	17.258	804052	7/1/24 - 6/30/25	$ 108,663	$ -
Passed through the City of Oakland Oakland Workforce Development Board					
Specialized AJCC-WIOA Adult	17.258	N/A	7/1/23 - 6/30/24	5,219	
Specialized AJCC-WIOA Adult	17.258	N/A	7/1/24 - 6/30/25	106,335	-
				111,554	-
Oakland Workforce Development Board					
Specialized AJCC-WIOA Dislocated Worker	17.278	N/A	7/1/24 - 6/30/25	95,413	-
Passed through from State of California Employment Development Department					
Homeless Veterans Reintegration Program (EB)	17.805	HV000042HV3	7/1/23 - 6/30/24	6,586	-
Homeless Veterans Reintegration Program (EB)	17.805	HV000042HV4	7/1/24 - 6/30/25	500,000	-
Homeless Veterans Reintegration Program (SF)	17.805	HV000041HV3	7/1/23 - 6/30/24	236,690	-
Homeless Veterans Reintegration Program (SF)	17.805	HV000041HV4	7/1/24 - 6/30/25	139,146	-
				882,422	-
Total Department of Labor				1,198,052	-

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Agent/Program Title	Assistance Listing Number	Pass Through Identifying Number	Contract Period	Federal Expenditures	Pass Through to Subrecipients
Department of Veterans Administration					
Housing Support Services-Stanford Hotel	64.024	662-C49291	10/1/23 - 9/30/24	$ 123,581	-
Housing Support Services-Stanford Hotel	64.024	662-C59066	10/1/24 - 9/30/25	375,036	-
				498,618	-
Safe Haven Low Demand Housing	64.024	662-C49408	3/30/24 - 3/29/25	1,793,838	-
Safe Haven Low Demand Housing	64.024	662-C59174	3/30/25 - 3/29/26	656,258	-
				2,450,096	-
Supportive Services for Veteran Families-Incentive	64.033	2018-CA-091-LT	10/1/22-9/30/25	281,845	-
Supportive Services for Veteran Families - Renewal	64.033	2018-CA-091-24	10/1/23 - 9/30/24	6,418,137	-
Supportive Services for Veteran Families-Renewal	64.033	2018-CA-091-25	10/1/24 - 9/30/25	2,973,008	-
				9,672,990	-
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant	64.055	CA-SSG-1487-23	10/1/23 - 9/30/24	625,655	
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant	64.055	CA-SSG-1487-24	10/1/24 - 9/30/25	71,649	-
				697,304	-
Legal Services for Homeless Veterans and Veterans At-Risk for Homelessness	64.056	CA-626-LSV-451-24	8/1/24 - 9/30/25	290,920	-
Total Department of Veterans Administration				13,609,928	-

SWORDS TO PLOWSHARES: VETERANS RIGHTS ORGANIZATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Agent/Program Title	Assistance Listing Number	Pass Through Identifying Number	Contract Period	Federal Expenditures	Pass Through to Subrecipients
Department of Health and Human Services					
Passed through from San Francisco City and County Community Mental Health Services					
COVER Program - Sheriff's Dept	93.150	1000011102	7/1/24 - 6/30/25	$ 192,295	$ -
Passed through from San Francisco City and County Department of Health and Human Services					
Mental Health Awareness Training	93.243	H79SM084992-01	9/30/24 - 9/29/25	125,000	-
Veterans Community Center	93.493	22FG00744E	9/30/23 - 9/29/25	8,636	-
Total Department of Health and Human Services				325,931	-
County of Alameda					
Information and Assistance Program	93.044	19416	7/1/24 -6/30/25	80,472	-
Transportation	93.044	19374	7/1/24 -6/30/25	16,418	-
Telephone Reassurance	93.044	19400	7/1/24 -6/30/25	16,274	-
Case Management Services	93.044	19357	7/1/24 -6/30/25	79,950	-
				193,114	-
Federal Emergency Management Agency					
Phase 41	97.024	LRO ID: 0858-00-033	11/1/24 - 6/30/25	10,000	-
				10,000	-
Total Federal Expenditures				$ 18,771,127	$ -

see report of independent auditors and notes to schedule of expenditures of federal awards

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the expenditures of Swords to Plowshares: Veterans Rights Organization (a California non-profit public benefit corporation) and Subsidiaries (the "Organization") under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

For purposes of the Schedule, federal awards include all subawards to the Organization by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

2. Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed. Assistance Listing numbers ("ALN") are provided when available.

The Organization elected not to use, as applicable, the 10% and 15% de minimis indirect cost rates.

NOVOGRADAC & COMPANY LLP®

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Swords to Plowshares: Veterans Rights Organization and Subsidiaries:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Swords to Plowshares: Veterans Rights Organization (a California non-profit public benefit corporation) and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Novogradac & Company LLP

Petaluma, California
December 29, 2025

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Swords to Plowshares: Veterans Rights Organization

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Swords to Plowshares: Veterans Rights Organization (a California non-profit public benefit corporation) and Subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Novogradac & Company LLP

Petaluma, California
December 29, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:		Unmodified		
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	x	No
Significant deficiency(ies) identified not considered to be material weaknesses?	______	Yes	x	None reported
Noncompliance material to financial statements noted?	______	Yes	x	No

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	______	Yes	x	No
Significant deficiency(ies) identified not considered to be material weaknesses?	______	Yes	x	None reported
Type of auditors' report issued on compliance for major programs:		Unmodified		
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	______	Yes	x	No

Identification of major programs:

ALN	Name of Federal Program or Cluster
14.267	Continuum of Care Program
14.249	Section 8 Moderate Rehabilitation Single Room Occupancy
64.055	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:		$750,000		
Auditee qualified as low-risk auditee?	x	Yes	______	No

Section II - Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.

Status of Prior Year Findings and Recommendations

There were no findings and recommendations reported in the June 30, 2024 financial statements.