HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

SPECIAL SERVICE FOR GROUPS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

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A Trusted Nonprofit Partner

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C O N T E N T S

HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Special Service for Groups, Inc.

Opinion

We have audited the accompanying financial statements of Special Service for Groups, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2025, 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 Special Service for Groups, Inc. as of June 30, 2025, 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 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 Financial Statements section of our report. We are required to be independent of Special Service for Groups, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 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 Special Service for Groups, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Special Service for Groups, Inc.'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 Matter

Report on Summarized Comparative Information

We have previously audited Special Service for Groups, Inc.'s 2024 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 3, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026 on our consideration of Special Service for Groups, Inc.'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 Special Service for Groups, Inc.'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 Special Service for Groups, Inc.'s internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
March 27, 2026

SPECIAL SERVICE FOR GROUPS, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2025
With comparative totals at June 30, 2024

	2025	2024
ASSETS		
Cash and cash equivalents (Note 2)	**$ 14,875,825**	$ 12,406,251
Certificates of deposit	**100,024**	100,014
Grants and contracts receivable, net of allowance for contract adjustments of $2,742,353 and $1,235,198, respectively	**43,397,323**	45,025,515
Other accounts receivable	**704,383**	76,436
Prepaid expenses, deposits, and other assets	**4,585,451**	3,272,152
Right-of-use assets - operating leases (Note 5)	**17,197,814**	19,746,357
Right-of-use assets - finance leases (Note 5)	**801,320**	1,107,268
Accrued pension asset (Note 11)	**5,133,096**	3,455,830
Property and equipment (Note 6)	**50,846,235**	37,555,441
TOTAL ASSETS	**$ 137,641,471**	$ 122,745,264
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	**$ 10,168,568**	$ 10,499,498
Accrued liabilities (Note 7)	**15,559,059**	17,002,985
Accrued pension liability	**864,934**	-
Deferred revenue (Note 8)	**8,495,852**	9,259,095
Lease liabilities - operating leases (Note 5)	**17,691,942**	20,186,811
Lease liabilities - finance leases (Note 5)	**845,679**	1,163,077
Notes payable (Note 9)	**34,995,387**	25,139,415
TOTAL LIABILITIES	**88,621,421**	83,250,881
NET ASSETS		
Without donor restrictions	**49,020,050**	39,494,383
TOTAL NET ASSETS	**49,020,050**	39,494,383
TOTAL LIABILITIES AND NET ASSETS	**$ 137,641,471**	$ 122,745,264

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

SPECIAL SERVICE FOR GROUPS, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	2025	2024
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Government contracts and grants	**$ 259,877,933**	$ 215,919,849
Private foundations	**4,173,297**	6,932,791
Program service fees	**164,259**	348,026
TOTAL REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	**264,215,489**	223,200,666
EXPENSES		
Program services	**231,790,498**	188,931,961
Support services	**24,576,590**	22,612,105
TOTAL EXPENSES	**256,367,088**	211,544,066
CHANGE IN NET ASSETS BEFORE PENSION PLAN RELATED CHANGES	**7,848,401**	11,656,600
Pension plan related changes other than net periodic pension cost (Note 11)	**1,677,266**	2,045,030
CHANGE IN NET ASSETS	**9,525,667**	13,701,630
NET ASSETS, BEGINNING OF YEAR	**39,494,383**	25,792,753
NET ASSETS, END OF YEAR	**$ 49,020,050**	$ 39,494,383

SPECIAL SERVICE FOR GROUPS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	Program Services			Total		Total Expenses	
	Health	**Homeless Services**	**Job and Education**	**Program Services**	**Support Services**	**2025**	2024
Salaries	$ 47,850,148	$ 39,915,355	$ 15,370,269	$ 103,135,772	$ 9,221,450	**$ 112,357,222**	$ 94,439,713
Employee benefits	11,752,134	9,644,724	3,722,096	25,118,954	3,738,946	**28,857,900**	22,600,264
Total personnel costs	59,602,282	49,560,079	19,092,365	128,254,726	12,960,396	**141,215,122**	117,039,977
Rent and occupancy costs	9,176,169	50,116,255	1,729,038	61,021,462	3,468,701	**64,490,163**	51,709,646
Professional fees and services	4,887,592	13,676,762	2,844,907	21,409,261	2,396,261	**23,805,522**	18,090,497
Other supplies	1,233,862	5,102,601	835,832	7,172,295	38,277	**7,210,572**	4,180,566
Equipment leased	993,138	1,342,089	208,783	2,544,010	264,845	**2,808,855**	1,391,964
Telephone	976,764	911,876	195,617	2,084,257	470,112	**2,554,369**	2,315,360
Program supplies	370,359	1,481,436	261,430	2,113,225	65,358	**2,178,583**	3,575,492
Depreciation and amortization	663,188	482,561		1,145,749	896,179	**2,041,928**	1,243,341
Insurance	48,199		22,308	130,108	1,592,790	**1,722,898**	1,467,017
Interest expense	804,884	105,917	47,887	958,688	540,292	**1,498,980**	1,421,425
Travel	485,187	406,938	195,882	1,088,007	105,552	**1,193,559**	905,168
Other operating expenses	405,351	204,147	75,352	684,850	413,421	**1,098,271**	1,412,155
Membership dues and other fees	219,282	104,031	126,018	449,331	554,316	**1,003,647**	894,658
Office supplies	130,385	421,538	92,036	643,959	223,009	**866,968**	604,451
Equipment and furniture-purchased	293,202	390,936	65,156	749,294	65,156	**814,450**	2,891,097
Subscription and publications	156,224	80,403	52,538	289,165	411,172	**700,337**	1,487,911
Conference/meetings	276,032	229,915	111,441	617,388	61,652	**679,040**	527,630
Supportive services	351,068	44,457	4,666	400,191		**400,191**	303,780
Postage and shipping	18,656	9,602	6,274	34,532	49,101	**83,633**	81,931
TOTAL 2025 FUNCTIONAL EXPENSES	**$ 81,091,824**	**$ 124,731,144**	**$ 25,967,530**	**$ 231,790,498**	**$ 24,576,590**	**$ 256,367,088**	
TOTAL 2024 FUNCTIONAL EXPENSES	$ 70,037,306	$ 94,377,297	$ 24,517,358	$ 188,931,961	$ 22,612,105		$ 211,544,066

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

SPECIAL SERVICE FOR GROUPS, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2025
With comparative totals for the year ended June 30, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ 9,525,667**	$ 13,701,630
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,041,928**	1,243,341
Reinvested investment and certificate of deposit proceeds	**(10)**	900
Change in value of allowance for contract adjustments	**1,507,155**	(933,733)
Amortization of the right-of-use assets - finance leases	**305,948**	522,563
Amortization of the right-of-use assets - operating leases	**2,548,543**	7,144,413
Lease liability reduction - operating leases	**(2,494,869)**	(6,980,249)
(Increase) decrease in operating assets:		
Accounts receivable	**(506,910)**	(14,273,642)
Prepaid expenses	**(1,313,299)**	(278,141)
Accrued pension asset	**(1,677,266)**	(2,045,030)
Increase (decrease) in operating liabilities:		
Accounts payable	**(330,930)**	4,215,011
Accrued liabilities	**(1,443,926)**	5,999,193
Accrued pension liability	**864,934**	-
Deferred revenue	**(763,243)**	764,163
NET CASH PROVIDED BY OPERATING ACTIVITIES	**8,263,722**	9,080,419
CASH FLOWS (TO) INVESTING ACTIVITIES:		
Purchase of property and equipment	**(5,207,722)**	(4,295,806)
NET CASH (USED) BY INVESTING ACTIVITIES	**(5,207,722)**	(4,295,806)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	**(269,028)**	(267,763)
Proceeds from notes payable	**-**	2,718,680
Principal payments on finance leases	**(317,398)**	(488,952)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	**(586,426)**	1,961,965
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**2,469,574**	6,746,578
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	**12,406,251**	5,659,673
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	**$ 14,875,825**	$ 12,406,251
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflect interest paid of:	**$ 1,498,980**	$ 1,421,425
Operating activities reflects interest of finance lease paid of:	**$ 42,830**	$ 42,830
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property obtained as deferred revenue	**$ -**	$ 800,000
NON-CASH OPERATING ACTIVITIES:		
Non-cash investing and financing activities		
Acquisition of property by issuing notes payable:	**$ 10,125,000**	$ -
Right-of-use assets and lease liabilities - finance leases (additions)	**$ 81,699**	$ 360,889
Right-of-use assets and lease liabilities - operating leases (additions)	**$ 3,266,984**	$ -

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

1. Organization

Special Service for Groups, Inc. ("SSG") is a private, non-profit human service organization established in March of 1952.

SSG is dedicated to building and sustaining community-based programs that address the needs of vulnerable communities. SSG provides a range of services for low-income, ethnic minority individuals and families. These services include intensive behavioral health treatment, supportive services for older adults, social justice/anti-hate services, HIV/AIDS related services, an extensive array of homeless services, services for justice-involved individuals and health access initiatives.

SSG programs specialize in culturally and linguistically competent services that reach diverse ethnic minority communities, innovative collaboration with various stakeholders, and delivering intensive community-based care. Our goal is that every person experience wellness and recovery by achieving a high level of independence and stability, cultivating social supports and meaningful activity to engage in, securing a suitable permanent place to live, and enjoying an environment that supports health and well-being.

SSG operates multiple divisions at sites across Los Angeles County, as well as in Orange County, the Inland Empire and San Francisco. Each SSG division offers a unique package of services tailored to their community of focus. Many services are delivered wherever they can have the most impact, including in the home, in the community, and co-located with partners such as senior centers, supportive housing programs, and health care centers.

Ongoing Operations:

- SSG currently maintains 51 program service sites in California primarily in Southern California. SSG also maintains oversight of 44 directly owned or leased residential housing sites for clients throughout Los Angeles County.

- SSG maintains administrative headquarters (revamped and reconstructed in 2014) in downtown Los Angeles. This building is owned by SSG.

- SSG's Homeless Services division includes a full service homeless 'entry point' portal to serve homeless individuals and families in South Los Angeles (designated as Service Planning Area 6 by City/County jurisdiction) with multiple co-location sites to maximize outreach.

- Due to voter approved Measure A (2024), a permanent .5% (half-cent) sales tax, designed to move beyond just building units (Proposition HHH) and funding services (Proposition H) to more preventive services in an integrative approach to fight homelessness.

- Measure A will fund grants to service providers like SSG to combat homelessness in south Los Angeles and throughout Los Angeles County.

continued

1. **Organization**, continued

- SSG will continue to work with State, City and County of Los Angeles under initiatives funded through Proposition HHH, a $1.2 billion bond measure approved by City of LA voters in 2016 to create 10,000 new apartments over a decade.

- An earlier "Homekey 2" site, EC Motel (2020) continued to be assessed and renovated in collaboration with the City of LA fiscal year 2024-2025. SSG was granted a 3-year loan extension from City of LA for this site (3501 S. Western Ave.) through December 2028.

- SSG completed all planned 2025 renovations for the 3rd Homekey Site (renamed Hub City Heights) located at 1116 S. Long Beach Blvd, Compton CA 90221) and expects full ownership of this site FY 25-26 (has been received at time of this writing).

- SSG is recognized as one of the top nonprofit behavioral health service providers in LA County and continues to maintain full CARF national accreditation.

- SSG has significantly expanded forensic social services for justice involved persons that includes mental health, stabilization, and housing services. Increased collaboration with LA county Office of Diversion and Reentry (ODR). In addition, SSG is large pre-trial and rapid diversion provider under the Alternatives to incarceration initiative led by the CEO's office.

- SSG provides mentorship and capacity building support to smaller and emerging nonprofit organizations and partner entities (e.g., faith and civic based organizations).

- SSG is the lead agency for various 'collaborative' initiatives including but not limited to DCFS-funded Foster Care programs, DMH-funded Prevention Early Intervention programming for under-served and often overlooked 'niche' communities and CRDP-funded statewide community research and sustainability efforts. SSG is also the lead agency for the LA vs. Hate/Rapid Response Network initiative in collaboration with Human Relations Commission of LA County.

SSG is exempt from federal income tax, California franchise tax, federal unemployment tax, and various other federal, state, and local taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

continued

2. Summary of Significant Accounting Policies, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets are subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

SSG has defined cash and cash equivalents as all demand deposits, money market funds, and highly liquid investments purchased with original maturities of three months or less.

Grants and Contracts Receivable

Grants and contracts receivable arising from exchange transactions (cost-reimbursement and fee-for-service arrangements) are financial assets measured at amortized cost and are evaluated for collectability in accordance with ASC Topic 326, Current Expected Credit Losses (CECL).

Management estimates expected credit losses over the contractual life of these receivables using an allowance for credit losses, which is based on historical loss experience by portfolio, current conditions affecting funders, and reasonable and supportable forecasts about future economic and funding environments, including the impacts of the CalAIM Behavioral Health Payment Reform that transitioned the County of Los Angeles Department of Mental Health from cost-based reimbursement to a fee-for-service model effective July 1, 2023.

The allowance is reviewed and updated at each reporting date. At June 30, 2025, exchange grants and contracts receivable are presented net of an allowance for credit losses that management believes is adequate to absorb expected credit losses over the remaining life of these receivables.

continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets
Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs - estimates using the best information available when there is little or no market

Concentration of Credit Risks

SSG places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. SSG has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2025 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of SSG's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 98% of total revenue and support generated at June 30, 2025 is derived from government contracts and grants.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than two years. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

	Estimated Life	Method
Land	Not applicable	None
Building and improvements	15 – 30 years	Straight-line
Furniture, fixtures, and equipment	5 – 7 years	Straight-line
Auto	5 years	Straight-line

continued

2. Summary of Significant Accounting Policies, continued

SSG acquires certain equipment and furniture under contracts with the Los Angeles County Department of Mental Health and Los Angeles Housing Shelter Authority. The contracts are annual agreements which specify that use of the assets is limited to use in the programs to which the contracts relate and that title to the assets remains with the contracting authority. As a result, SSG expenses such purchases as incurred.

Income Taxes

SSG is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by SSG in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. SSG's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Revenue and Revenue Recognition

SSG recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of SSG's revenue is derived from cost-reimbursable state, county or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SSG has incurred expenditures in compliance with specific contract or grant provisions.

Functional Allocation of Expenses

Costs of providing SSG's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from these estimates.

continued

2. Summary of Significant Accounting Policies, continued

Leases

SSG applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. SSG defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. SSG further determines the existing leases consist of operating leases and finance leases, which are included in Right-of-Use ('ROU") assets and lease liabilities in the Statement of Financial Position.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SSG's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

3. Liquidity and Availability of Resources

SSG regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of liquidity management, SSG has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. SSG has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, SSG considers all expenditures related to its ongoing program related activities and the pattern of income from its multi-year contracts, investments and fundraising activities. The Board of Directors meets regularly to review the financial aspects of SSG.

SSG anticipates collecting sufficient revenue from its monthly receivables on a regular basis to cover all operating expenses.

continued

3. **Liquidity and Availability of Resources**, continued

As of June 30, 2025, the following financial assets could readily be made available within one year of the statement of financial position date to meet its operational cash flow needs:

Cash and cash equivalents	$14,875,825
Certificates of deposit	100,024
Grants and contracts receivable – net	43,397,323
Other accounts receivable	704,383
Financial assets available to meet cash needs for general expenditures with one year	$59,077,555

4. **Contract Reserves**

In addition to credit risk, SSG's exchange contracts with federal, state, and local governments are subject to retrospective rate and cost settlements, audits, and other contractual adjustments, including those arising from the CalAIM Behavioral Health Payment Reform and related changes in billing codes and documentation requirements.

SSG records a contract reserve for estimated future adjustments to revenue and receivables under these arrangements, based on historical settlement patterns (including prior-year DMH settlements, which historically occurred three to five years after the contract year), current information about interim audit findings, and management's assessment of the impact of the new fee-for-service reimbursement and billing standards. The total allowance for contract reserves for future contract adjustments was $2,742,353 at June 30, 2025 and $1,235,198 at June 30, 2024.

continued

5. Right-of-Use Assets and Lease Liabilities – Operating and Finance Leases

SSG evaluated current contracts to determine which met the criteria of a lease. ROU assets represent SSG's ROU underlying assets for the lease term, and the lease liabilities represent SSG's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from financing leases, were calculated based on the present value of future lease payments over the lease terms. SSG used the rate implicit in the lease, if it is determinable. When the rate implicit in the lease is not determinable, SSG uses the risk-free rate of return at the lease commencement date to determine the present value of the future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Operating Leases

SSG is obligated under various operating lease agreements, which expire at various dates through December 2031 for office facilities. The terms of the office lease agreement provide for payment of minimum annual rental payments, with fixed increases.

The weighted average of remaining lease terms and weighted average of discount rates for operating leases as of June 30, 2025 were 3.71 years and 3.22%, respectively.

Cash paid for the operating leases for the year ended June 30, 2025 was $6,339,471. There were no non-cash financing transactions related to leasing during the year ended June 30, 2025.

Future maturities under operating leases are as follows:

Year ending June 30,	
2026	$ 5,888,610
2027	5,435,216
2028	3,525,592
2029	1,986,093
2030	1,208,251
Thereafter	678,168
	18,721,930
Less: present value discount	(1,029,988)
	$17,691,942

Lease expense under operating leases for the year ended June 30, 2025 was $5,810,004.

ROU assets – operating leases – July 1, 2024	$19,746,357
Less: accumulated amortization	(5,815,527)
Add: ROU assets	3,266,984
ROU assets – operating leases – June 30, 2025	$17,197,814

continued

5. Right-of-Use Assets and Lease Liabilities – Operating and Finance Leases, continued

Finance Leases

SSG's finance leases consist of machine and vehicle leases. The ROU assets and lease liabilities for these leases were determined based on the current terms in force as of June 30, 2025. No additional options have been included.

The weighted average of remaining lease terms and weighted average of discount rates for financing leases as of June 30, 2025 were 2.79 years and 3.79%, respectively.

Cash paid for the finance leases for the year ended June 30, 2025 was $435,977. There were no non-cash financing transactions related to leasing during the year ended June 30, 2025.

Future maturities under finance leases are as follows:

Year ending June 30,	
2026	$362,607
2027	293,967
2028	181,603
2029	47,900
2030	4,590
	890,667
Less: present value discount	(44,988)
	$845,679

Amortization expense and interest expense under finance lease for the years ended June 30, 2025 were $435,977 and $36,599, respectively.

Assets related to the finance leases at June 30, 2025 consist of the following:

ROU assets – finance leases – July 1, 2024	$1,107,268
Less: accumulated amortization	(387,647)
Add: ROU finance leases for current year	81,699
ROU assets – finance leases – June 30, 2025	$ 801,320

The above maturities reflect rental agreements in effect as of June 30, 2025. SSG continually renegotiates its lease agreements; therefore, future maturity amounts may change.

continued

6. Property and Equipment

Property and equipment at June 30, 2025 consist of the following:

Buildings	$ 42,855,348
Land	17,338,124
Furniture and equipment	658,379
Vehicles	72,484
	60,924,335
Less: accumulated depreciation	(10,078,100)
	$ 50,846,235

The net book value is based on the historical cost of the assets and does not represent the fair market value. Depreciation and amortization expense for the year ended June 30, 2025 was $2,041,928.

7. Accrued Liabilities

Accrued liabilities at June 30, 2025 consist of the following:

Accrued salaries	$ 9,688,362
Accrued vacation	3,384,774
Accrued expenses	2,485,923
	$15,559,059

8. Deferred Revenue

Deferred revenue consists principally of the donated property from Los Angeles County and advanced funds from private healthcare providers for SSG to provide language interpretation services to limited English proficient persons and providers in Los Angeles and Orange Counties.

SSG receives payments in advance for services to be provided in the future at a specified hourly rate. These funds are reported as deferred revenue until such time as the services are performed. Deferred revenue at June 30, 2025 totaled $8,495,852.

During fiscal year 2023, SSG purchased their Tropicana property with the funding provided by a Homekey award of $6,150,000 and by an American Rescue Plan Act allocation from County of Los Angeles of $800,000. The project is duly encumbered with a 55-year covenant and has a right of return to the grantors. As such, SSG has recorded it as deferred revenue.

continued

9. Notes Payable

Notes payable at June 30, 2025 consist of the following:

Mortgage payable to a bank, secured by a deed of trust on the 905 East 8th Street property, interest at the rate of 7.625%, due on April 2048.	$ 6,703,401
Mortgage payable to a bank, secured by a deed of trust on the 515 South Columbia property, interest at the rate of 7.50%, due February 2048.	5,511,452
Mortgage payable to a bank, secured by a deed of trust on the 1306 Wilshire Boulevard property, interest at the rate of 8.38%, due October 2048.	1,216,750
Mortgage payable to a bank, secured by a deed of trust on the Glendora-Covina property, interest at the rate of 5.50%, due November 2043.	1,380,449
Mortgage payable to a bank, secured by a deed of trust on the 8627 Juniper Street property, interest at the rate of 6.75%, due December 2044.	3,557,559
Mortgage payable to a bank, secured by a deed of trust on the 374 & 384 34th Street property, interest at the rate of 7.50%, due February 2048.	1,175,776
Notes payable to City of Los Angeles, secured by a deed of trust on the 3501 S. Western property, with 0% interest, due upon earlier of (a) closing of construction financing for conversion to permanent housing, or (b) five years from execution of the Note.	5,325,000
Note payable to financial institution, proceeds from note payable were used to purchase the Mark Twain building, interest at a rate of 8.88%, due July 2035	10,125,000
	$34,995,387

Maturities for notes payable are as follows:

Year ending June 30,	
2026	$ 5,678,427
2027	387,868
2028	411,737
2029	449,840
2030	484,804
Thereafter	27,582,711
	$34,995,387

continued

10. Commitments and Contingencies

Contracts

SSG's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. During the year, SSG did not receive notifications of settlements or disallowed expenditures related to prior year contracts.

Litigation

SSG is, at times, involved in legal matters arising in the normal course of providing social services. Management, after consultation with legal counsel, believes that the outcome of such matters will not have a material effect on SSG's financial position or results of operations. As of the date of these financial statements, no material liabilities have been recorded related to such matters.

11. Employee Benefit Plans

Defined Benefit Plan

Generally accepted accounting principles require employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions of a not-for-profit organization.

The plan's funded status and amounts recognized in SSG's financial statements at June 30, 2025 are as follows:

Projected benefit obligation at June 30, 2025	$(23,854,186)
Pension plan assets at fair value at June 30, 2025	28,987,282
Funded status	$ 5,133,096

Accumulated benefit obligation at June 30, 2025	$23,854,186
Employer contributions	$-
Participant contributions	$-
Benefits paid	$339,678

Amounts recognized in the Statement of Financial Position at June 30, 2025 consist of:

Accrued pension asset	$5,133,096

continued

11. Employee Benefit Plans, continued

Amounts recognized in the Statement of Activities for the year ended June 30, 2025 consist of:

Net (gain)	$(1,677,266)
Prior services cost (credit)	-
Amortization of prior service cost (credit) and net loss	-
Total pension-related changes other than periodic pension cost	(1,677,266)
Net period pension cost	434,163
	$(1,243,103)

The following assumptions were used in accounting for the pension plan:

Weighted-average assumptions used to determine pension benefit obligations at June 30, 2025:

Discount rate	5.19%
Rate of compensation increase	0.00%

Weighted-average assumptions used to determine net periodic pension benefit cost for the year ended June 30, 2025:

Discount rate	5.00%
Expected return on plan assets	6.25%
Rate of compensation increase	0.00%

The expected rate of return on pension plan assets is based on long term rates for a broadly diversified portfolio of fixed income assets.

The percentage of the fair value of total pension plan assets held as of June 30, 2025 (the measurement date) by asset category is as follows:

Equity securities	51.50%
Fixed income	48.50%
Total	100.00%

The plan's assets are currently invested at the discretion of the plan sponsor. Investment targets are adjusted in consultation with an investment advisory group. No plan assets are expected to be returned to SSG during 2025.

The following benefits are expected to be paid:

Year ending June 30,	
2026	$ 4,238,000
2027	1,477,000
2028	1,659,000
2029	2,236,000
2030	1,153,000
Thereafter	10,217,000
	$20,980,000

continued

11. Employee Benefit Plans, continued

Effective July 1, 2018, all employees now participate in the 403(b) Thrift Plan. Employer contributions under this plan for the year ended June 30, 2025 were $6,764,945.

12. Subsequent Events

On August 12, 2025, SSG repaid in full an outstanding term note payable with a principal balance of approximately $1.38 million, using proceeds from a new bank term loan and available cash. SSG concurrently entered into a new term loan with a principal amount of $1.4 million, maturing on September 1, 2035, which bears interest at 8.750% and requires monthly principal and interest payments.

On August 28, 2025, SSG acquired a property located in Los Angeles, CA for total consideration of approximately $16.3 million, plus other fees. Property was funded by a combination of available cash and several loans totaling $17 million. The purchase price was allocated to land, building, and related improvements based on their relative fair values and is being depreciated in accordance with the SSG existing depreciation policies.

On October 2, 2025, SSG acquired a property located in Los Angeles, CA for total consideration of approximately $10.8 million. Property was funded by a combination of available cash and a $5.4 million dollar loan. The purchase price was allocated to land, building, and related improvements based on their relative fair values and is being depreciated in accordance with the SSG existing depreciation policies.

Management has evaluated subsequent events through March 27, 2026, the date which the financial statements were available for issue. Aside from the events above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.