



BeaconHouse

ASSOCIATION OF SAN PEDRO

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)
with

INDEPENDENT AUDITORS' REPORT THEREON



CERTIFIED PUBLIC ACCOUNTANTS

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

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Independent Auditors' Report

To the Board of Directors
The Beacon House Association of San Pedro

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Beacon House Association of San Pedro (the “Organization”), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Beacon House Association of San Pedro as of June 30, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Beacon House Association of San Pedro and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 The Beacon House Association of San Pedro's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 The Beacon House Association of San Pedro'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 The Beacon House Association of San Pedro'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.



Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PDM, LLP

Torrance, California
December 4, 2023

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,618,358	\$ 1,332,671
Funds held for residents	20,885	20,082
Accounts receivable, net	515,313	533,159
Pledge receivable	10,000	10,000
Investments	2,140,046	1,028,013
Bond funds held by trustee	-	236,223
Prepaid expenses	194,148	102,372
	<u>4,498,750</u>	<u>3,262,520</u>
LONG-TERM ASSETS		
Property and equipment, net	2,396,862	2,340,547
Operating lease right-of-use assets	1,269,831	1,253,617
Deposit	40,087	38,776
	<u>3,706,780</u>	<u>3,632,940</u>
	<u>\$ 8,205,530</u>	<u>\$ 6,895,460</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 170,840	\$ 146,064
Accrued employee related expenses	117,883	85,712
Funds held for residents	20,885	20,082
Operating lease liabilities, current portion	411,384	343,021
Accrued bond interest payable	-	919
Refunding revenue bonds payable, current portion	-	145,000
	<u>720,992</u>	<u>740,798</u>
LONG-TERM LIABILITIES		
Refunding revenue bonds payable, net of current portion and bond issuance costs	-	150,000
Operating lease liabilities, net of current portion	974,230	1,014,718
	<u>1,695,222</u>	<u>1,905,516</u>
NET ASSETS		
Without donor restrictions		
Board designated reserves	923,500	923,500
Undesignated net assets	5,461,313	3,975,810
	<u>6,384,813</u>	<u>4,899,310</u>
With donor restrictions	125,495	90,634
	<u>6,510,308</u>	<u>4,989,944</u>
	<u>\$ 8,205,530</u>	<u>\$ 6,895,460</u>

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

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022
	Without donor restrictions	With donor restrictions	Total	Summarized Total
REVENUE AND SUPPORT				
Program income	\$ 2,443,897	\$ -	\$ 2,443,897	\$ 2,030,413
Government grants	2,853,077	-	2,853,077	2,003,352
Other grants and contributions	284,514	120,495	405,009	424,729
Special events, net	583,919	-	583,919	515,302
Investment gain (loss)	34,024	-	34,024	(51,722)
Contributed goods and services	92,702	-	92,702	164,304
Interest income	13,150	-	13,150	-
Forgiveness of CARES Act PPP Loan	-	-	-	133,984
Net assets released from restrictions	85,634	(85,634)	-	-
	6,390,917	34,861	6,425,778	5,220,362
EXPENSES				
Program services	3,956,688	-	3,956,688	3,330,825
Management and general	690,568	-	690,568	552,850
Fundraising	258,158	-	258,158	217,205
	4,905,414	-	4,905,414	4,100,880
CHANGE IN NET ASSETS	1,485,503	34,861	1,520,364	1,119,482
NET ASSETS, beginning of year	4,899,310	90,634	4,989,944	3,870,462
NET ASSETS, end of year	\$ 6,384,813	\$ 125,495	\$ 6,510,308	\$ 4,989,944

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

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022	
	Program Services	Management and General	Fundraising	Total	Summarized Total
PERSONNEL EXPENSES					
Salaries and wages	\$ 1,581,425	\$ 421,712	\$ 105,429	\$ 2,108,566	\$ 1,599,055
Payroll taxes	120,077	32,020	8,006	160,103	122,134
Employee benefits	182,047	48,546	12,136	242,729	187,563
Total personnel expenses	<u>1,883,549</u>	<u>502,278</u>	<u>125,571</u>	<u>2,511,398</u>	<u>1,908,752</u>
OTHER EXPENSES					
Lease expense	592,421	74,053	74,052	740,526	654,583
Program supplies	399,244	-	-	399,244	290,437
Office expenses	159,095	54,547	13,637	227,279	188,803
Depreciation and amortization	139,161	16,896	12,902	168,959	185,155
Resident support and recreation	150,647	-	-	150,647	142,141
Food and beverages	149,390	-	-	149,390	125,739
Professional fees	109,217	8,221	-	117,438	89,631
Automobile	84,616	10,319	8,255	103,190	108,738
In-kind services and goods	92,702	-	-	92,702	164,305
Repairs and maintenance	48,391	5,901	4,721	59,013	83,396
Insurance	42,507	5,184	4,147	51,838	34,282
Telephone and internet	37,072	4,521	3,617	45,210	36,949
Public relations	31,269	3,909	3,908	39,086	38,726
Bank and bond fees	28,623	3,491	2,792	34,906	25,738
Interest	4,417	539	430	5,386	12,652
Property taxes	3,617	452	452	4,521	4,300
Travel	-	-	3,610	3,610	2,134
Postage and printing	750	257	64	1,071	4,419
Total functional expenses	<u>\$ 3,956,688</u>	<u>\$ 690,568</u>	<u>\$ 258,158</u>	<u>\$ 4,905,414</u>	<u>\$ 4,100,880</u>

The accompanying notes are an integral part of these financial statements

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,520,364	\$ 1,119,482
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	168,959	185,155
CARES Act PPP loan forgiveness	-	(133,984)
Realized loss (gain) on sales of investments	10,361	(4,970)
Unrealized loss (gain) on investments	(16,551)	53,857
Changes in operating assets and liabilities:		
Accounts and pledges receivable	17,846	(287,003)
Prepaid expenses	(91,776)	(1,673)
Accounts payable and accrued expenses	24,776	(11,222)
Accrued employee related expenses	32,171	17,808
Accrued bond interest payable	(919)	(420)
Operating lease right-of-use assets and liabilities, net	11,661	9,108
Net cash flows from operating activities	1,676,892	946,138
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(225,274)	(7,598)
Deposits returned (received)	(1,311)	4,650
Purchases of investments	(1,105,843)	(147,165)
Proceeds from sales of securities in bond funds held by trustee	236,223	140,000
Purchase of securities in bond funds held by trustee	-	(142,675)
Net cash flows from investing activities	(1,096,205)	(152,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on refunding revenue bonds	(295,000)	(140,000)
Net cash flows from financing activities	(295,000)	(140,000)
Net change in cash and cash equivalents	285,687	653,350
Cash and cash equivalents, beginning of year	1,332,671	679,321
Cash and cash equivalents, end of year	\$ 1,618,358	\$ 1,332,671
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 5,386	\$ 12,652

The accompanying notes are an integral part of these financial statements

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - ORGANIZATION

The Beacon House Association of San Pedro (the “Organization”) is a California public benefit corporation providing residential alcohol and drug community recovery programs and facilities to men. It is governed by an appointed board of directors and operated by an executive director, paid staff and volunteers. The Organization is supported primarily by contributions, grants and public support, including special events.

The Organization's population is comprised of males 18 years and older who have a high rate of homelessness, unemployment, criminal and institutional histories, Post Traumatic Stress Disorder from military combat and/or childhood abuse, untended health issues and alienation from family and society.

The Organization’s services and strategy involve continuous peer to peer support throughout a wide range of daily structured groups and classes, recreational activities and outings, community service and events. These are designed to teach adult responsibility, discipline, communication, teamwork, leadership, work ethics, honesty, humility, gratitude, character development, esteem building and social connectedness. A significant component of the program is the men’s involvement in entrepreneurial activities called Resident Enterprises, including landscaping and community beautification projects, managing a thrift shop, staffing community events, and catering breakfast and specialty-themed dinner events on-site at The Beacon House. These provide opportunities for the men to learn comprehensive job skills and to contribute to the financial health of the Association.

The Organization intervenes on dysfunctional and destructive attitudes and behaviors through individual and group counseling, peer-to-peer mentoring, accountability group, peer group, resident council meetings, 12-step recovery meetings, 12-step recovery literature group study, 12-step work and classes in relapse prevention, anger management, parenting and re-parenting techniques and leadership skills. The Organization’s goals are to prepare the men to establish and sustain sobriety, stable housing, employment, legal compliance, healthy family and social connectedness, thus enhancing their overall quality of life.

Funding - The Organization receives funding primarily from program income, government grants, grants from corporations and foundations, and contributions from individuals.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets with donor restrictions are assets subject to donor or grantor-imposed restrictions, some of which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, while others are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets.

Revenue recognition - Contributions and pledges are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Conditional promises to give (with a barrier and right of return) are not recognized until the conditions on which they depend have been met. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Resident service revenue is reported in the period in which the services are provided and performance obligations are satisfied at the estimated net realizable amount, unless contractually required otherwise. Revenue under third party reimbursement agreements is included in government grants and is subject to future audit adjustments. The differences between service revenue and final settlements are recorded in the year of settlement.

Cash and cash equivalents - For the purpose of reporting cash flows, cash and cash equivalents include operating cash held in banks. The Organization considers money market funds in investment accounts as investments. The Organization maintains its cash balances in a financial institution, the balances of which may, at times, exceed federally insured limits. Management believes that the risk of loss is minimal.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable - Accounts receivable are amounts due from clients for services rendered and from grantors on cost reimbursement or performance grants. Receivables are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides a reserve for probable uncollectible amounts through a charge to bad debt expenses and a credit to receivables allowance account based upon its assessment of the current status of accounts. As of June 30, 2023, management has recorded a reserve for potential bad debts of \$27,105.

Investments - The Organization's investments are carried at fair value. Realized gains and losses (computed by the specific identification method) and unrealized gains and losses are included in the statement of activities. Interest and dividend income are recorded on the accrual basis of accounting.

Property and equipment - Property and equipment are recorded at cost with the exception of donated equipment, which is recorded at fair market value at the date of receipt. The cost of purchased assets or fair market value of donated assets is depreciated on a straight-line basis over their estimated useful lives.

When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to operations. Normal repairs and maintenance are expensed as incurred. Expenditures that materially increase the value or extend the useful lives of the assets are capitalized.

Leases - The Organization determines if an arrangement is a lease at inception. Leases with a term of more than twelve months are recorded on the statement of financial position. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and the Organization records the lease expense for these leases on a straight-line basis over the lease term.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When the implicit rate is not readily determinable, as most of the Organization's leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term and the operating lease ROU assets are adjusted for lease incentives.

The Organization has lease agreements with lease and non-lease components which are accounted for separately. The Organization's lease agreements typically do not contain any material variable lease payments, residual value guarantees or restrictive covenants.

Long-lived assets - The Organization assesses, using a qualitative then a quantitative approach, the recoverability of long lived assets, including property and equipment, whenever triggering events, or changes in circumstances, indicate that the historical-cost carrying value of an asset may no longer be appropriate. The evaluation is performed by determining whether the depreciation and amortization of such assets over their remaining lives can be recovered through projected undiscounted cash flows. The amount of impairment, if any, is measured based on fair value and is charged to operations in the period in which such impairment is determined by management. To date, the Organization has not identified any impairment of long-lived assets. As of and for the year ended June 30, 2023, no triggering events were deemed present and therefore no impairment charges related to long lived assets were recognized. However, there can be no assurance that market conditions will not change, which could result in impairment of long-lived assets in the future.

Fair value of financial instruments - Financial instruments primarily consist of accounts receivable and investments. The Organization estimates that the fair value of its financial instruments at June 30, 2023, do not differ materially from its aggregate carrying value. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Fair value measurements - The Organization defines 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. The Organization measures fair value under a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred revenue - Income received for various projects is deferred and recognized as services are rendered to fulfill the terms outlined in the grant agreements which include conditions to be met.

Contributed goods and services - Contributed food and beverages received during the year ended June 30, 2023, totaled \$92,702. All contributed goods were utilized as part of resident support.

Contributions of services are recognized in the financial statements (as in-kind revenue and a corresponding in-kind expense) if the services enhance or create non-financial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization recognized no donated services during the year ended June 30, 2023.

Numerous unpaid volunteers have made significant contributions of their time to the different program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.

Expense allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. During the year, costs are categorized into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support activities by the method that best measures the relative degree of benefit.

Income taxes - The Organization is a qualified non-profit organization under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Non-profit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes for the Organization in the financial statements. During the year ended June 30, 2023, the Organization had no unrelated business income.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained in an audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the year ended June 30, 2023, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2023, all federal tax returns since the 2019 tax year and state tax returns since the 2018 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Risks and uncertainties - Certain of the Organization's services are governed by grant agreements with governmental agencies with fixed terms. There can be no assurance that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Organization's financial position and results of operations. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, and civil penalties.

The Organization has contracts with the County of Los Angeles - Department of Health Services to provide services related to alcohol rehabilitation. The contracts require the Organization to disburse the funds received from the County for direct and indirect expenses of the program. The Organization does not get reimbursed for expenses of the program that exceed the program service revenues. Per the terms of the contracts, the County may terminate these agreements if federal and/or state funds are not available for agreed upon terms or services. Government contract revenue was approximately 44% of total revenue during the year ended June 30, 2023.

Reclassifications and comparative totals - Certain amounts presented in previous financial statements have been reclassified to conform to current presentation. The financial statements include certain prior year summarized comparative information in total, but not by net asset class. In addition, the notes to the financial statements do not contain the financial information on a comparative basis. Such summarized 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 the Organization's financial statements for the year ended, June 30, 2022, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated by the Organization through December 4, 2023 which is the date these financial statements were issued, and no subsequent events have arisen, other than those described in these financial statements, that would require disclosure.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as June 30, 2023, reduced by amounts not available for general use within one year of the balance sheet date because of donor restrictions and internal designations. Amounts not available include amounts set aside for board designated purposes that could be drawn upon if the governing board approves that action.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES, continued

Cash and cash equivalents	\$ 1,618,358
Accounts and pledges receivable, net	525,313
Investments	<u>2,140,046</u>
Total financial assets	4,283,717
Board designated investments:	
Operating reserve	(640,500)
PPE reserve	(283,000)
Donor-restricted net assets	<u>(125,495)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,234,722</u>

The Organization’s goal is to maintain financial assets on hand to meet at least three months of normal operating expenses which, on average, totals approximately \$396,000 per month given full programmatic expenditures. With the current cash expenditures of approximately \$4.7 million annually, the Organization possesses sufficient financial assets for over six months of expenditures to meet its philanthropic mission.

Board designated reserves - The board of directors had approved the establishment of two designated reserve funds. The purpose of the first Board Designated Reserve Fund (the “Operating Reserve”), is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The target minimum Operating Reserve amount is evaluated periodically and is currently \$640,500. The purpose of the second Board Designated Reserve Fund is for the timely and proper maintenance of the physical plant and equipment (“PPE Reserve”).

The PPE Reserve is intended to provide an internal source of funds for significant equipment purchases, building improvements and construction projects. The balance of the PPE Reserve is currently \$283,000.

COVID-19 impact - On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, the President of the United States declared a national emergency relating to the disease. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. However, the Organization has adapted its channels to reach its participants amidst the restrictions imposed by the federal and state governments. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for the assets measured at fair value. All assets are measured at level 1 under the fair value hierarchy, and there have been no changes in the methodologies used during the year ended June 30, 2023.

Money market funds - Money market funds are open-ended mutual funds that invest in short-term debt securities such as U.S. Treasury bills and commercial paper. The fair values of the money market funds were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Mutual funds - Mutual funds are valued at quoted market prices in an exchange and active market, which represent the net asset value of shares held by the Organization at year-end.

Mutual funds held in trust - The trustee of the Organization's refunding revenue bonds (Note 7) manages and maintains the required reserve account, which is invested in mutual funds.

U.S. government securities - U.S. government securities, including US Treasury Bills, are valued at the closing price reported in the active market in which the individual security is traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting deadline.

The following table summarizes the valuations of the Organization's investments as of June 30, 2023:

Money market funds	\$ 1,552
Treasury securities	987,005
Mutual funds	1,024,791
Mutual funds held in trust	126,698
	<u>\$ 2,140,046</u>

Net investment income was comprised of the following during the year ended June 30, 2023:

Interest and dividend income	\$ 29,210
Realized gain (loss) on sale of investments	(10,361)
Unrealized gain (loss) on investments	16,551
Administrative fees	(1,376)
Investment gain (loss), net	<u>\$ 34,024</u>

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2023:

Building and improvements	\$ 3,271,259
Furniture, fixtures, and equipment	298,453
Automobiles	381,477
	<u>3,951,189</u>
Less: accumulated depreciation and amortization	<u>(2,231,327)</u>
	1,719,862
Land	677,000
	<u><u>\$ 2,396,862</u></u>

Depreciation and amortization expense on property and equipment was \$168,959 during the year ended June 30, 2023.

NOTE 6 - LEASES

San Pedro Store - The Organization maintains an operating lease for a San Pedro facility known as the “Thrift Shop”. The lease requires monthly payments of \$5,183 through September 2024 with incremental annual increases through August 2028. The Organization has the option to terminate the lease during the second and sixth year with 90-days written notice and an early termination fee. The Organization is also obligated to pay certain common area maintenance fees.

Long Beach Warehouse - The Organization maintains an operating lease for a Long Beach facility. The lease requires monthly payments of \$3,878 through December 2025.

Long Beach Store - The Organization maintains an operating lease for a Long Beach facility. The lease requires monthly payments of \$22,989 through December 2023, with incremental annual increases through May 2026. The Organization has the option to extend the lease term for one additional period of sixty months. The Organization is also obligated to pay certain common area maintenance fees.

Proper House - In June 2022, the Organization entered into a long-term operating lease agreement for a San Pedro facility known as “Proper House”. The lease requires monthly payments of \$7,594 through May 2024, with incremental annual increases through October 2025.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LEASES, continued

The components of lease expense recorded within the accompanying statement of activities for the year ended June 30, 2023 were as follows:

Operating lease expense	\$	474,321
Variable lease expense		28,704
Other occupancy costs		237,501
Total lease expense	\$	<u>740,526</u>

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	<u>451,736</u>
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$	<u>367,265</u>
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Weighted average remaining lease term:

Operating leases	<u>3.3 Years</u>
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Weighted average discount rate:

Operating leases	<u>6.3%</u>
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Future minimum lease payments under non-cancelable leases as of June 30, 2023, were as follows:

2024	\$	478,461
2025		500,066
2026		399,919
2027		64,547
2028		65,408
Thereafter		<u>10,925</u>
Total future minimum lease payments		1,519,326
Less: amount representing interest		<u>(133,712)</u>
Total lease liabilities		1,385,614
Less: current portion		<u>(411,384)</u>
Long-term portion	\$	<u>974,230</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - REFUNDING REVENUE BONDS PAYABLE

In October 2011, the Organization, through the California Health Facilities Financing Authority, issued \$1,505,000 of insured refunding revenue bonds, bearing interest rates ranging from 0.9% to 3.875% with the final installment payment due December 1, 2023. Principal was payable annually on December 1st of each year, and interest was payable semi-annually on June 1st and December 1st of each year.

The bonds were subject to mandatory sinking fund requirements starting December 1, 2020. The proceeds of the bonds, together with other funds, paid in full the Organization's 1993 Certificates of Participation, established a reserve account to service the new bonds, and paid the costs of issuance of the new bonds.

The Organization was required to transfer the interest and principal payments monthly to separate bank accounts managed by the bond trustee. These accounts were held in trust by U.S. Bank, along with the required bond reserve.

On January 17, 2023, the Organization paid off the remaining balance of \$295,000.

NOTE 8 - SPECIAL EVENTS

The Organization conducts special events in order to assist in the program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for the program operations.

For the year ended June 30, 2023, special events revenue and expenses are as follows:

Revenue	\$ 741,523
Less: expenses	<u>(157,604)</u>
	<u>\$ 583,919</u>

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2023:

<u>Purpose</u>	<u>Available</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Available</u> <u>June 30, 2023</u>
Education & training	\$ 35,000	\$ 34,000	\$ (27,000)	\$ 42,000
Bartlett Center remodel	-	80,495	-	80,495
Resident camping trips	-	6,000	(3,000)	3,000
Shane Fleming education	1,713	-	(1,713)	-
Long Beach thrift store	49,521	-	(49,521)	-
Outreach	4,400	-	(4,400)	-
	<u>\$ 90,634</u>	<u>\$ 120,495</u>	<u>\$ (85,634)</u>	<u>\$ 125,495</u>

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization maintains a defined contribution plan (the “Plan”) under Section 403(b) of the IRS Code, for the eligible employees of the Organization. Employees are eligible if they are older than 18 and have completed 3 months of service with the Organization. During the year ended June 30, 2023, the Organization did not make any matching or discretionary contributions to the Plan.