



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, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)**
with

INDEPENDENT AUDITORS' REPORT THEREON



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

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, 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, 2025, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 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.

Torrance, California
January 8, 2026

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTAL AS OF JUNE 30, 2024)

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,716,629	\$ 3,721,220
Investments	3,467,402	2,298,088
Grants receivable, current portion	1,359,714	1,675,943
Accounts receivable, net	216,292	204,720
Prepaid expenses	297,045	269,639
Funds held for residents	34,974	32,844
	<hr/> 9,092,056	<hr/> 8,202,454
LONG-TERM ASSETS		
Property and equipment, net	4,319,465	3,088,215
Operating lease right-of-use assets	757,948	876,569
Grants receivable, net of current portion	200,000	-
Deposits	75,806	108,326
	<hr/> 5,353,219	<hr/> 4,073,110
	<hr/> \$ 14,445,275	<hr/> \$ 12,275,564
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 353,939	\$ 517,623
Accrued employee related expenses	181,700	156,273
Funds held for residents	34,974	32,844
Deferred revenue	5,500	470,000
Operating lease liabilities, current portion	435,682	457,928
	<hr/> 1,011,795	<hr/> 1,634,668
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<hr/> 383,188	<hr/> 516,302
	<hr/> 1,394,983	<hr/> 2,150,970
NET ASSETS		
Without donor restrictions		
Board designated reserves	1,950,000	923,500
Undesignated net assets	10,286,689	7,881,500
	<hr/> 12,236,689	<hr/> 8,805,000
With donor restrictions		
813,603	1,319,594	
	<hr/> 13,050,292	<hr/> 10,124,594
	<hr/> \$ 14,445,275	<hr/> \$ 12,275,564

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, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025			2024	
	Without donor restrictions	With donor restrictions	Total	Summarized Total	
REVENUE AND SUPPORT					
Program income	\$ 3,199,371	\$ -	\$ 3,199,371	\$ 2,710,362	
Government grants	5,121,590	-	5,121,590	3,975,826	
Other grants and contributions	616,177	1,150,500	1,766,677	2,413,613	
Special events, net	619,792	-	619,792	643,005	
Employee retention credit	442,056	-	442,056	-	
Investment gain	128,683	-	128,683	124,894	
In-kind goods and services	85,490	-	85,490	73,341	
Bank interest income	139,388	-	139,388	100,125	
Other income	3,045	-	3,045	-	
Net assets released from restrictions	<u>1,656,491</u>	<u>(1,656,491)</u>	<u>-</u>	<u>-</u>	
	<u>12,012,083</u>	<u>(505,991)</u>	<u>11,506,092</u>	<u>10,041,166</u>	
EXPENSES					
Program services	7,116,638	-	7,116,638	5,262,816	
Management and general	1,061,979	-	1,061,979	849,446	
Fundraising	<u>401,777</u>	<u>-</u>	<u>401,777</u>	<u>314,618</u>	
	<u>8,580,394</u>	<u>-</u>	<u>8,580,394</u>	<u>6,426,880</u>	
CHANGE IN NET ASSETS	3,431,689	(505,991)	2,925,698	3,614,286	
NET ASSETS, beginning of year	<u>8,805,000</u>	<u>1,319,594</u>	<u>10,124,594</u>	<u>6,510,308</u>	
NET ASSETS, end of year	<u>\$ 12,236,689</u>	<u>\$ 813,603</u>	<u>\$ 13,050,292</u>	<u>\$ 10,124,594</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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025				2024
	Program Services	Management and General	Fundraising	Total	Summarized Total
PERSONNEL EXPENSES					
Salaries and wages	\$ 2,511,975	\$ 669,859	\$ 167,466	\$ 3,349,300	\$ 2,681,839
Payroll taxes	190,590	50,823	12,707	254,120	203,659
Employee benefits	<u>417,285</u>	<u>111,276</u>	<u>27,819</u>	<u>556,380</u>	<u>371,908</u>
Total personnel expenses	3,119,850	831,958	207,992	4,159,800	3,257,406
OTHER EXPENSES					
Program supplies	1,303,400	-	-	1,303,400	767,837
Lease expense	837,443	104,680	104,681	1,046,804	856,887
Resident support and recreation	472,228	-	-	472,228	340,586
Food and beverages	436,935	-	-	436,935	267,711
Depreciation and amortization	243,368	29,548	22,563	295,479	202,693
Office expenses	110,227	37,792	9,448	157,467	204,764
Insurance	117,466	14,325	11,460	143,251	75,909
Automobile	113,056	13,787	11,030	137,873	143,047
Repairs and maintenance	85,437	10,419	8,336	104,192	64,867
Professional fees	88,556	6,666	-	95,222	63,711
Public relations	72,699	9,087	9,088	90,874	61,344
In-kind services and goods	85,490	-	-	85,490	73,341
Bank and merchant fees	30,483	3,717	2,974	37,174	37,975
Travel	<u>-</u>	<u>-</u>	<u>14,205</u>	<u>14,205</u>	<u>8,802</u>
Total functional expenses	<u><u>\$ 7,116,638</u></u>	<u><u>\$ 1,061,979</u></u>	<u><u>\$ 401,777</u></u>	<u><u>\$ 8,580,394</u></u>	<u><u>\$ 6,426,880</u></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, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,925,698	\$ 3,614,286
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	295,479	202,693
Realized gain on sales of investments	(3,013)	(1,921)
Unrealized gain on investments	(21,418)	(22,858)
Gain on sale of equipment	(3,045)	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	104,657	(1,355,350)
Prepaid expenses	(27,406)	(75,491)
Accounts payable and accrued expenses	(163,684)	346,783
Accrued employee related expenses	25,427	38,390
Deferred revenue	(464,500)	470,000
Operating lease right-of-use assets and liabilities, net	(36,739)	(18,122)
Net cash flows from operating activities	<u>2,631,456</u>	<u>3,198,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,540,396)	(894,046)
Changes in deposits	32,520	(68,239)
Proceeds from sales of investments	298,183	300,000
Purchases of investments	(1,443,066)	(433,263)
Proceeds from sale of equipment	16,712	-
Net cash flows from investing activities	<u>(2,636,047)</u>	<u>(1,095,548)</u>
Net change in cash and cash equivalents	(4,591)	2,102,862
Cash and cash equivalents, beginning of year	<u>3,721,220</u>	<u>1,618,358</u>
Cash and cash equivalents, end of year	<u>\$ 3,716,629</u>	<u>\$ 3,721,220</u>

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO

(A NON-PROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

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, unintended 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 Organization.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. The Board has allocated \$1,950,000 of these unrestricted net assets to operational reserves (See Note 3).

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 for program income - Program service revenue and thrift store sales are recognized in accordance with ASC 606 using a five-step model.

The Organization is a contracted service provider with the County of Los Angeles Substance Abuse and Control (SAPC) department. The Organization currently provides residential, outpatient and Recovery Bridge housing treatment services under the SAPC contract. The SAPC contract and current fiscal year's rate matrix determine the transaction price for each service provided based on level of care. Revenue is recognized over time as services are provided, with progress measured using the output method, which reflects time elapsed, or services rendered.

Revenue from thrift shop sales is recognized at the point of sale, when the control of goods is transferred to the customer. The sales transaction is considered complete when the customer has paid for the goods, and the risks and rewards of ownership have been transferred. Thrift shop sales include revenue from the sale of donated items, which are recorded at the gross proceeds received from the transaction. No cost of goods sold is recognized since the items are donated.

Contributions - Contributions 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2025, no allowance for doubtful contribution receivable was recorded.

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.

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 primarily include program service fees for services rendered prior to June 30, 2025. In accordance with the Current Expected Credit Losses (CECL) model, the Organization estimates and accounts for potential credit losses on resident service revenue. The allowance for uncollectible amounts is determined based on historical collection trends, current economic conditions, and any specific information indicating that a receivable may be uncollectible. The Organization periodically reviews and adjusts the allowance as necessary. Any changes to the allowance for credit losses are reflected in the period in which they are identified. Management has recorded a reserve for potential credit losses of \$25,949 and \$27,105 as of June 30, 2025 and 2024.

The Organization has elected the current conditions practical expedient and the subsequent collections accounting policy election in accordance with ASU 2025-05. Management applies the subsequent collection policy election by considering activity through January 8, 2026, which is the date that the financial statements are available to be issued.

Accounts receivable totaled \$216,292 and \$204,720 as of June 30, 2025 and 2024, which was fully collected subsequent to the respective periods.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Grants receivable and revenue - The Organization receives a majority of its total grant revenue from foundations, corporations, and governmental agencies. Governmental agencies pay the Organization based on units of service provided or reimbursable costs as defined by the grants. The compensation and reimbursements recorded under these grants are subject to audit. Management believes that material adjustments will not result from subsequent audits, if any, of costs reflected in the accompanying financial statements.

The Organization uses the allowance method to assess the collectability of its grants. Based on previous experience and management's analysis, the Organization acknowledges that most grants are typically invoiced and collected within the contracted period. For the year ended June 30, 2025, however, management determined that no allowance for uncollectible amounts was necessary, as all grants receivable are expected to be fully collectible. Unexpended funds will revert to the grantor at the end of the grant period. Additionally, the Organization accounts for these unexpended funds as a loss on settlement, which is offset by net assets released from restrictions in the period the determination is made.

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.

Deposits - Deposits are amounts received from customers or other parties, held by the Organization as security for the performance of an agreement or contract, or amounts paid to third parties as a guarantee or collateral for future obligations.

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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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, 2025, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair value of financial instruments - Financial instruments primarily consist of grants, accounts receivable, and investments. The Organization estimates that the fair value of its financial instruments at June 30, 2025, 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 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.

Funds held for residents - The Organization maintains fiduciary accounts to hold funds on behalf of residents, in accordance with applicable laws, regulations, and contractual agreements. The Organization acts as a fiduciary, ensuring that these funds are managed and protected for the benefit of the residents, in accordance with the terms of the agreement or relevant legal requirements. Funds held in these fiduciary accounts are classified as liabilities on the Organization's balance sheet, as they are not owned by the Organization and are refundable or distributable to the residents in accordance with the terms of their agreements.

Deferred revenue - Revenue received for various projects is deferred and recognized as services are rendered to fulfill the terms outlined in the government grant agreements which include conditions to be met. Support from the conditional grants is also deferred until the conditions of the grant are satisfied.

Contributed goods and services - Contributed food and beverages received during the year ended June 30, 2025, totaled \$85,490. 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, 2025.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2025, 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, 2025, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2025, all federal tax returns since the 2021 tax year and state tax returns since the 2020 tax year are still subject to adjustment upon audit. No tax returns are currently being examined by taxing authorities.

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 is a California Department of Health Care Services (DHCS) state licensed treatment facility and a contracted provider with the County of Los Angeles Substance Abuse and Control (SAPC). The Organization currently provides residential, outpatient and Recovery Bridge housing treatment services under the SAPC contract. The contracts require the Organization to disburse the funds received from the County for direct and indirect expenses of the programs. The Organization is not 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.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Government contract revenue was approximately 45% of total revenue during the year ended June 30, 2025.

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, 2024, from which the summarized information was derived.

Subsequent events - Subsequent events have been evaluated by the Organization through January 8, 2026, 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 of June 30, 2025, 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.

Cash and cash equivalents	\$ 3,716,629
Accounts receivable, net	216,292
Grants receivable, current portion	1,359,714
Investments	<u>3,467,402</u>
Total financial assets	8,760,037
Board designated investments:	
Operating reserve	(1,800,000)
PPE reserve	(150,000)
Donor-restricted net assets	<u>(813,603)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,996,434</u></u>

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

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 \$690,000 per month given full programmatic expenditures. With the current cash expenditures of approximately \$5.9 million annually, the Organization possesses sufficient financial assets for over six months of expenditures to meet its philanthropic mission.

Board designated reserves - On June 24, 2025, the Board of Directors reviewed and approved updates to the organization's two Board Designated Reserve Funds. The funding for both reserves were adjusted to meet the target minimum balances.

The Operating Reserve is intended to support the stability of the organization's mission, programs, staffing, and overall operations. It serves as an internal source of funds for unexpected circumstances such as sudden increases in expenses, one-time unbudgeted costs, unanticipated funding losses, or uninsured events. The target minimum balance for the Operating Reserve is reviewed periodically and is currently set at \$1,800,000.

The physical plant and equipment reserve ("PPE Reserve"), is designated for the timely and appropriate maintenance, replacement, and improvement of the organization's physical plant and equipment. This reserve provides funding for major equipment purchases, building improvements, and construction projects. The current balance of the PPE Reserve is \$150,000.

The following is a description of the valuation methodologies used for the assets measured at fair value:

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 (Level 1).

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 (Level 1).

Investments held in trust - The Organization has outsourced the management of an endowment fund to the Long Beach Community Foundation ("LBCF"). The oversight of the investment portfolio is the responsibility of the LBCF. Investment Committee whose members are appointed by and serve the LBCF Board of Directors, and which shall administer the investment portfolio in compliance with all written policies approved by the LBCF Board. Annual distributions are subject to the policies of the LBCF (Level 3).

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

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 (Level 1).

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, 2025:

Money market funds (Level 1)	\$ 2,088
Treasury securities (Level 1)	1,129,589
Mutual funds (Level 1)	2,177,740
Investments held in trust (Level 3)	<u>157,985</u>
	<u><u>\$ 3,467,402</u></u>

Net investment income was comprised of the following during the year ended June 30, 2025:

Interest and dividend income	\$ 105,965
Realized gain on sale of investments	3,013
Unrealized gain on investments	21,418
Administrative fees	<u>(1,713)</u>
Investment gain, net	<u><u>\$ 128,683</u></u>

The following table sets forth a summary of changes in the fair value of the investment held in trust with LBCF for the year ended June 30, 2025:

Balance, beginning of year	\$ 142,065
Interest and dividend income	4,165
Fees	(1,713)
Unrealized gains	9,557
Realized gains	<u>3,911</u>
Balance, end of year	<u><u>\$ 157,985</u></u>

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - PROPERTY AND EQUIPMENT

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

Building and improvements	\$ 5,212,346
Furniture, fixtures, and equipment	470,088
Automobiles	<u>649,867</u>
	6,332,301
Less: accumulated depreciation and amortization	<u>(2,721,005)</u>
	3,611,296
Construction in progress	31,169
Land	<u>677,000</u>
	<u><u>\$ 4,319,465</u></u>

Depreciation and amortization expense on property and equipment was \$295,479 during the year ended June 30, 2025.

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 \$5,320 through August 2026 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. The Organization practiced their second option to extend the lease, and will commence on January 1, 2026 through December 31, 2028.

Long Beach Store - The Organization maintains an operating lease for a Long Beach facility. The lease requires monthly payments of \$25,275 through December 2025, with incremental annual increases through May 2026. The Organization is also obligated to pay certain common area maintenance fees. The Organization practiced their second option to extend the lease, and will commence on June 1, 2026 through May 31, 2031.

Proper House - The Organization maintains an operating lease for a San Pedro facility known as “Proper House.” The lease requires monthly payments of \$8,162 through October 2025, with incremental annual increases through October 2025. Subsequent to the expiration of the lease, the Organization continues to occupy the facility on a month-to-month basis while a lease extension is being finalized.

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - LEASES, continued

San Pedro Administration - In June 2025, the Organization entered into a lease agreement for administrative office space located in San Pedro, California. The lease requires monthly payments of \$5,270 through May 2026, with incremental annual increases through May 2030.

Lease expense in the accompanying statement of functional expenses includes other occupancy costs, such as utilities, security services, and property taxes. The components of lease expense for the year ended June 30, 2025 were:

Operating lease expense	\$ 507,917
Other occupancy costs	<u>538,887</u>
Total lease expense	<u><u>\$ 1,046,804</u></u>

Supplemental cash flow information:

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

Operating cash flows from operating leases	<u><u>\$ 544,656</u></u>
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New right-of-use assets obtained in exchange for lease
obligations:

Operating leases	<u><u>\$ 304,187</u></u>
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Weighted average remaining lease term:

Operating leases	<u><u>2.7 Years</u></u>
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Weighted average discount rate:

Operating leases	<u><u>5.9%</u></u>
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THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - LEASES, continued

Future minimum lease payments under non-cancelable leases as of June 30, 2025, were as follows:

2026	\$ 463,339
2027	130,197
2028	133,979
2029	81,553
2030	66,518
Total future minimum lease payments	875,586
Less: amount representing interest	(56,716)
Total lease liabilities	818,870
Less: current portion	(435,682)
Long-term portion	<u>\$ 383,188</u>

NOTE 7 - 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, 2025, special events revenue and expenses are as follows:

Revenue	\$ 824,930
Less: expenses	(205,138)
	<u>\$ 619,792</u>

THE BEACON HOUSE ASSOCIATION OF SAN PEDRO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2025:

<u>Purpose</u>	Available			Available June 30, 2025
	June 30, 2024	Additions	Releases	
Clinical services	\$ -	\$ 600,000	\$ (183,206)	\$ 416,794
Expansion and staffing support	250,000	517,500	(500,000)	267,500
Property purchase for detox center	100,000	-	-	100,000
Education & training	45,000	20,000	(45,191)	19,809
Long Beach thrift store	50,000	10,000	(53,500)	6,500
Resident camping trips	7,000	3,000	(7,000)	3,000
Bartlett Center remodel	867,594	-	(867,594)	-
	<u>\$ 1,319,594</u>	<u>\$ 1,150,500</u>	<u>\$ (1,656,491)</u>	<u>\$ 813,603</u>

NOTE 9 - 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 immediately upon their date-of-hire with the Organization. During the year ended June 30, 2025, the Organization contributed \$79,089 to the Plan.

NOTE 10 - EMPLOYEE RETENTION CREDIT

The CARES Act provides an Employee Retention Credit (“ERC”) for eligible employers who meet certain requirements under the act. The ERC is a refundable tax credit against certain employer payroll taxes capped at certain qualified wages paid per employee. Additional relief provisions were passed by the U.S. government, which extended and slightly expanded the qualified wage caps on these credits through 2021. The ERC is calculated on a quarterly basis.

The Organization became retroactively eligible for the ERC for the three quarters of 2020. The Organization filed its amended payroll tax returns and received \$442,056 during the year ended June 30, 2025.