



SOLUTIONS FOR CHANGE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Solutions for Change, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Solutions for Change, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Solutions for Change, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Solutions for Change, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Solutions for Change, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Solutions for Change, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, Solutions for Change, Inc. adopted accounting standards changes related to accounting for and disclosing of lease arrangements. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 31 to 36 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2023, on our consideration of Solutions for Change, 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 Solutions for Change, 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 Solutions for Change, Inc.'s internal control over financial reporting and compliance.

Leaf & Cole LLP

San Diego, California
December 28, 2023

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2 and 4)		
Cash and cash equivalents	\$ 388,563	\$ 94,867
Grants and other receivables, net	467,059	600,974
Prepaid expenses and other assets	77,924	39,047
Tenant trust funds	38,639	61,917
Tenant security deposits	71,254	71,945
Deposits	8,661	6,661
Total Current Assets	1,052,100	875,411
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7, and 8)		
Related party receivables	1,827,859	1,857,250
Restricted reserves	467,799	341,419
Investment in partnerships	57	62
Right of use asset - finance lease	604,071	-
Property and equipment, net	12,895,943	13,187,611
Total Noncurrent Assets	15,795,729	15,386,342
TOTAL ASSETS	\$ 16,847,829	\$ 16,261,753

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 8)		
Accounts payable	\$ 186,132	\$ 350,646
Accrued expenses	215,489	255,072
Deferred revenue	-	4,823
Interest payable	13,891	9,342
Tenant trust funds	38,639	72,360
Tenant security deposits	71,254	64,521
Current portion of finance lease liability	202,535	-
Current portion of notes payable	546,160	243,063
Total Current Liabilities	1,274,100	999,827
<u>Noncurrent Liabilities:</u> (Notes 2, 6 and 8)		
Share of deficiency in partnerships	2,198	2,084
Finance lease liability, net of current portion	417,556	-
Notes payable, net	15,007,671	15,371,968
Interest payable	3,279,608	3,041,171
Total Noncurrent Liabilities	18,707,033	18,415,223
Total Liabilities	19,981,133	19,415,050
<u>Commitments and Contingencies</u> (Notes 10 and 11)		
<u>Minority Interest in Subsidiary</u>	(18,682)	(16,438)
<u>Net Assets:</u> (Notes 2 and 9)		
Without donor restrictions	(3,645,477)	(3,176,859)
With donor restrictions	530,855	40,000
Total Net Assets	(3,114,622)	(3,136,859)
TOTAL LIABILITIES AND NET ASSETS	\$ 16,847,829	\$ 16,261,753

The accompanying notes are an integral part of the consolidated financial statements.

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue:</u>						
Contributions	\$ 2,761,606	\$ 1,072,500	\$ 3,834,106	\$ 3,112,440	\$ -	\$ 3,112,440
Rental income	1,022,045	-	1,022,045	933,496	-	933,496
Special event revenue (net of direct donor benefit costs of \$6,700 and \$48,090 in 2022 and 2021, respectively)	179,203	-	179,203	478,433	-	478,433
Grants	135,042	-	135,042	218,824	-	218,824
Supporting services	110,300	-	110,300	120,479	-	120,479
Interest and miscellaneous	53,145	-	53,145	16,356	-	16,356
Social enterprise	14,646	-	14,646	48,044	-	48,044
In-kind contributions	4,100	-	4,100	20,111	-	20,111
Net assets released from restriction	581,645	(581,645)	-	14,278	(14,278)	-
Total Support and Revenue	<u>4,861,732</u>	<u>490,855</u>	<u>5,352,587</u>	<u>4,962,461</u>	<u>(14,278)</u>	<u>4,948,183</u>
<u>Operating Expenses:</u>						
Program services	3,763,025	-	3,763,025	3,869,182	-	3,869,182
Management and general	419,970	-	419,970	472,226	-	472,226
Fundraising	153,277	-	153,277	295,751	-	295,751
Total Operating Expenses	<u>4,336,272</u>	<u>-</u>	<u>4,336,272</u>	<u>4,637,159</u>	<u>-</u>	<u>4,637,159</u>
Change in Net Assets Before Nonoperating Revenue and (Expenses)	525,460	490,855	1,016,315	325,302	(14,278)	311,024
<u>Nonoperating Revenue and (Expenses):</u>						
Depreciation and amortization	(708,024)	-	(708,024)	(519,888)	-	(519,888)
Interest - residual receipts debt	(288,179)	-	(288,179)	(289,670)	-	(289,670)
Minority interest excess of expenses over revenue and support of subsidiary	2,244	-	2,244	3,232	-	3,232
Partnership loss	(119)	-	(119)	(131)	-	(131)
Loss on sale of property	-	-	-	(3,102,469)	-	(3,102,469)
Total Nonoperating Revenue and (Expenses)	<u>(994,078)</u>	<u>-</u>	<u>(994,078)</u>	<u>(3,908,926)</u>	<u>-</u>	<u>(3,908,926)</u>
Change in Net Assets	(468,618)	490,855	22,237	(3,583,624)	(14,278)	(3,597,902)
Net Assets at Beginning of Year	<u>(3,176,859)</u>	<u>40,000</u>	<u>(3,136,859)</u>	<u>406,765</u>	<u>54,278</u>	<u>461,043</u>
NET ASSETS AT END OF YEAR	<u>\$ (3,645,477)</u>	<u>\$ 530,855</u>	<u>\$ (3,114,622)</u>	<u>\$ (3,176,859)</u>	<u>\$ 40,000</u>	<u>\$ (3,136,859)</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services			
	Solutions For Change, Inc. Programs	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses:									
Salaries and wages	\$ 1,651,421	\$ 76,780	\$ 21,634	\$ -	\$ 34,536	\$ 1,784,371	\$ 109,600	\$ 119,170	\$ 2,013,141
Payroll taxes	127,279	9,936	2,617	-	4,819	144,651	19,159	8,066	171,876
Employee benefits	105,007	1,308	16	-	641	106,972	14,377	6,654	128,003
Total Salaries and Related Expenses	<u>1,883,707</u>	<u>88,024</u>	<u>24,267</u>	<u>-</u>	<u>39,996</u>	<u>2,035,994</u>	<u>143,136</u>	<u>133,890</u>	<u>2,313,020</u>
Nonsalary Related Expenses:									
Advertising	252,965	-	-	-	-	252,965	-	-	252,965
Automobile and truck	10,935	-	3,133	-	-	14,068	-	-	14,068
Bad debt expense	12,840	280	-	-	-	13,120	-	-	13,120
Cost of goods sold	-	-	15,604	-	-	15,604	-	-	15,604
Dues and subscriptions	80,289	-	732	-	-	81,021	-	-	81,021
Insurance	65,332	13,338	6,399	-	4,399	89,468	8,459	8,066	105,993
Interest	191,990	7,581	34,872	-	413	234,856	96	-	234,952
Meetings and seminars	20,512	-	498	-	-	21,010	30,767	-	51,777
Miscellaneous	15,773	-	125	-	-	15,898	-	-	15,898
Office expense	96,012	956	541	-	680	98,189	11,805	-	109,994
Payroll processing	2,845	-	490	-	-	3,335	697	610	4,642
Postage and printing	301	-	-	-	-	301	-	-	301
Professional fees	273,361	38,846	32,443	-	27,751	372,401	122,035	-	494,436
Property fees	-	-	-	-	-	-	14,037	-	14,037
Rent	63,362	-	-	-	-	63,362	-	-	63,362
Repairs and maintenance	108,556	23,569	2,959	-	43,457	178,541	17,220	-	195,761
Special event expenses	-	-	-	-	-	-	-	10,711	10,711
Supplies	21,559	-	51	-	-	21,610	6	-	21,616
Taxes, licenses and fees	-	-	-	-	-	-	51,760	-	51,760
Telephone	33,097	-	1,821	-	-	34,918	3,880	-	38,798
Utilities and refuse removal	99,585	71,712	18,983	-	26,084	216,364	16,072	-	232,436
Total Nonsalary Related Expenses	<u>1,349,314</u>	<u>156,282</u>	<u>118,651</u>	<u>-</u>	<u>102,784</u>	<u>1,727,031</u>	<u>276,834</u>	<u>19,387</u>	<u>2,023,252</u>
Total Operating Expenses	<u>3,233,021</u>	<u>244,306</u>	<u>142,918</u>	<u>-</u>	<u>142,780</u>	<u>3,763,025</u>	<u>419,970</u>	<u>153,277</u>	<u>4,336,272</u>
Nonoperating Expenses:									
Depreciation and amortization	425,187	157,083	82,727	-	43,027	708,024	-	-	708,024
Interest - residual receipts debt	102,253	106,546	-	-	79,380	288,179	-	-	288,179
Total Nonoperating Expenses	<u>527,440</u>	<u>263,629</u>	<u>82,727</u>	<u>-</u>	<u>122,407</u>	<u>996,203</u>	<u>-</u>	<u>-</u>	<u>996,203</u>
TOTAL EXPENSES	<u>\$ 3,760,461</u>	<u>\$ 507,935</u>	<u>\$ 225,645</u>	<u>\$ -</u>	<u>\$ 265,187</u>	<u>\$ 4,759,228</u>	<u>\$ 419,970</u>	<u>\$ 153,277</u>	<u>\$ 5,332,475</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services			
	Solutions For Change, Inc. Programs	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Total Program Services	Management and General	Fundraising	
Salaries and Related Expenses:									
Salaries and wages	\$ 1,665,211	\$ 29,628	\$ 74,674	\$ 20,088	\$ 31,621	\$ 1,821,222	\$ 166,604	\$ 99,151	\$ 2,086,977
Payroll taxes	85,502	1,765	7,207	2,151	2,764	99,389	16,504	5,418	121,311
Employee benefits	100,709	2,295	4,045	4,302	3,981	115,332	16,475	6,382	138,189
Total Salaries and Related Expenses	<u>1,851,422</u>	<u>33,688</u>	<u>85,926</u>	<u>26,541</u>	<u>38,366</u>	<u>2,035,943</u>	<u>199,583</u>	<u>110,951</u>	<u>2,346,477</u>
Nonsalary Related Expenses:									
Advertising	255,819	-	368	-	-	256,187	-	-	256,187
Automobile and truck	21,327	-	1,186	24	-	22,537	-	-	22,537
Bad debt expense	-	-	279	-	-	279	-	-	279
Cost of goods sold	-	-	49,646	-	-	49,646	-	-	49,646
Dues and subscriptions	66,148	-	1,613	-	-	67,761	-	-	67,761
Insurance	47,732	15,726	17,401	7,897	6,435	95,191	8,830	5,893	109,914
Interest	187,394	583	32,926	86	1,328	222,317	-	-	222,317
Meetings and seminars	20,466	194	-	-	-	20,660	30,699	-	51,359
Miscellaneous	7,312	-	-	12,911	42	20,265	-	-	20,265
Office expense	95,341	4,277	1,171	-	483	101,272	10,777	-	112,049
Payroll processing	3,306	-	1,230	-	-	4,536	926	709	6,171
Postage and printing	3,224	-	-	87	17	3,328	-	-	3,328
Professional fees	265,976	-	7,459	8,166	5,576	287,177	102,327	-	389,504
Property fees	-	9,715	-	-	-	9,715	16,488	-	26,203
Rent	40,636	-	-	-	-	40,636	-	-	40,636
Repairs and maintenance	215,464	15,198	30,571	36,915	4,216	302,364	31,908	-	334,272
Special event expenses	-	-	-	-	-	-	-	178,198	178,198
Supplies	19,467	-	2,224	794	-	22,485	247	-	22,732
Taxes, licenses and fees	-	-	-	-	-	-	45,843	-	45,843
Telephone	35,881	1,455	1,513	3,086	-	41,935	4,498	-	46,433
Utilities and refuse removal	67,002	84,112	47,954	15,442	50,438	264,948	20,093	-	285,041
Total Nonsalary Related Expenses	<u>1,352,495</u>	<u>131,260</u>	<u>195,541</u>	<u>85,408</u>	<u>68,535</u>	<u>1,833,239</u>	<u>272,636</u>	<u>184,800</u>	<u>2,290,675</u>
Total Operating Expenses	<u>3,203,917</u>	<u>164,948</u>	<u>281,467</u>	<u>111,949</u>	<u>106,901</u>	<u>3,869,182</u>	<u>472,219</u>	<u>295,751</u>	<u>4,637,152</u>
Nonoperating Expenses:									
Depreciation	216,745	157,495	83,108	19,512	43,028	519,888	-	-	519,888
Interest - residual receipts debt	102,253	106,545	-	-	80,872	289,670	-	-	289,670
Total Nonoperating Expenses	<u>318,998</u>	<u>264,040</u>	<u>83,108</u>	<u>19,512</u>	<u>123,900</u>	<u>809,558</u>	<u>-</u>	<u>-</u>	<u>809,558</u>
TOTAL EXPENSES	<u>\$ 3,522,915</u>	<u>\$ 428,988</u>	<u>\$ 364,575</u>	<u>\$ 131,461</u>	<u>\$ 230,801</u>	<u>\$ 4,678,740</u>	<u>\$ 472,219</u>	<u>\$ 295,751</u>	<u>\$ 5,446,710</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOLUTIONS FOR CHANGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 22,237	\$ (3,597,902)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	500,914	519,888
Amortization of right of use assets - finance lease	207,110	-
Loss on disposal of property and equipment	-	3,102,469
Interest - residual receipts debt	288,179	289,670
Minority interest (excess) deficit of support and revenue over expenses of subsidiary	(2,244)	(3,232)
Partnership loss (income)	119	131
(Increase) Decrease in:		
Grants and other receivables, net	133,915	(244,575)
Prepaid expenses and other assets	(38,877)	(7,968)
Increase (Decrease) in:		
Accounts payable	(164,514)	57,884
Accrued expenses	(39,583)	74,421
Deferred revenue	(4,823)	(58,777)
Interest payable	(45,193)	(12,062)
Tenant trust funds	(33,721)	24,774
Tenant security deposits	6,733	17,018
Net Cash Provided by Operating Activities	<u>830,252</u>	<u>161,739</u>
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sale of property and equipment	-	5,660,000
Purchase of property and equipment	(209,246)	(1,173,159)
Related party receivables repayment	29,391	2,668
Related party payables advances	-	(2,344)
Payment for deposits	(2,000)	1,600
Net Cash (Used in) Provided by Investing Activities	<u>(181,855)</u>	<u>4,488,765</u>
<u>Cash Flows From Financing Activities:</u>		
Payments on finance lease liability	(191,090)	-
Proceeds from notes payable	100,000	866,848
Payments on notes payable	(161,200)	(5,585,142)
Net Cash Used in Financing Activities	<u>(252,290)</u>	<u>(4,718,294)</u>
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	396,107	(67,790)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>570,148</u>	<u>637,938</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 966,255</u>	<u>\$ 570,148</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest, net of capitalized interest (Note 2)	<u>\$ 243,235</u>	<u>\$ 234,379</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash outflows from finance lease	<u>\$ 228,000</u>	<u>\$ -</u>
Right of use asset upon ASC 842 implementation	<u>\$ 811,181</u>	<u>\$ -</u>
Right of use asset after ASC 842 implementation	<u>\$ 604,071</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1 - Organization:

The consolidated financial statements include the accounts of the following entities, which are collectively referred to as the “Organization.”

Solutions for Change, Inc.

Solutions for Change, Inc. (“Solutions for Change”) was incorporated in the State of California on November 15, 1999. The mission of Solutions for Change is to solve family homelessness one family, one community at a time. Solutions for Change is supported primarily through donor contributions and grants.

Solutions Family Center, L.P.

Solutions Family Center, L.P. (the “Partnership”) was formed as a limited partnership under the laws of the State of California on December 18, 2000. The Partnership was established for the purpose and intent of constructing and operating a rental housing project. The rental housing project was placed into service in November 2004, and is located in Vista, California. The project consists of 33 units. Solutions for Change is the General Partner, and owns 99% of the Partnership.

Solutions Farms, LLC

Solutions Farms, LLC (“Solutions Farms”) is an integral part of Solutions for Change. It functions as a laboratory for teaching important work values and preparing people for re-entry into the workforce. This is the social enterprise function: accomplishing a worthwhile social purpose, while also being a functioning business. Solutions Farms raises hope, as well as produce. Solutions Farms is unique in many ways. It is an aquaponic farm where nutrient-rich water from fish culture is used to nourish produce, which in turn purifies the water so it can be returned to the fish. Everything is done within the controlled environment of a greenhouse. It is currently one of the largest aquaponic facilities in the West. Its sole member is Solutions for Change.

Solutions Escondido Boulevard, LLC

Solutions Escondido Boulevard, LLC (“Escondido”) was formed to serve as the managing general partner of one or more limited partnerships that own, operate, and manage various multifamily affordable housing projects located in California. Its sole member is Solutions for Change.

Escondido has a .0095% interest in Solutions Escondido Boulevard 33, L.P. (“EB33”), which has been recorded on the equity method. In addition, Escondido acquired land and incurred predevelopment costs that were acquired by EB33 in March 2017.

SFC Weitzel, LLC

SFC Weitzel, LLC (“Weitzel”) had a 99% interest in SFC Weitzel, L.P. Weitzel was formed to serve as the managing general partner of one or more limited partnerships that own, operate, and manage various multifamily affordable housing projects located in California. Its sole member is Solutions for Change. Effective April 28, 2017, SFC Weitzel, L.P. admitted a new unrelated partner, and Weitzel now has a 0.01% interest in SFC Weitzel, L.P. SFC Weitzel, L.P. completed construction of a 32-unit apartment complex in Oceanside, CA in 2018.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1 - Organization: (Continued)

Solutions Chestnut, LLC

Solutions Chestnut, LLC (“Chestnut”) was formed to serve as the managing general partner of one-or-more limited partnerships that own, operate, and manage various multifamily affordable housing projects located in California. On December 26, 2014, Chestnut acquired a 16-unit apartment complex in the City of Carlsbad. Its sole member is Solutions for Change.

Solutions Vista Terrace, LLC

Solutions Vista Terrace, LLC (“Vista Terrace”) has a 0.005% interest in SFC Vista Terrace, L.P., which has been recorded on the equity method. Its sole member is Solutions for Change.

Solutions Parkview, LLC

Solutions Parkview, LLC (“Parkview”) has a .001% interest in Parkview San Marcos II, L.P., which has been recorded on the equity method. Its sole member is Solutions for Change.

Solutions EV, LLC

Solutions EV, LLC (“EV”) has a 0.005% interest in EVW. EV was formed to serve as the managing general partner of one or more limited partnerships that own, operate, and manage various multifamily affordable housing projects located in California. Its sole member is Solutions for Change.

Solutions East Vista Way, L.P.

Solutions East Vista Way, L.P. (“EVW”) was formed as a limited partnership under the laws of the State of California on September 21, 2017. The Partnership was established for the purpose and intent of constructing and operating a rental housing project. EVW has a managing general partner: EV, which has a .005% interest; an administration general partner: Kingdom EV, LLC, which has a .005% interest; and a limited partner: Solutions for Change, which has a 99.99% interest.

Solutions for Change - Our Mission and Our Model

The mission of Solutions for Change is to solve family homelessness – one family, one community at a time. With this goal, Solutions has pioneered an innovative and sustainable solution for homeless families in our community – an effort that has led more than 900 families and 2,400 children out of homelessness since 1999. The Solutions model is built on three pillars—Solutions University, Solutions Farms, and Solutions in the Community. Solutions University evaluates each family’s needs, then addresses them through an individualized and holistic personal development engagement intended to permanently end dependency and improve well-being. Solutions Farms is a social enterprise that combines employment training for Solutions University residents while growing certified organic produce using cutting-edge aquaponics technology. The produce is supplied to local school districts, where tens of thousands of school children consume the food. Meanwhile, Solutions in the Community is an intentional means to re-connect resident families to their communities of origin. Through opportunities of service and engagement, families develop healthy connections and relationships that provide a sense of belonging. Solutions in the Community is also a partnership to improve distressed areas through the development of affordable rental housing, community revitalization and renewal.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include the accounts of Solutions for Change, Inc.; Solutions Family Center, L.P.; Solutions Farms, LLC; Solutions Escondido Boulevard, LLC; SFC Weitzel, LLC; Solutions Chestnut, LLC; Solutions Vista Terrace, LLC; Solutions Parkview, LLC; Solutions EV, LLC, and Solutions East Vista Way, L.P., which are collectively referred to as the “Organization.” All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 thereon 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 certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets 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 that 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.

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments at December 31, 2022 and 2021.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful grants and other receivables totaled \$10,000 and \$279 for the years ended December 31, 2022 and 2021, respectively.

Inventory

Inventory consists of operating supplies related to the operations of Solutions Farms. Inventory is valued at the lower cost (first-in, first-out) or net realizable value. Inventory totaling \$-0- and \$4,500 is included in prepaid expenses and other assets at December 31, 2022 and 2021, respectively.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$2,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives, as follows:

Land improvements	20 years
Buildings and improvements	5 - 40 years
Machinery and equipment	5 - 7 years
Furniture and fixtures	7 - 10 years
Vehicles	5 years

Depreciation totaled \$500,914 and \$519,888 for the years ended December 31, 2022 and 2021, respectively.

Interest totaling \$-0- and \$308,818 has been capitalized for the years ended December 31, 2022 and 2021, respectively. The capitalized interest was included in construction-in-progress until the property was sold in 2021.

Maintenance and repairs are charged to operations as incurred. Major renewals or improvements are capitalized.

Impairment of Real Estate

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property, including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2022 and 2021.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Lease

The Organizations entered into a lease agreement for property through March 2024. Pursuant to the guidance for accounting for leases, the Organization accounts for operating and finance leases as noted below.

The Organizations determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset.

For all leases at the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The Organization use the incremental borrowing rate in determining the present value of the lease payments. For finance leases, the Organization uses the rate implicit in the lease or the incremental borrowing rate.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease does not contain any material residual value guarantee or material restrictive covenants. Lease expense for lease payments is recognized on the straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

Investments in Limited Partnerships

Solutions for Change is the sole member of limited liability companies that own a general partner interest in limited partnerships. These ownership interests range from .005% to .01%, and are accounted for on the equity method.

Compensated Absences

Accumulated unpaid vacation totaling \$82,751 and \$94,454 at December 31, 2022 and 2021, respectively, is accrued as earned and included in accrued expenses.

Tenant Trust Funds

Tenant trust funds represent amounts held on behalf of tenants in savings accounts for program participants. Tenant trust funds totaled \$38,639 and \$61,917 at December 31, 2022 and 2021, respectively.

Tenant Security Deposits

Tenant security deposits are restricted to the extent of the tenant security deposit liability totaling \$71,254 and \$64,521 at December 31, 2022 and 2021, respectively.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Net Assets Without Donor Restriction

The Organization’s net assets without donor restriction include depreciation on property and equipment, amortization of capitalized costs, and accrued interest on loans for which the interest may only be paid from residual receipts. The amounts included in the net assets without donor restrictions are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Accumulated depreciation	\$ 6,348,521	\$ 5,856,607
Interest payable – residual receipts	3,129,232	2,916,503
Accumulated amortization of debt issuance costs	4,311	4,311
	<u>\$ 9,482,064</u>	<u>\$ 8,777,421</u>

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Solutions for Change provides development services in connection with agreements for the development and construction of affordable low-income housing projects. Solutions for Change earns fees based on the fixed-fee agreements and recognizes revenue upon completion of each performance milestone defined in the agreement, for example: closing of construction financing, initial ground-breaking, percentage of completion of construction or rehabilitation and certificate of occupancy.

Grant revenue is recognized in the period in which the related work is performed, in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant exceeds the cash received.

Rental income is recognized for apartment rents as it accrues. Advance receipts of rental income are deferred or classified as liabilities until earned. Deferred rental income totaled \$-0- and \$509 at December 31, 2022 and 2021, respectively.

Revenue from special events are recognized as revenue when the related event occurs. Receivables are recorded when the revenue earned exceeds the cash received. Deferred revenue is recorded when the cash received exceeds the revenue earned

Revenues from the sale of products sold through the social enterprise are recognized at the point of sale.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Supporting services are provided in accordance with agreements with affordable low-income housing projects. Solutions for Change recognizes revenue as the services are performed in accordance with the agreements. Deferred supporting services fees totaled \$-0- and \$4,314 at December 31, 2022 and 2021, respectively.

Sales of property and equipment are recognized on the date the sale occurs. Upon the sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense, unless the sale is the result of a related party transaction.

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the consolidated financial statements.

The Organization received in-kind contributions of auction items for its special event, totaling \$-0- and \$20,111 for the years ended December 31, 2022 and 2021, respectively, which have been recorded as in-kind contributions in the consolidated statements of activities. In addition, the Organization received in-kind contributions of goods used in a fundraising event, totaling \$4,100 and \$-0- for the years ended December 31, 2022 and 2021, respectively. The donated auction items and donated goods are valued at the wholesale prices that would be received for similar products.

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, based on a cost allocation plan that allocates costs based on the proportion of full-time employee equivalents, space utilization, and estimates made by the Organization's management.

Income Taxes

Solutions for Change is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Solutions for Change believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Solutions for Change is not a private foundation.

No provision or benefit for income taxes for the Limited Liability Companies and Limited Partnerships have been included in these consolidated financial statements since taxable income (loss) passes through to, and is reportable by, the Member/Partners individually.

Solutions for Change's Return of Organization Exempt from Income Tax, Partnership and LLC tax returns for the years ended December 31, 2022, 2021, 2020, and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Concentration of Credit Risk

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

Cash and Cash Equivalents and Restricted Cash

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents, regardless of the maturity. The following is a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total in the statements of cash flows at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 388,563	\$ 94,867
Tenant trust funds	38,639	61,917
Tenant security deposits	71,254	71,945
Restricted reserves	<u>467,799</u>	<u>341,419</u>
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 966,255</u>	<u>\$ 570,148</u>

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Financial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 consolidated financial statements.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, *Leases (“FASB ASC 842”)* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the consolidated statement of financial position by lessees, and the disclosures of key information about leasing arrangements.

The Organization adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows the Organization to apply the guidance for the current-year presentation and not adjust the prior-year numbers. The Organization elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Organization did not elect to use hindsight for leases existing at the adoption date.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Change in Accounting Principle (Continued)

As a result of the adoption of FASB ASC 842 on January 1, 2022, right of use asset of \$811,181 and finance lease liability of \$811,181 were recorded.

Reclassification

The Organization has reclassified certain prior year information to conform with the current year presentation.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 28, 2023, the date the consolidated financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 12.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

The table below presents financial assets available for general expenditure within one year at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 388,563	\$ 94,867
Grant and other receivables, net	<u>467,059</u>	<u>600,974</u>
Financial assets available for general expenditures within one year	<u>\$ 855,622</u>	<u>\$ 695,841</u>

In addition, the Organization operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 4 - Related Party Receivables:

Related party receivables consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
<p>The note receivable, which originated on July 1, 2012 and was amended effective April 11, 2013, from SFC Vista Terrace, L.P., in the original amount of \$400,000 bears interest at 3% per annum. Principal and interest are payable from residual receipts, as defined in the agreement, calculated annually. Principal and accrued interest are due July 1, 2067. Secured by a deed of trust. Accrued interest totaled \$113,490 and \$101,490 at December 31, 2022 and 2021, respectively, and is included in the receivable. In addition, \$73,081 was advanced which is noninterest-bearing, payable from residual receipts.</p>	\$ 556,250	\$ 544,250
<p>The note receivable, which originated on October 12, 2017, from Solutions Escondido Boulevard 33. L.P., in the original amount of \$80,000. The note is noninterest-bearing. Principal and interest are payable from residual receipts, as defined in the agreement, calculated annually. Principal is due October 11, 2072. Secured by a deed of trust.</p>	88,000	88,000
<p>Developer fee receivable from Solutions Escondido Boulevard 33, L.P. in the original amount of \$1,289,802. The developer fee will be paid from limited partner capital installments, with any unpaid amounts payable from available cash flow.</p>	1,182,034	1,182,034
<p>Developer fee receivable from SFC Weitzel, L.P. in the original amount of \$755,000 (net of amount due to consultant of \$755,000). The developer fee is paid from Limited Partner capital installments, with any unpaid amounts payable from available cash flow.</p>	<div style="text-align: right;">1,575</div> <div style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,827,859</div>	<div style="text-align: right;">42,966</div> <div style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,857,250</div>

In addition, current related party receivables totaling \$384,775 and \$293,500 at December 31, 2022 and 2021, respectively, are included in grants and other receivables.

Note 5 - Restricted Reserves:

According to the partnership, loan and other regulatory agreements, the Partnership and Organization are required to maintain the following reserves:

Operating Reserve

The Partnership is required to fund an operating reserve up to the amount of \$89,200. There is no annual funding requirement for this reserve. The operating reserve balance totaled \$47,312 and \$18,656 at December 31, 2022 and 2021, respectively.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 5 - Restricted Reserves: (Continued)

Replacement Reserves

The Partnership is required to fund a replacement reserve in the initial amount of \$20,000 in accordance with the regulatory agreement with the City of Vista. In accordance with the operating budget approved by the Department of Housing and Community Development, the Partnership was required to fund a replacement reserve of \$16,386 annually from March 24, 2005, through April 8, 2014. Beginning April 8, 2014, the Partnership is required to fund a replacement reserve of \$19,800 annually. The replacement reserve balance totaled \$198,632 and \$158,550 at December 31, 2022 and 2021, respectively.

The Organization is required to maintain replacement reserve accounts for each property obtained through Neighborhood Stabilization Program and HOME Investment Partnership Program funding. These amounts vary by property and must be funded annually beginning two months subsequent to the completion of rehabilitation. The replacement reserve balance totaled \$221,855 and \$164,213 at December 31, 2022 and 2021, respectively.

Note 6 - Investment in Partnerships:

Solutions for Change is the sole member of four limited liability companies. The limited liability companies own general partner interests in partnerships that they account for on the equity method, which are their entire assets and liabilities. The following are the balances in the limited liability companies' partnership capital accounts of the partnerships at December 31:

	<u>2022</u>	<u>2021</u>
<u>Investment in Partnerships</u>		
Parkview San Marcos II, L.P. (.001%)	\$ <u>57</u>	\$ <u>62</u>
Total Investment in Partnerships	\$ <u><u>57</u></u>	\$ <u><u>62</u></u>
 <u>Share of Deficiency in Partnerships</u>		
Solutions Escondido Boulevard 33, L.P. (.0095%)	\$ (154)	\$ (111)
SFC Vista Terrace, L.P. (.005%)	(191)	(174)
SFC Weitzel, L.P. (.01%)	<u>(1,853)</u>	<u>(1,799)</u>
Total Share of Deficiency in Partnerships	<u><u>\$ (2,198)</u></u>	<u><u>\$ (2,084)</u></u>

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 6 - Investment in Partnerships: (Continued)

Solutions for Change provided development and management/admin fees and other services (included in rental income) to the partnerships for which it earned the following amounts for the years ended December 31:

	<u>2022</u>		
	<u>Management/ Admin Fees</u>	<u>Other Services</u>	<u>Developer Fees</u>
Parkview San Marcos II, L.P.	\$ 4,661	\$ -	\$ -
Solutions Escondido Boulevard 33, L.P.	16,236	-	-
SFC Weitzel, L.P.	14,069	-	-
	<u>\$ 34,966</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2021</u>		
	<u>Management/ Admin Fees</u>	<u>Other Services</u>	<u>Developer Fees</u>
Parkview San Marcos II, L.P.	\$ 4,594	\$ -	\$ -
Solutions Escondido Boulevard 33, L.P.	15,918	-	-
SFC Weitzel, L.P.	13,659	-	-
	<u>\$ 34,171</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Property and Equipment:

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,685,895	\$ 4,685,895
Land improvements	356,395	356,395
Buildings and improvements	13,409,684	13,400,905
Construction-in-progress	187,000	36,344
Machinery and equipment	282,870	262,870
Furniture and fixtures	185,426	144,615
Vehicles	157,194	157,194
Subtotal	<u>19,244,464</u>	<u>19,044,218</u>
Less: Accumulated depreciation	<u>(6,348,521)</u>	<u>(5,856,607)</u>
Property and Equipment, Net	<u>\$ 12,895,943</u>	<u>\$ 13,187,611</u>

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable:

Notes payable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
<u>Solutions for Change, Inc.</u>		
The loan payable, which originated September 24, 2009, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$357,762. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of September 24, 2024. Secured by a deed of trust.	\$ 394,965	\$ 349,954
The loan payable, which originated November 16, 2009, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$79,156. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of November 16, 2024. Secured by a deed of trust.	78,914	78,914
The loan payable, which originated September 3, 2009, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$301,084. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of September 3, 2024. Secured by a deed of trust.	290,825	290,825
The loan payable, which originated February 3, 2010, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$461,369. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of February 3, 2025. Secured by a deed of trust.	456,518	456,518
The loan payable, which originated February 26, 2010, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$132,704. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of February 26, 2025. Secured by a deed of trust.	128,643	128,643
The loan payable, which originated January 7, 2010, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$286,010. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of January 7, 2025. Secured by a deed of trust.	277,018	277,018

(Continued)

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Solutions for Change, Inc. (Continued)

	<u>2022</u>	<u>2021</u>
<p>The loan payable, which originated August 4, 2010, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$332,847. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of August 4, 2025. Secured by a deed of trust.</p>	\$ 323,095	\$ 323,095
<p>The loan payable, which originated July 22, 2010, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$392,272. The loan is non-interest bearing. In the event that all terms and obligations of the regulatory agreement have been met, the loan will be forgiven at the maturity date of July 22, 2025. Secured by a deed of trust.</p>	373,712	373,712
<p>The loan payable, which originated April 13, 2011, is held by the County of San Diego Department of Housing and Community Development in the original amount of \$3,421,452. The loan bears interest at 3% per annum. Principal and accrued interest are payable from residual receipts (50%) from the Primrose property, with the remaining residual receipts (50%) to be held in a segregated operating reserve account. Principal and accrued interest are due April 1, 2066. Secured by a deed of trust. Accrued interest totaled \$1,149,349 and \$1,047,096 at December 31, 2022 and 2021, respectively.</p>	3,408,032	3,408,032
<p>The loan payable, which originated April 1, 2011, is held by the Clearinghouse Community Development Financial Institution in the original amount of \$1,100,000. Principal and accrued interest are payable in monthly installments of \$6,419 including interest at 5.75% beginning March 1, 2012. Principal and accrued interest are due May 1, 2023. Secured by a deed of trust. Accrued interest totaled \$2,520 and \$2,875 at December 31, 2022 and 2021, respectively.</p>	799,697	829,560
<p>The loan payable, which was assumed January 30, 2017, originated March 23, 2010, is held by the City of Oceanside in the original amount of \$154,000. Interest is accrued at 3.0% per annum, payments deferred for 15 years and then amortized over 35 years. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven at January 30, 2032. Secured by a deed of trust. Accrued interest totaled \$26,898 and \$22,328 at December 31, 2022 and 2021, respectively.</p>	152,324	152,324

(Continued)

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Solutions for Change, Inc. (Continued)

The loan payable, which was assumed January 30, 2017, originated May 11, 2010, is held by the City of Oceanside in the original amount of \$70,708. Interest is accrued at 3.0% per annum, payments deferred for 15 years. Thereafter, payment of principal and interest is due and payable in full on June 1, 2050. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven. Secured by a deed of trust. Accrued interest totaled \$12,159 and \$10,093 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
	\$ 68,855	\$ 68,855

The loan payable, which was assumed January 30, 2017, originated March 23, 2010, is held by the City of Oceanside in the original amount of \$309,000. Interest is accrued at 3.0% per annum, payments deferred for 15 years and then amortized over 35 years. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven at January 30, 2032. Secured by a deed of trust. Accrued interest totaled \$53,970 and \$44,801 at December 31, 2022 and 2021, respectively.

	305,637	305,637
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The loan payable, which was assumed January 30, 2017, originated May 11, 2010, is held by the City of Oceanside in the original amount of \$50,684. Interest is accrued at 3.0% per annum, payments deferred for 15 years. Thereafter, payment of principal and interest is due and payable in full on June 1, 2050. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven. Secured by a deed of trust. Accrued interest totaled \$8,715 and \$7,235 at December 31, 2022 and 2021, respectively.

	49,356	49,356
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The loan payable, which was assumed January 30, 2017, originated October 21, 2009, is held by the City of Oceanside in the original amount of \$203,571. Interest is accrued at 3.0% per annum, payments deferred for 15 years and then amortized over 35 years. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven at January 30, 2032. Secured by a deed of trust. Accrued interest totaled \$34,515 and \$28,651 at December 31, 2022 and 2021, respectively.

	195,459	195,459
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(Continued)

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Solutions for Change, Inc. (Continued)

The loan payable, which was assumed January 30, 2017, originated January 14, 2010, is held by the City of Oceanside in the original amount of \$58,650. Interest is accrued at 3.0% per annum, payments deferred for 15 years. Thereafter, payment of principal and interest is due and payable in full on February 1, 2050. In the event that all terms and obligations of the regulatory agreement have been met, the loan and interest will be forgiven. Secured by a deed of trust. Accrued interest totaled \$9,756 and \$8,148 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
	\$ 56,947	\$ 56,947

The note payable which originated April 26, 2018 is held by Solutions Escondido Boulevard 33, L.P. in the original amount of \$91,783. Interest is accrued at 1%, compounded annually. Secured by a deed of trust. Accrued interest totaled \$4,363 and \$3,412 at December 31, 2022 and 2021, respectively.

	91,783	91,783
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The loan payable, which originated April 18, 2019, is held by Pacific Coast Realty in the original amount of \$120,000. The loan bears interest at 7% per annum. Principal and accrued interest are payable in monthly installments of \$1,393 beginning June 1, 2019. The loan and accrued interest are due upon May 1, 2022. Secured by a deed of trust. Accrued interest totaled \$569 and \$563 at December 31, 2022 and 2021, respectively.

	80,345	96,518
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The loan payable, which originated December 31, 2019, is held by DSD Capital, LLC in the original amount of \$250,000. The loan bears interest at 5.5% per annum. Interest payments of \$4,168 are payable monthly beginning January 30, 2020, for 12 months. Effective January 1, 2021, monthly interest payments are \$3,438. Principal due September 10, 2024. Accrued interest totaled \$3,438 for each of the years ended December 31, 2022 and 2021. Unsecured.

	250,000	250,000
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The loan payable, which originated November 1, 2021, is held by Monty James in the original amount of \$250,000. The loan bears interest at 10% per annum. Principal and accrued interest are payable in monthly installments of \$2,083 beginning December 1, 2021. The loan and accrued interest are due November 1, 2023. Secured by a deed of trust. Accrued interest totaled \$2,083 for each of the years ended December 31, 2022 and 2021.

	<u>250,000</u>	<u>250,000</u>
	\$ 7,987,114	\$ 8,033,150

Total Solutions for Change, Inc.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Solutions Family Center, L.P.

The mortgage note, which was originated on March 8, 2005, is held by the California Department of Housing and Community Development in the original amount of \$2,044,512. The note bears interest at 3% per annum. Payments in the amount of forty-two hundredths of one percent (.42%) per annum on the unpaid principal balance of the loan are payable beginning December 31, 2005, and continuing annually thereafter up to the twenty-ninth anniversary of the interest payment date. Commencing on the thirtieth (30th) anniversary of the interest payment date and continuing annually thereafter, payments shall equal the lesser of (1) the full amount of interest accruing on the unpaid principal balance during the year, or (2) the amount determined by the lender as to be necessary to cover the costs of continued monitoring of the compliance requirements under the loan. In addition, the note may require additional payments from net cash flow under the terms of the regulatory agreement. The note is due March 2060. Secured by a deed of trust. Accrued interest totaled \$946,486 and \$893,738 at December 31, 2022 and 2021, respectively, and the required interest payments totaled \$8,587 for each of the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
	\$ 2,044,512	\$ 2,044,512

The mortgage note, which was originated on July 30, 2003, is held by the San Diego County Department of Housing and Community Development in the original amount of \$957,000. The note bears interest at 3% per annum. Principal and accrued interest are payable from residual receipts, as defined in the agreement, calculated annually. Principal and accrued interest are due July 2058. Secured by a deed of trust. Accrued interest totaled \$547,051 and \$518,341 at December 31, 2022 and 2021, respectively.

	957,000	957,000
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The mortgage note, which was originated on July 28, 2003, is held by the City of Vista in the original amount of \$550,000. The note bears interest at 3% per annum. Principal and accrued interest are payable from residual receipts, as defined in the agreement, calculated annually. Principal and accrued interest are due July 2058. Secured by a deed of trust. Accrued interest totaled \$313,577 and \$297,076 at December 31, 2022 and 2021, respectively.

	550,000	550,000
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(Continued)

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

Solutions Family Center, L.P. (Continued)

The mortgage note, which was originated on July 31, 2003, is held by the City of Escondido in the original amount of \$375,100. The note is non-interest-bearing. Principal is due July 2058. Secured by a deed of trust.

	<u>2022</u>	<u>2021</u>
	\$ 375,100	\$ 375,100

The mortgage note, which was originated on July 24, 2003, is held by the Bank of America for the Affordable Housing Program (AHP) in the original amount of \$176,700. The note is non-interest-bearing, provided that all compliance requirements of the loan are met. Principal is due July 2021. Secured by a deed of trust.

	<u>176,000</u>	<u>176,700</u>
	<u>4,103,312</u>	<u>4,103,312</u>

Total Solutions Family Center, L.P.

Solutions Farms, LLC

The loan payable, which was originated on August 1, 2018, is held by Alliance Healthcare Foundation in the original amount of \$755,572. The loan is noninterest-bearing until April 1, 2020 after which interest accrues at 4.0% per annum and is payable monthly. Monthly principal payments of \$3,668 are due beginning September 1, 2020. The loan is due August 1, 2050. Secured by a deed of trust. In November 2023 the loan was paid in full (Note 12).

	734,605	748,921
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The loan payable, which was originated on May 25, 2020, is held by the U.S. Small Business Administration in the original amount of \$82,800. Interest is accrued at 2.75% per annum. Monthly principal and interest payments of \$404 are due beginning May 21, 2021. The loan is due May 21, 2050. Secured by property and equipment. Accrued interest totaled \$5,281 and \$384 at December 31, 2022 and 2021, respectively.

	<u>82,800</u>	<u>83,648</u>
	<u>817,405</u>	<u>832,569</u>

Total Solutions Farms, LLC

Solutions Chestnut, LLC

The loan payable, which originated December 24, 2014, is held by the City of Carlsbad in the original amount of \$2,646,000. The loan is noninterest-bearing for the first five years, after which interest will accrue at 3.0% per annum. Beginning on January 1, 2020 and annually thereafter, payments equal to 70% of residual receipts. Principal and accrued interest are due on December 24, 2074. Secured by a deed of trust. Accrued interest totaled \$172,605 and \$160,252 at December 31, 2022 and 2021, respectively.

	<u>2,646,000</u>	<u>2,646,000</u>
	\$ <u>2,646,000</u>	\$ <u>2,646,000</u>
	15,553,831	15,615,031
	<u>(546,160)</u>	<u>(243,063)</u>
	\$ <u>15,007,671</u>	\$ <u>15,371,968</u>

Total Solutions Chestnut, LLC

Total Notes Payable

Less: Current Portion

Notes Payable, Long-Term, Net

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 - Notes Payable: (Continued)

The future principal payments on the notes payable are as follows:

Years Ended December 31	Solutions for Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Total
2023	\$ 354,560	\$ 176,700	\$ 14,900	\$ -	\$ 546,160
2024	271,255	-	15,507	-	286,762
2025	742,542	-	18,435	-	760,977
2026	1,583,548	-	19,464	-	1,603,012
2027	26,403	-	20,222	-	46,625
Thereafter	5,008,806	3,926,612	728,877	2,646,000	12,310,295
Total	<u>\$ 7,987,114</u>	<u>\$ 4,103,312</u>	<u>\$ 817,405</u>	<u>\$ 2,646,000</u>	<u>\$ 15,553,831</u>

Note 9 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Solutions for Change – Main campus expansion	\$ 530,855	\$ 40,000
Total Net Assets with Donor Restrictions	<u>\$ 530,855</u>	<u>\$ 40,000</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Main campus expansion	\$ 581,645	\$ 14,278
Total Net Assets Released From Restrictions	<u>\$ 581,645</u>	<u>\$ 14,278</u>

Note 10 - Contingencies:

Loan Agreements

The Partnership entered into loan agreements with several agencies for the purpose of building and maintaining the tenant housing facilities. These agreements specify requirements for the building maintenance. The loans will be forgiven at the end of the loan term if all requirements have been met. In the event that the Partnership does not comply with the agreement, sells the property, or desists using the facility for its original intended purposes, these notes may be called.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 10 - Contingencies: (Continued)

Grant Agreement

Chestnut received a grant totaling \$454,000 from the City of Carlsbad on December 24, 2014. Funds were used for the acquisition the property located at 945 Chestnut Avenue. The grant requires that seven (7) low-income restricted units for affordable housing purposes for homeless families be maintained for no less than fifty-five (55) years from the date of acquisition. The grant funds shall be reimbursed to the City of Carlsbad in full upon (1) the date the property is first sold or transferred without prior written approval of the City Council, or (2) upon failure of Chestnut to operate affordable housing for low-income households on the property as stated above.

Coronavirus Pandemic Contingency

As a result of the COVID-19 outbreak throughout the world, economic uncertainties have arisen that could negatively impact revenues and income. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, employees and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 11 - Commitments:

403(b) Pension Plan

The Organization sponsors a 403(b) pension plan covering, substantially, all of its employees. Each employee's total contribution may not exceed the maximum allowable under current regulations. The Organization matches the first 2% of eligible compensation contributed by the employee. The Organization also pays all administrative costs of this plan. All beneficiaries of the 403(b) plan are responsible for their own plan investment decisions. Matching contributions under this plan totaled \$10,352 and \$6,354 for the years ended December 31, 2022 and 2021, respectively and is included in employee benefits on the consolidated statement of financial expenses.

Leases

Office Space

In 2004, the Organization began occupying approximately 7,200 square feet of donated office space at the Center's facility located at 702 West California Avenue, Vista, California. Estimated fair market value of the donated facilities for the years ended 2022 and 2021, respectively, was \$129,600. Due to the elimination of intercompany transactions during the consolidation process, the rent accrual and expense are not reflected in the consolidated financial statements.

Vehicles

The Organization entered into a lease for a vehicle under a forty-two-month lease agreement beginning December 5, 2020, with a monthly payment of \$693. Rent expense totaled \$9,008 and \$8,315 for the years ended December 31, 2022 and 2021, respectively.

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 11 - Commitments: (Continued)

Property Lease

The Organization entered into a four-year lease to rent property in Vista in December 2021, with a monthly base rent of \$19,000. Rent expense totaled \$228,000 and \$19,000 for the years ended December 31, 2022 and 2021, respectively.

In addition, the Organization has an option to purchase the property on June 1, 2023 for \$5,130,000. The option can be extended to December 1, 2023 for a purchase price of \$5,260,000, December 1, 2024 for a purchase price of \$5,525,000, or December 1, 2025 for a purchase price of \$5,804,250.

The following summarizes the line items on the statement of financial position for the finance lease at December 31, 2022:

Right-of-use assets - finance leases, net	\$ <u>604,071</u>
Finance lease liability - current portion	\$ 202,535
Finance lease liability - noncurrent portion	<u>417,556</u>
Total Finance Lease Liabilities	<u>\$ 620,091</u>

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

Weighted average remaining lease term - finance	35 months
Weighted average incremental borrowing rate - finance	5.0%

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended December 31, 2022:

Finance lease expense	
Amortization of right of use asset	\$ 207,110
Interest on the lease liability	<u>36,910</u>
Total Finance Lease Cost	<u>\$ 244,020</u>

The following summarizes cash flow information related to leases for the year ended December 31, 2022:

Financing cash outflows from finance leases	\$ <u>228,000</u>
Total cash outflow	<u>\$ 228,000</u>

SOLUTIONS FOR CHANGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 11 - Commitments: (Continued)

Property Lease (Continued)

The following is a schedule of future minimum payments related to the leases:

<u>Years Ended</u> <u>December 31</u>	<u>Vehicle</u>	<u>Property</u>	<u>Total</u>
2023	\$ 8,315	\$ 228,000	\$ 236,315
2024	3,465	228,000	231,465
2025	-	209,000	209,000
Total	<u>\$ 11,780</u>	<u>\$ 665,000</u>	<u>\$ 676,780</u>

Contracts

The Organization has an employment contract with the President, which provides a base salary, plus an annual bonus based on performance and not to exceed 20% of the current salary. The contract is renewable annually.

Note 12 - Subsequent Events:

Subsequent to year end in November 2023, the property held by Solutions Farms, LLC was sold for \$800,000 and the loan to Alliance Healthcare Foundation was paid in full.

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
Current Assets:							
Cash and cash equivalents	\$ 377,499	\$ 2,419	\$ 2,211	\$ 36	\$ 6,398	\$ -	\$ 388,563
Grants and other receivables, net	462,956	1,261	-	-	2,842	-	467,059
Intercompany receivables	1,899,541	-	942	-	618,488	(2,518,971)	-
Related party receivable	42,317	-	-	-	-	(42,317)	-
Prepaid expenses and other assets	77,002	-	922	-	-	-	77,924
Tenant trust funds	38,639	-	-	-	-	-	38,639
Tenant security deposits	39,640	12,914	-	-	18,700	-	71,254
Deposits	2,000	3,161	3,500	-	-	-	8,661
Total Current Assets	<u>2,939,594</u>	<u>19,755</u>	<u>7,575</u>	<u>36</u>	<u>646,428</u>	<u>(2,561,288)</u>	<u>1,052,100</u>
Noncurrent Assets:							
Investment in subsidiary	(2,251,006)	-	-	-	-	2,251,006	-
Related party receivables	1,827,859	-	-	-	-	-	1,827,859
Restricted reserves	221,855	245,944	-	-	-	-	467,799
Investment in partnerships	57	-	-	-	-	-	57
Right of use asset - finance lease	604,071	-	-	-	-	-	604,071
Property and equipment, net	5,839,595	3,491,145	760,528	-	2,804,675	-	12,895,943
Total Noncurrent Assets	<u>6,242,431</u>	<u>3,737,089</u>	<u>760,528</u>	<u>-</u>	<u>2,804,675</u>	<u>2,251,006</u>	<u>15,795,729</u>
TOTAL ASSETS	<u>\$ 9,182,025</u>	<u>\$ 3,756,844</u>	<u>\$ 768,103</u>	<u>\$ 36</u>	<u>\$ 3,451,103</u>	<u>\$ (310,282)</u>	<u>\$ 16,847,829</u>

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
<u>Current Liabilities:</u>							
Accounts payable	\$ 100,151	\$ 70,607	\$ 6,911	\$ 4,050	\$ 4,413	\$ -	\$ 186,132
Accrued expenses	215,489	-	-	-	-	-	215,489
Interest payable	8,610	-	5,281	-	-	-	13,891
Intercompany payables	678,230	34,239	1,201,552	604,950	-	(2,518,971)	-
Related party payables	-	-	-	42,317	-	(42,317)	-
Tenant trust funds	38,639	-	-	-	-	-	38,639
Tenant security deposits	39,640	12,914	-	-	18,700	-	71,254
Current portion of finance lease liability	202,535	-	-	-	-	-	202,535
Current portion of notes payable	354,560	176,700	14,900	-	-	-	546,160
Total Current Liabilities	<u>1,637,854</u>	<u>294,460</u>	<u>1,228,644</u>	<u>651,317</u>	<u>23,113</u>	<u>(2,561,288)</u>	<u>1,274,100</u>
<u>Noncurrent Liabilities:</u>							
Share of deficiency in partnerships	2,198	-	-	-	-	-	2,198
Finance lease liability, net	417,556	-	-	-	-	-	417,556
Notes payable, net	7,632,554	3,926,612	802,505	-	2,646,000	-	15,007,671
Interest payable	1,299,725	1,807,114	-	-	172,769	-	3,279,608
Total Noncurrent Liabilities	<u>9,352,033</u>	<u>5,733,726</u>	<u>802,505</u>	<u>-</u>	<u>2,818,769</u>	<u>-</u>	<u>18,707,033</u>
Total Liabilities	<u>10,989,887</u>	<u>6,028,186</u>	<u>2,031,149</u>	<u>651,317</u>	<u>2,841,882</u>	<u>(2,561,288)</u>	<u>19,981,133</u>
<u>Minority Interest in Subsidiary</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,682)</u>	<u>(18,682)</u>
<u>Net Assets (Deficit):</u>							
Without donor restrictions	(2,338,717)	(2,271,342)	(1,263,046)	(651,281)	609,221	2,269,688	(3,645,477)
With donor restrictions	530,855	-	-	-	-	-	530,855
Total Net Assets (Deficit)	<u>(1,807,862)</u>	<u>(2,271,342)</u>	<u>(1,263,046)</u>	<u>(651,281)</u>	<u>609,221</u>	<u>2,269,688</u>	<u>(3,114,622)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,182,025</u>	<u>\$ 3,756,844</u>	<u>\$ 768,103</u>	<u>\$ 36</u>	<u>\$ 3,451,103</u>	<u>\$ (310,282)</u>	<u>\$ 16,847,829</u>

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
Current Assets:							
Cash and cash equivalents	\$ 33,655	\$ 146	\$ 1,283	\$ 32,664	\$ 27,119	\$ -	\$ 94,867
Grants and other receivables, net	564,872	3,879	752	-	31,471	-	600,974
Intercompany receivables	1,914,797	-	-	-	618,488	(2,533,285)	-
Related party receivable	74,753	-	-	-	-	(74,753)	-
Prepaid expenses and other assets	33,801	-	5,246	-	-	-	39,047
Tenant trust funds	61,917	-	-	-	-	-	61,917
Tenant security deposits	34,959	18,665	-	-	18,321	-	71,945
Deposits	-	3,161	3,500	-	-	-	6,661
Total Current Assets	<u>2,718,754</u>	<u>25,851</u>	<u>10,781</u>	<u>32,664</u>	<u>695,399</u>	<u>(2,608,038)</u>	<u>875,411</u>
Noncurrent Assets:							
Investment in subsidiary	(2,028,877)	-	-	-	-	2,028,877	-
Related party receivables	1,857,250	-	-	-	-	-	1,857,250
Restricted reserves	164,213	177,206	-	-	-	-	341,419
Investment in partnerships	62	-	-	-	-	-	62
Property and equipment, net	5,848,426	3,648,228	843,255	-	2,847,702	-	13,187,611
Total Noncurrent Assets	<u>5,841,074</u>	<u>3,825,434</u>	<u>843,255</u>	<u>-</u>	<u>2,847,702</u>	<u>2,028,877</u>	<u>15,386,342</u>
TOTAL ASSETS	<u>\$ 8,559,828</u>	<u>\$ 3,851,285</u>	<u>\$ 854,036</u>	<u>\$ 32,664</u>	<u>\$ 3,543,101</u>	<u>\$ (579,161)</u>	<u>\$ 16,261,753</u>

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021

LIABILITIES AND NET ASSETS

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
<u>Current Liabilities:</u>							
Accounts payable	\$ 249,424	\$ 44,884	\$ 33,051	\$ -	\$ 23,287	\$ -	\$ 350,646
Accrued expenses	245,061	-	10,011	-	-	-	255,072
Deferred revenue	4,314	509	-	-	-	-	4,823
Interest payable	8,958	-	384	-	-	-	9,342
Intercompany payables	677,288	29,532	1,202,630	620,674	3,161	(2,533,285)	-
Related party payables	-	-	-	74,753	-	(74,753)	-
Tenant trust funds	72,360	-	-	-	-	-	72,360
Tenant security deposits	34,959	10,862	-	-	18,700	-	64,521
Current portion of notes payable	50,245	176,700	16,118	-	-	-	243,063
Total Current Liabilities	<u>1,342,609</u>	<u>262,487</u>	<u>1,262,194</u>	<u>695,427</u>	<u>45,148</u>	<u>(2,608,038)</u>	<u>999,827</u>
<u>Noncurrent Liabilities:</u>							
Share of deficiency in partnerships	2,084	-	-	-	-	-	2,084
Notes payable, net	7,982,905	3,926,612	816,451	-	2,646,000	-	15,371,968
Interest payable	1,171,764	1,709,155	-	-	160,252	-	3,041,171
Total Noncurrent Liabilities	<u>9,156,753</u>	<u>5,635,767</u>	<u>816,451</u>	<u>-</u>	<u>2,806,252</u>	<u>-</u>	<u>18,415,223</u>
Total Liabilities	<u>10,499,362</u>	<u>5,898,254</u>	<u>2,078,645</u>	<u>695,427</u>	<u>2,851,400</u>	<u>(2,608,038)</u>	<u>19,415,050</u>
<u>Minority Interest in Subsidiary</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,438)</u>	<u>(16,438)</u>
<u>Net Assets (Deficit):</u>							
Without donor restrictions	(1,979,534)	(2,046,969)	(1,224,609)	(662,763)	691,701	2,045,315	(3,176,859)
With donor restrictions	40,000	-	-	-	-	-	40,000
Total Net Assets (Deficit)	<u>(1,939,534)</u>	<u>(2,046,969)</u>	<u>(1,224,609)</u>	<u>(662,763)</u>	<u>691,701</u>	<u>2,045,315</u>	<u>(3,136,859)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,559,828</u>	<u>\$ 3,851,285</u>	<u>\$ 854,036</u>	<u>\$ 32,664</u>	<u>\$ 3,543,101</u>	<u>\$ (579,161)</u>	<u>\$ 16,261,753</u>

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Solutions For Change, Inc.	Family Center, L.P.	Solutions Farms, LLC	East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
Net Assets Without Donor Restrictions							
Support and Revenue:							
Contributions	\$ 2,761,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,761,606
Rental income	868,599	449,494	-	-	210,928	(506,976)	1,022,045
Special event revenue (net of direct donor benefit costs of \$6,700)	179,203	-	-	-	-	-	179,203
Grants	135,042	-	-	-	-	-	135,042
Supporting services	110,300	-	209,067	-	-	(209,067)	110,300
Interest and miscellaneous	31,653	1,764	100	15,628	4,000	-	53,145
Social enterprise	-	-	14,646	-	-	-	14,646
In-kind contributions	4,100	-	-	-	-	-	4,100
Net assets released from restriction	581,645	-	-	-	-	-	581,645
Total Support and Revenue	<u>4,672,148</u>	<u>451,258</u>	<u>223,813</u>	<u>15,628</u>	<u>214,928</u>	<u>(716,043)</u>	<u>4,861,732</u>
Operating Expenses:							
Program services	3,787,124	395,686	142,918	-	153,340	(716,043)	3,763,025
Management and general	341,242	16,316	36,605	4,146	21,661	-	419,970
Fundraising	153,277	-	-	-	-	-	153,277
Total Operating Expenses	<u>4,281,643</u>	<u>412,002</u>	<u>179,523</u>	<u>4,146</u>	<u>175,001</u>	<u>(716,043)</u>	<u>4,336,272</u>
Change in Net Assets Without Donor Restrictions Before Nonoperating Revenue and (Expenses)	<u>390,505</u>	<u>39,256</u>	<u>44,290</u>	<u>11,482</u>	<u>39,927</u>	<u>-</u>	<u>525,460</u>
Nonoperating Revenue and (Expenses):							
Depreciation and amortization	(425,187)	(157,083)	(82,727)	-	(43,027)	-	(708,024)
Excess (deficit) of support and revenue over expenses of subsidiary	(222,129)	-	-	-	-	224,373	2,244
Interest - residual receipts debt	(102,253)	(106,546)	-	-	(79,380)	-	(288,179)
Partnership loss	(119)	-	-	-	-	-	(119)
Total Nonoperating Revenue and (Expenses)	<u>(749,688)</u>	<u>(263,629)</u>	<u>(82,727)</u>	<u>-</u>	<u>(122,407)</u>	<u>224,373</u>	<u>(994,078)</u>
Change in Net Assets Without Donor Restrictions	<u>(359,183)</u>	<u>(224,373)</u>	<u>(38,437)</u>	<u>11,482</u>	<u>(82,480)</u>	<u>224,373</u>	<u>(468,618)</u>
Net Assets With Donor Restrictions							
Contributions	1,072,500	-	-	-	-	-	1,072,500
Net assets released from restrictions	(581,645)	-	-	-	-	-	(581,645)
Change in Net Assets With Donor Restrictions	<u>490,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,855</u>
Total Change in Net Assets	131,672	(224,373)	(38,437)	11,482	(82,480)	224,373	22,237
Net Assets (Deficit) at Beginning of Year	<u>(1,939,534)</u>	<u>(2,046,969)</u>	<u>(1,224,609)</u>	<u>(662,763)</u>	<u>691,701</u>	<u>2,045,315</u>	<u>(3,136,859)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (1,807,862)</u>	<u>\$ (2,271,342)</u>	<u>\$ (1,263,046)</u>	<u>\$ (651,281)</u>	<u>\$ 609,221</u>	<u>\$ 2,269,688</u>	<u>\$ (3,114,622)</u>

SOLUTIONS FOR CHANGE, INC.
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
Net Assets Without Donor Restrictions							
<u>Support and Revenue:</u>							
Contributions	\$ 3,067,168	\$ -	\$ 45,272	\$ -	\$ -	\$ -	\$ 3,112,440
Rental income	648,771	251,941	-	163,975	213,513	(344,704)	933,496
Special event revenue (net of direct donor benefit costs of \$48,090)	478,433	-	-	-	-	-	478,433
Grants	218,824	-	-	-	-	-	218,824
Supporting services	120,479	-	257,801	-	-	(257,801)	120,479
Social enterprise	-	-	48,044	-	-	-	48,044
In-kind contributions	20,111	-	-	-	-	-	20,111
Interest and miscellaneous	13,126	3,230	-	-	-	-	16,356
Net assets released from restriction	14,278	-	-	-	-	-	14,278
Total Support and Revenue	<u>4,581,190</u>	<u>255,171</u>	<u>351,117</u>	<u>163,975</u>	<u>213,513</u>	<u>(602,505)</u>	<u>4,962,461</u>
<u>Operating Expenses:</u>							
Program services	3,644,142	301,808	294,967	117,709	113,061	(602,505)	3,869,182
Management and general	356,985	12,546	75,255	11,340	16,100	-	472,226
Fundraising	293,671	-	2,080	-	-	-	295,751
Total Operating Expenses	<u>4,294,798</u>	<u>314,354</u>	<u>372,302</u>	<u>129,049</u>	<u>129,161</u>	<u>(602,505)</u>	<u>4,637,159</u>
Change in Net Assets Without Donor Restrictions Before Nonoperating Revenue and (Expenses)	<u>286,392</u>	<u>(59,183)</u>	<u>(21,185)</u>	<u>34,926</u>	<u>84,352</u>	<u>-</u>	<u>325,302</u>
<u>Nonoperating Revenue and (Expenses):</u>							
Depreciation	(216,745)	(157,495)	(83,108)	(19,512)	(43,028)	-	(519,888)
Excess (deficit) of support and revenue over expenses of subsidiary	(319,991)	-	-	-	-	323,223	3,232
Interest - residual receipts debt	(102,253)	(106,545)	-	-	(80,872)	-	(289,670)
Partnership loss	(131)	-	-	-	-	-	(131)
Gain (loss) on cancellation of debt	(2,340,772)	-	-	2,340,772	-	-	-
Loss on sale of property	-	-	-	(3,102,469)	-	-	(3,102,469)
Total Nonoperating Revenue and (Expenses)	<u>(2,979,892)</u>	<u>(264,040)</u>	<u>(83,108)</u>	<u>(781,209)</u>	<u>(123,900)</u>	<u>323,223</u>	<u>(806,457)</u>
Change in Net Assets Without Donor Restrictions	<u>(2,693,500)</u>	<u>(323,223)</u>	<u>(104,293)</u>	<u>(746,283)</u>	<u>(39,548)</u>	<u>323,223</u>	<u>(481,155)</u>
<u>Net Assets With Donor Restrictions</u>							
Net assets released from restrictions	<u>(14,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,278)</u>
Change in Net Assets With Donor Restrictions	<u>(14,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,278)</u>
Total Change in Net Assets	<u>(2,707,778)</u>	<u>(323,223)</u>	<u>(104,293)</u>	<u>(746,283)</u>	<u>(39,548)</u>	<u>323,223</u>	<u>(3,597,902)</u>
Net Assets (Deficit) at Beginning of Year	<u>768,244</u>	<u>(1,723,746)</u>	<u>(1,120,316)</u>	<u>83,520</u>	<u>731,249</u>	<u>1,722,092</u>	<u>461,043</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (1,939,534)</u>	<u>\$ (2,046,969)</u>	<u>\$ (1,224,609)</u>	<u>\$ (662,763)</u>	<u>\$ 691,701</u>	<u>\$ 2,045,315</u>	<u>\$ (3,136,859)</u>

SOLUTIONS FOR CHANGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-Through Number	Passed Through to Subrecipient	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Pass-Through Programs:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants:	14.218			
County of San Diego Department of Housing and Community Development (Loan)		N/A	\$ -	\$ 472,556
Total Community Development Block Grants/Entitlement Grants			-	472,556
Total CDBG - Entitlement Grants Cluster			-	472,556
HOME Investment Partnerships Program:				
County of San Diego Department of Housing and Community Development (Loan)	14.239		-	2,935,477
City of Oceanside (Loan)		N/A	-	195,459
Total HOME Investment Partnerships Program			-	3,130,936
Neighborhood Stabilization Program:				
County of San Diego Department of Housing and Community Development (Loan)	14.256		-	2,278,679
City of Oceanside (Loan)		N/A	-	633,119
Total Neighborhood Stabilization Program			-	2,911,798
Total Pass-Through Programs			-	6,515,290
Total U.S. Department of Housing and Urban Development			-	6,515,290
Total Expenditures of Federal Awards			\$ -	\$ 6,515,290

SOLUTIONS FOR CHANGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Solutions for Change, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Solutions for Change, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Solutions for Change, Inc.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Solutions for Change, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3 - Loan Programs:

Assistance Listing Number	Program Name	Loans Outstanding at December 31, 2021	Loans Awarded for the Year Ended December 31, 2022	Loan Principal Repaid for the Year Ended December 31, 2022	Loans Outstanding at December 31, 2022
14.218	Community Development Block Grants/Entitlement Grants:				
	County of San Diego Department of Housing and Community Development	\$ 472,556	\$ -	\$ -	\$ 472,556
	Total Community Development Block Grants/Entitlement Grants	<u>472,556</u>	<u>-</u>	<u>-</u>	<u>472,556</u>
14.239	HOME Investment Partnerships Program:				
	County of San Diego Department of Housing and Community Development	2,935,477	-	-	2,935,477
	City of Oceanside	195,459	-	-	195,459
	Total HOME Investment Partnerships Program	<u>3,130,936</u>	<u>-</u>	<u>-</u>	<u>3,130,936</u>
14.256	Neighborhood Stabilization Program:				
	County of San Diego Department of Housing and Community Development	2,278,679	-	-	2,278,679
	City of Oceanside	633,119	-	-	633,119
	Total Neighborhood Stabilization Program	<u>2,911,798</u>	<u>-</u>	<u>-</u>	<u>2,911,798</u>
	Total Loans	<u>\$ 6,515,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,515,290</u>



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Board of Directors
Solutions for Change, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Solutions for Change, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Solutions for Change, Inc.'s major federal program for the year ended December 31, 2022. Solutions for Change, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Solutions for Change, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Solutions for Change, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Solutions for Change, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Solutions for Change, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Leaf & Cole LLP

San Diego, California
December 28, 2023



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**Independent Auditor’s Report on Compliance
for Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Solutions for Change, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Solutions for Change, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Leaf & Cole LLP

San Diego, California
December 28, 2023

SOLUTIONS FOR CHANGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Noncompliance material to consolidated financial statements noted? _____ Yes _____ X _____ No

Federal Awards

Type of auditor's report issued on compliance for the major programs Unmodified

Internal control over major program:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____	No

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? _____ Yes _____ X _____ No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

**SOLUTIONS FOR CHANGE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022**

There were no findings or questioned costs for the year ended December 31, 2021.