

Solutions for Change, Inc. is currently carrying approximately \$6.5 million in long-term loan obligations that, under the terms of the underlying agreements, are structured to be forgiven rather than repaid in cash, provided the organization continues to comply with specific regulatory requirements.

As detailed in Note 8 to the Consolidated Financial Statements (pages 18–23 of the December 31, 2024 audit), several loans from the County of San Diego Department of Housing and Community Development and the City of Oceanside are explicitly described as non-interest-bearing or deeply subsidized “soft” loans that will be forgiven upon satisfaction of all terms and obligations of the regulatory agreements at their stated maturity dates. The notes state that “the loan will be forgiven” or “the loan and interest will be forgiven” upon compliance with the regulatory agreements for multiple loans originated between 2009 and 2011 and secured by deeds of trust on affordable housing properties held by Solutions for Change, Inc. HUD has confirmed that any loans with a 2024 maturation date that have not been forgiven will mature and be forgiven in October 2026.

These loans correspond to the U.S. Department of Housing and Urban Development (HUD) loan programs reported as federal awards on the Schedule of Expenditures of Federal Awards (page 35), which shows total HUD loan program balances outstanding of \$6,515,290 under the Community Development Block Grant, HOME Investment Partnerships, and Neighborhood Stabilization Program loan listings.

These HUD-related, forgivable loans are obligations of Solutions for Change, Inc. and are reported within its consolidated liabilities; they do **not** include loans associated with Solutions Family Center, L.P. As shown on the organization’s 2024 Form 990, total assets at year-end were \$8,188,113 and total liabilities were \$13,921,043, resulting in negative net assets of \$5,732,930 at December 31, 2024.

However, because approximately \$6.5 million of these liabilities are expected to be forgiven under the terms of the HUD regulatory agreements described in the audit, the organization’s net asset position will become positive once forgiveness occurs and the related debt is extinguished. On a pro forma basis, removal of these forgivable loan balances would reduce total liabilities by about \$6.5 million and result in a positive net asset balance, demonstrating that Solutions for Change, Inc. is solvent on an economic basis and will report a strong balance sheet once the forgivable loans are formally released.