



**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**



**Leaf & Cole, LLP**  
*Certified Public Accountants*

**SOLUTIONS FOR CHANGE, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 27
Supplementary Information:	
Supplementary Consolidating Schedule of Financial Position - 2024	28 - 29
Supplementary Consolidating Schedule of Financial Position - 2023	30 - 31
Supplementary Consolidating Schedule of Activities - 2024	32
Supplementary Consolidating Schedule of Activities - 2023	33
Schedule of Expenditures of Federal Awards	34 - 35
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 <i>Government Auditing Standards</i>	36 - 37
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	38 - 40
Schedule of Findings and Questioned Costs	41 - 45
Summary Schedule of Prior Audit Findings	46 - 47



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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

***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 28 to 33 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*, 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 8, 2025, 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.

*Leafcote LLP*

San Diego, California  
December 8, 2025

**SOLUTIONS FOR CHANGE, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**

	<b>ASSETS</b>	
	<u>2024</u>	<u>2023</u>
<b><u>Current Assets:</u></b> (Note 2)		
Cash and cash equivalents	\$ 378,108	\$ 187,323
Grants and other receivables, net	101,892	35,421
Prepaid expenses and other assets	85,900	54,884
Tenant trust funds	85,541	77,985
Tenant security deposits	80,903	77,800
Deposits	93,161	3,161
Total Current Assets	<u>825,505</u>	<u>436,574</u>
<b><u>Noncurrent Assets:</u></b> (Notes 2, 4, 5, 6, 7, and 8)		
Related party receivables	1,182,034	1,182,034
Restricted reserves	-	82,232
Investment in partnerships	46	51
Right of use asset - finance lease	219,798	396,961
Property and equipment, net	11,839,296	12,070,838
Total Noncurrent Assets	<u>13,241,174</u>	<u>13,732,116</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,066,679</u></u>	<u><u>\$ 14,168,690</u></u>
LIABILITIES AND NET ASSETS		
<b><u>Current Liabilities:</u></b> (Notes 2 and 8)		
Accounts payable	\$ 146,130	\$ 284,892
Accrued expenses	397,691	236,774
Deferred revenue	4,362	-
Interest payable	15,803	11,929
Tenant trust funds	85,541	77,985
Tenant security deposits	80,903	77,800
Current portion of finance lease liability	214,041	212,844
Current portion of notes payable	2,858,480	939,268
Total Current Liabilities	<u>3,802,951</u>	<u>1,841,492</u>
<b><u>Noncurrent Liabilities:</u></b> (Notes 2 and 8)		
Finance lease liability, net of current portion	15,499	204,712
Notes payable, net	12,130,202	13,763,694
Interest payable	3,875,457	3,579,596
Total Noncurrent Liabilities	<u>16,021,158</u>	<u>17,548,002</u>
Total Liabilities	<u>19,824,109</u>	<u>19,389,494</u>
<b><u>Commitments and Contingencies:</u></b> (Notes 10 and 11)		
<b><u>Minority Interest in Subsidiary</u></b>	<u>(22,846)</u>	<u>(20,388)</u>
<b><u>Net Assets (Deficit):</u></b> (Notes 2 and 9)		
Without donor restrictions	(5,734,584)	(5,200,416)
Total Net Assets (Deficit)	<u>(5,734,584)</u>	<u>(5,200,416)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 14,066,679</u></u>	<u><u>\$ 14,168,690</u></u>

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, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>Support and Revenue:</u></b>						
Contributions	\$ 2,406,605	\$ -	\$ 2,406,605	\$ 2,456,470	\$ 64,300	\$ 2,520,770
Rental income	1,142,684	-	1,142,684	996,900	-	996,900
Special event revenue (net of direct donor benefit costs of \$89,090 and \$85,504 in 2024 and 2023, respectively)	344,678	-	344,678	372,789	-	372,789
Grants	107,370	-	107,370	102,965	-	102,965
Miscellaneous	50,885	-	50,885	77,070	-	77,070
In-kind contributions	35,120	-	35,120	34,236	-	34,236
(Loss) gain on sale of property and equipment	(2,276)	-	(2,276)	73,888	-	73,888
Net assets released from restriction	-	-	-	595,155	(595,155)	-
Total Support and Revenue	<u>4,085,066</u>	<u>-</u>	<u>4,085,066</u>	<u>4,709,473</u>	<u>(530,855)</u>	<u>4,178,618</u>
<b><u>Operating Expenses:</u></b>						
Program services	2,547,855	-	2,547,855	3,846,824	-	3,846,824
Management and general	870,399	-	870,399	999,255	-	999,255
Fundraising	280,779	-	280,779	430,821	-	430,821
Total Operating Expenses	<u>3,699,033</u>	<u>-</u>	<u>3,699,033</u>	<u>5,276,900</u>	<u>-</u>	<u>5,276,900</u>
Change in Net Assets Before Nonoperating Revenue and (Expenses)	386,033	-	386,033	(567,427)	(530,855)	(1,098,282)
<b><u>Nonoperating Revenue and (Expenses):</u></b>						
Depreciation and amortization	(634,476)	-	(634,476)	(701,033)	-	(701,033)
Interest - residual receipts debt	(288,178)	-	(288,178)	(288,179)	-	(288,179)
Excess of support and revenue over expenses of subsidiary	2,458	-	2,458	1,706	-	1,706
Partnership loss	(5)	-	(5)	(6)	-	(6)
Total Nonoperating Revenue and (Expenses)	<u>(920,201)</u>	<u>-</u>	<u>(920,201)</u>	<u>(987,512)</u>	<u>-</u>	<u>(987,512)</u>
Change in Net Assets	(534,168)	-	(534,168)	(1,554,939)	(530,855)	(2,085,794)
Net Assets at Beginning of Year	<u>(5,200,416)</u>	<u>-</u>	<u>(5,200,416)</u>	<u>(3,645,477)</u>	<u>530,855</u>	<u>(3,114,622)</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ (5,734,584)</b>	<b>\$ -</b>	<b>\$ (5,734,584)</b>	<b>\$ (5,200,416)</b>	<b>\$ -</b>	<b>\$ (5,200,416)</b>

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, 2024**

	Program Services					Supporting Services		
	Solutions For Change, Inc. Programs	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Total Program Services	Management and General	Fundraising	Total
<b>Salaries and Related Expenses:</b>								
Salaries and wages	\$ 679,784	\$ 82,404	\$ -	\$ 37,524	\$ 799,712	\$ 595,271	\$ 121,361	\$ 1,516,344
Payroll taxes	163,254	11,232	-	5,448	179,934	22,337	10,345	212,616
Employee benefits	45,046	1,296	-	636	46,978	6,163	2,855	55,996
Total Salaries and Related Expenses	<u>888,084</u>	<u>94,932</u>	<u>-</u>	<u>43,608</u>	<u>1,026,624</u>	<u>623,771</u>	<u>134,561</u>	<u>1,784,956</u>
<b>Nonsalary Related Expenses:</b>								
Advertising	54,263	-	-	-	54,263	-	-	54,263
Automobile and truck	23,281	-	-	-	23,281	262	-	23,543
Bad debt expense	24,746	6,198	-	2,562	33,506	-	-	33,506
Dues and subscriptions	48,899	-	-	-	48,899	195	-	49,094
Events	-	-	-	-	-	-	20,736	20,736
Insurance	187,220	11,508	-	1,933	200,661	21,017	23,114	244,792
Interest	190,223	1,523	3,105	-	194,851	-	-	194,851
Meetings and seminars	15,547	-	-	-	15,547	23,321	-	38,868
Miscellaneous	-	-	-	99	99	183	-	282
Office expense	41,970	1,759	-	953	44,682	4,769	-	49,451
Payroll processing	10,289	-	-	-	10,289	2,205	2,205	14,699
Professional fees	283,290	1,125	-	15,000	299,415	108,930	-	408,345
Property fees	-	590	-	-	590	9,761	-	10,351
Rent	146,009	-	-	-	146,009	-	-	146,009
Repairs and maintenance	89,308	14,554	-	10,771	114,633	11,120	-	125,753
Special event expenses	-	-	-	-	-	-	100,163	100,163
Supplies	22,034	-	-	-	22,034	-	-	22,034
Taxes, licenses and fees	-	-	-	-	-	39,859	-	39,859
Telephone	51,311	-	-	-	51,311	5,901	-	57,212
Utilities and refuse removal	145,989	89,219	-	25,953	261,161	19,105	-	280,266
Total Nonsalary Related Expenses	<u>1,334,379</u>	<u>126,476</u>	<u>3,105</u>	<u>57,271</u>	<u>1,521,231</u>	<u>246,628</u>	<u>146,218</u>	<u>1,914,077</u>
<b>Total Operating Expenses</b>	<b>2,222,463</b>	<b>221,408</b>	<b>3,105</b>	<b>100,879</b>	<b>2,547,855</b>	<b>870,399</b>	<b>280,779</b>	<b>3,699,033</b>
<b>Nonoperating Expenses:</b>								
Depreciation and amortization	437,031	154,422	-	43,023	634,476	-	-	634,476
Interest - residual receipts debt	102,253	106,545	-	79,380	288,178	-	-	288,178
Total Nonoperating Expenses	<u>539,284</u>	<u>260,967</u>	<u>-</u>	<u>122,403</u>	<u>922,654</u>	<u>-</u>	<u>-</u>	<u>922,654</u>
<b>TOTAL EXPENSES</b>	<b>\$ 2,761,747</b>	<b>\$ 482,375</b>	<b>\$ 3,105</b>	<b>\$ 223,282</b>	<b>\$ 3,470,509</b>	<b>\$ 870,399</b>	<b>\$ 280,779</b>	<b>\$ 4,621,687</b>

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, 2023**

	Program Services					Supporting Services		
	Solutions For Change, Inc. Programs	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Total Program Services	Management and General	Fundraising	Total
<b>Salaries and Related Expenses:</b>								
Salaries and wages	\$ 717,510	\$ 82,404	\$ -	\$ 37,524	\$ 837,438	\$ 669,411	\$ 114,910	\$ 1,621,759
Payroll taxes	104,867	11,232	-	5,448	121,547	14,431	6,645	142,623
Employee benefits	52,941	1,296	-	636	54,873	7,244	3,355	65,472
Total Salaries and Related Expenses	<u>875,318</u>	<u>94,932</u>	<u>-</u>	<u>43,608</u>	<u>1,013,858</u>	<u>691,086</u>	<u>124,910</u>	<u>1,829,854</u>
<b>Nonsalary Related Expenses:</b>								
Advertising	239,071	-	-	-	239,071	-	-	239,071
Automobile and truck	26,640	-	1,920	-	28,560	-	-	28,560
Bad debt expense	928,486	-	-	-	928,486	-	-	928,486
Dues and subscriptions	65,309	-	-	-	65,309	769	-	66,078
Insurance	160,343	11,508	9,695	1,933	183,479	19,108	19,796	222,383
Interest	186,330	4,282	30,363	250	221,225	36	-	221,261
Meetings and seminars	28,065	550	-	550	29,165	42,097	-	71,262
Miscellaneous	-	-	-	-	-	1,352	-	1,352
Office expense	80,104	1,167	-	854	82,125	9,065	-	91,190
Payroll processing	5,489	-	-	-	5,489	1,176	1,176	7,841
Professional fees	368,865	15,330	-	16,453	400,648	136,239	-	536,887
Property fees	-	1,566	-	2,549	4,115	16,360	-	20,475
Rent	133,350	-	-	-	133,350	-	-	133,350
Repairs and maintenance	100,480	29,390	240	26,339	156,449	14,091	-	170,540
Special event expenses	-	-	-	-	-	-	284,939	284,939
Supplies	27,551	-	-	-	27,551	-	-	27,551
Taxes, licenses and fees	-	-	-	-	-	41,682	-	41,682
Telephone	46,003	-	1,577	-	47,580	5,287	-	52,867
Utilities and refuse removal	152,139	92,202	3,988	32,035	280,364	20,907	-	301,271
Total Nonsalary Related Expenses	<u>2,548,225</u>	<u>155,995</u>	<u>47,783</u>	<u>80,963</u>	<u>2,832,966</u>	<u>308,169</u>	<u>305,911</u>	<u>3,447,046</u>
<b>Total Operating Expenses</b>	<b>3,423,543</b>	<b>250,927</b>	<b>47,783</b>	<b>124,571</b>	<b>3,846,824</b>	<b>999,255</b>	<b>430,821</b>	<b>5,276,900</b>
<b>Nonoperating Expenses:</b>								
Depreciation and amortization	431,361	157,396	69,244	43,032	701,033	-	-	701,033
Interest - residual receipts debt	102,253	106,546	-	79,380	288,179	-	-	288,179
Total Nonoperating Expenses	<u>533,614</u>	<u>263,942</u>	<u>69,244</u>	<u>122,412</u>	<u>989,212</u>	<u>-</u>	<u>-</u>	<u>989,212</u>
<b>TOTAL EXPENSES</b>	<b>\$ 3,957,157</b>	<b>\$ 514,869</b>	<b>\$ 117,027</b>	<b>\$ 246,983</b>	<b>\$ 4,836,036</b>	<b>\$ 999,255</b>	<b>\$ 430,821</b>	<b>\$ 6,266,112</b>

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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (534,168)	\$ (2,085,794)
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation	422,735	493,923
Amortization of right of use assets - finance lease	211,741	207,110
Loss (gain) on disposal of property and equipment	2,276	(73,888)
Bad debt - related party receivables	-	642,052
Interest - residual receipts debt	288,178	288,179
Excess of support and revenue over expenses of subsidiary	(2,458)	(1,706)
Partnership loss	5	6
<b>(Increase) Decrease in:</b>		
Grants and other receivables, net	(66,471)	431,638
Prepaid expenses and other assets	(31,016)	23,040
<b>Increase (Decrease) in:</b>		
Accounts payable	(138,762)	98,760
Accrued expenses	160,917	21,285
Deferred revenue	4,362	-
Interest payable	11,557	9,847
Tenant trust funds	7,556	39,346
Tenant security deposits	3,103	6,546
Net Cash Provided by Operating Activities	<u>333,605</u>	<u>101,919</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Proceeds from sale of property and equipment	3,400	765,172
Purchase of property and equipment	(196,869)	(360,102)
Refund (payment) for deposits	(90,000)	5,500
Net Cash (Used in) Provided by Investing Activities	<u>(283,469)</u>	<u>410,570</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Payments on finance lease liability	(216,644)	(202,535)
Proceeds from notes payable	360,000	221,410
Payments on notes payable	(74,280)	(1,072,279)
Net Cash Provided by (Used in) Financing Activities	<u>69,076</u>	<u>(1,053,404)</u>
Net Increase in (Decrease) Cash and Cash Equivalents and Restricted Cash	119,212	(540,915)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>425,340</u>	<u>966,255</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u>\$ 544,552</u>	<u>\$ 425,340</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>		
Cash paid for interest	<u>\$ 183,284</u>	<u>\$ 211,414</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash outflows from finance lease	<u>\$ 231,356</u>	<u>\$ 228,000</u>
Noncash financing lease transaction at lease commencement		
Right of use asset - finance lease	34,578	-
Finance lease liability	(34,578)	-
Noncash financing lease transaction at lease commencement, net	<u>\$ -</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, 2024 AND 2023**

**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. Its sole member is Solutions for Change. The farm property was sold in November 2023.

**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 was Solutions for Change. Effective May 2023, Kingdom Development Inc. (“Kingdom”) acquired 100% of the membership interest of Escondido.

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. Effective April 28, 2017, SFC Weitzel, L.P. admitted a new unrelated partner, and Weitzel has a 0.01% 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 was Solutions for Change. Effective December 2023, Kingdom acquired 100% of the membership interest of Weitzel.

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, 2024 AND 2023**

**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 was Solutions for Change. Effective December 2023, Kingdom acquired 100% of the membership interest of Vista Terrace.

**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, 2024 AND 2023**

**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, 2024 and 2023.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**Allowance for Credit Losses**

The Organization recognizes an allowance for credit losses on contracts and other receivables to present the net amount expected to be collected as of the consolidated statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the consolidated statement of financial position date, aging reports and historical information. Contracts and other receivables are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. The allowance for credit losses totaled \$19,000 and \$25,000 for the years ended December 31, 2024 and 2023, 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 \$422,735 and \$493,923 for the years ended December 31, 2024 and 2023, respectively.

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 2024 and 2023.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**Lease**

The Organization 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 Organization 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 uses 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 \$86,750 and \$84,438 at December 31, 2024 and 2023, 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 \$85,541 and \$77,985 at December 31, 2024 and 2023, respectively.

**Tenant Security Deposits**

Tenant security deposits are restricted to the extent of the tenant security deposit liability totaling \$80,903 and \$77,800 at December 31, 2024 and 2023, respectively.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**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>2024</u>	<u>2023</u>
Accumulated depreciation	\$ 6,556.144	\$ 6,135,472
Interest payable – residual receipts	3,679,829	3,408,824
Accumulated amortization of debt issuance costs	4,311	4,311
	<u>\$ 10,240,284</u>	<u>\$ 9,548,607</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.

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 revenue from rental income totaled \$4,362 and \$-0- at December 31, 2024 and 2023, 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

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, 2024 and 2023 did not meet the requirements above; therefore, no amounts were recognized in the consolidated financial statements.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**Donated Services and Materials (Continued)**

The Organization received in-kind contributions of auction items for its special event totaling \$35,120 and \$34,236 for the years ended December 31, 2024 and 2023, respectively, which have been recorded as in-kind contributions in the consolidated statements of activities. The donated auction items 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, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

**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.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 2 - Significant Accounting Policies: (Continued)**

**Cash and Cash Equivalents and Restricted Cash (Continued)**

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 378,108	\$ 187,323
Tenant trust funds	85,541	77,985
Tenant security deposits	80,903	77,800
Restricted reserves	-	82,232
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 544,552</u>	<u>\$ 425,340</u>

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 2025, 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.

**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>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 378,108	\$ 187,323
Grant and other receivables, net	<u>101,892</u>	<u>35,421</u>
Financial assets available for general expenditures within one year	<u>\$ 480,000</u>	<u>\$ 222,744</u>

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

**Note 4 - Related Party Receivables:**

Related party receivables consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
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.	\$ 1,182,034	\$ 1,182,034

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**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**

Solutions Family Center, L.P. 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 \$-0- and \$8,656 at December 31, 2024 and 2023, respectively.

**Replacement Reserves**

Solutions Family Center, L.P. (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 \$-0- and \$18,150 at December 31, 2024 and 2023, 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 \$-0- and \$55,426 at December 31, 2024 and 2023, respectively.

**Note 6 - Investment in Partnership:**

Solutions for Change was the sole member of four limited liability companies. During 2023, Solutions for Change transferred its member interest in Solutions Escondido Boulevard 33, LP, SFC Vista Terrace, L.P. and SFC Weitzel, L.P. to Kingdom Development, Inc. 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>2024</u>	<u>2023</u>
<b>Investment in Partnership</b>		
Parkview San Marcos II, L.P. (.001%)	\$ 46	\$ 51
Total Investment in Partnership	<u>\$ 46</u>	<u>\$ 51</u>

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

	<u>2024</u>	<u>2023</u>
Parkview San Marcos II, L.P.	\$ 5,473	\$ 5,057
Total Management/Admin Fees	<u>\$ 5,473</u>	<u>\$ 5,057</u>

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 7 - Property and Equipment:**

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 4,564,774	\$ 4,564,774
Land improvements	356,395	356,395
Buildings and improvements	12,361,760	12,330,685
Construction-in-progress	668,974	503,180
Machinery and equipment	137,232	144,971
Furniture and fixtures	185,426	185,426
Vehicles	<u>120,879</u>	<u>120,879</u>
Subtotal	18,395,440	18,206,310
Less: Accumulated depreciation	<u>(6,556,144)</u>	<u>(6,135,472)</u>
Property and Equipment, Net	<u>\$ 11,839,296</u>	<u>\$ 12,070,838</u>

**Note 8 - Notes Payable:**

Notes payable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
<b><u>Solutions for Change, Inc.</u></b>		
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. As of December 31, 2024, the loan had not been forgiven. Secured by a deed of trust.	\$ 394,965	\$ 394,965
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. As of December 31, 2024, the loan had not been forgiven. 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. As of December 31, 2024, the loan had not been forgiven. Secured by a deed of trust.	290,825	290,825

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable:**

Notes payable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
<b>Solutions for Change, Inc. (Continued)</b>		
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
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.	323,095	323,095
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.	373,712	373,712

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable: (Continued)**

	<u>2024</u>	<u>2023</u>
<b><u>Solutions for Change, Inc. (Continued)</u></b>		
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 \$1,353,856 and \$1,251,602 at December 31, 2024 and 2023, respectively.	\$ 3,408,032	\$ 3,408,052
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, 2028. Secured by a deed of trust. Accrued interest totaled \$3,292 and \$3,233 at December 31, 2024 and 2023, respectively.	753,433	774,983
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 \$36,037 and \$31,468 at December 31, 2024 and 2023, respectively.	152,324	152,324
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 \$16,290 and \$14,225 at December 31, 2024 and 2023, respectively.	68,855	68,855

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable: (Continued)**

	<u>2024</u>	<u>2023</u>
<b><u>Solutions for Change, Inc. (Continued)</u></b>		
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 \$72,308 and \$63,139 at December 31, 2024 and 2023, respectively.	\$ 305,637	\$ 305,637
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 \$11,677 and \$10,196 at December 31, 2024 and 2023, respectively.	49,356	49,356
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 \$46,243 and \$40,379 at December 31, 2024 and 2023, respectively.	195,459	195,459
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 \$13,073 and \$11,364 at December 31, 2024 and 2023, respectively.	56,947	56,947

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable: (Continued)**

	<u>2024</u>	<u>2023</u>
<b><u>Solutions for Change, Inc. (Continued)</u></b>		
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 December 1, 2025. Secured by a deed of trust. Accrued interest totaled \$387 and \$466 at December 31, 2024 and 2023, respectively.	46,382	62,140
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 November 30, 2025. Accrued interest totaled \$3,438 for each of the years ended December 31, 2024 and 2023. Unsecured.	250,000	250,000
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 December 1, 2025. Secured by a deed of trust. Accrued interest totaled \$2,083 for each of the years ended December 31, 2024 and 2023.	250,000	250,000
The note payable, which originated April 2023, is held by PEAC Solutions in the original amount of \$7,739. The loan bears interest at 12% per annum. Principal and accrued interest are payable in monthly installments of \$364. The loan is due May 2025. Secured by equipment.	1,385	5,722
The note payable, which originated June 2023, is held by PEAC Solutions in the original amount of \$13,672. The loan bears interest at 14% per annum. Principal and accrued interest are payable in monthly installments of \$313. The loan is due June 2028. Secured by equipment.	10,081	12,716
The note payable, which originated February 2024, is held by Pacific Coast Realty in the original amount of \$105,000. The loan bears interest at 10% per annum. Interest only payments are due monthly until December 1, 2025 when note is due in full. The loan and accrued interest are due upon May 1, 2022. Secured by a deed of trust. Accrued interest totaled \$387 and \$466 at December 31, 2024 and 2023, respectively.	100,000	-

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable: (Continued)**

	<u>2024</u>	<u>2023</u>
<b><u>Solutions for Change, Inc. (Continued)</u></b>		
The note payable, which originated April 2024, is held by Kingdom Development in the original amount of \$100,000. Note was originally due May 15, 2024 with an interest payment of \$2,000. Loan is extended to December 31, 2024. Unsecured.	100,000	-
The note payable, which originated August 2024, is held by Klein Electronics in the original amount of \$135,000. Beginning December 2024, monthly payments of \$5,000 are required with balloon payment of \$80,000 due November 1, 2025 plus interest and fee of \$10,000. Unsecured.	130,000	-
Total Solutions for Change, Inc.	<u>8,156,570</u>	<u>7,870,850</u>
<b><u>Solutions Family Center, L.P.</u></b>		
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 \$575,761 and \$547,051 at December 31, 2024 and 2023, respectively.	957,000	957,000
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 \$999,234 and \$946,486 at December 31, 2024 and 2023, respectively, and the required interest payments totaled \$8,587 for each of the years ended December 31, 2024 and 2023.	2,044,512	2,044,512

(Continued)

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 8 - Notes Payable: (Continued)**

	<u>2024</u>	<u>2023</u>
<b><u>Solutions Family Center, L.P. (Continued)</u></b>		
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 \$346,577 and \$330,077 at December 31, 2024 and 2023, respectively.	\$ 550,000	\$ 550,000
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.	375,100	375,000
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.	176,700	176,000
Total Solutions Family Center, L.P.	<u>\$ 4,103,312</u>	<u>\$ 4,103,312</u>
<b><u>Solutions Farms, LLC</u></b>		
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 3.75% 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 \$967 and \$2,710 at December 31, 2024 and 2023, respectively.	\$ 82,800	\$ 82,800
Total Solutions Farms, LLC	<u>\$ 82,800</u>	<u>\$ 82,800</u>
<b><u>Solutions Chestnut, LLC</u></b>		
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 \$331,529 and \$252,149 at December 31, 2024 and 2023, respectively.	\$ 2,646,000	\$ 2,646,000
Total Solutions Chestnut, LLC	<u>2,646,000</u>	<u>2,646,000</u>
Total Notes Payable	<u>14,988,682</u>	<u>14,702,962</u>
Less: Current Portion	<u>(2,861,075)</u>	<u>(939,268)</u>
Notes Payable, Long-Term, Net	<u>\$ 12,127,607</u>	<u>\$ 13,763,694</u>

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**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
2025	\$ 2,681,780	\$ 176,700	\$ 2,595	\$ -	\$ 2,861,075
2026	527,422	-	2,668	-	530,090
2027	29,696	-	2,742	-	32,438
2028	681,062	-	2,818	-	683,880
2029	-	-	2,896	-	2,896
Thereafter	4,236,610	3,926,612	69,081	2,646,000	10,878,303
Total	<u>\$ 8,156,570</u>	<u>\$ 4,103,312</u>	<u>\$ 82,800</u>	<u>\$ 2,646,000</u>	<u>\$ 14,988,682</u>

**Note 9 - Net Assets With Donor Restrictions:**

There were no net assets with donor restrictions at December 31, 2024 and 2023.

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>2024</u>	<u>2023</u>
<b>Purpose Restrictions Accomplished:</b>		
Main campus expansion	\$ -	\$ 595,155
Total Net Assets Released From Restrictions	<u>\$ -</u>	<u>\$ 595,155</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.

**Grant Agreement**

Chestnut received a grant totaling \$454,000 from the City of Carlsbad on December 24, 2014. Funds were used for the acquisition of 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.

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**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 \$6,448 and \$7,917 for the years ended December 31, 2024 and 2023, respectively, and is included in employee benefits on the consolidated statement of functional 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 2024 and 2023, 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 \$6,026 and \$8,315 for the years ended December 31, 2024 and 2023, respectively. The lease ended in September 2024. In August 2024 the Organization entered into a lease for a vehicle under a thirty-six-month lease, with a monthly payment of \$839. Rent expense totaled \$4,195 and \$-0- for the years ended December 31, 2024 and 2023, respectively.

**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 for each of the years ended December 31, 2024 and 2023.

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 consolidated statements of financial position for the finance leases at December 31:

	<u>2024</u>	<u>2023</u>
Right-of-use assets - finance leases, net	\$ <u>219,798</u>	\$ <u>396,961</u>
Finance lease liability - current portion	214,041	212,844
Finance lease liability - noncurrent portion	15,499	204,712
Total financing lease liabilities	\$ <u>229,540</u>	\$ <u>417,556</u>

**SOLUTIONS FOR CHANGE, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**Note 11 - Commitments: (Continued)**

**Leases (Continued)**

The following summarizes the weighted average remaining lease term and discount rate at December 31:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term - finance	14 months	23 months
Weighted average incremental borrowing rate - finance	4.80%	5.00%

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

	<u>2024</u>	<u>2023</u>
Finance lease expense		
Amortization of right of use asset	\$ 211,741	\$ 207,110
Interest on the lease liability	15,156	25,465
Total Finance Lease Cost	<u>\$ 226,897</u>	<u>\$ 232,575</u>

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

	<u>2024</u>	<u>2023</u>
Financing cash outflows from finance leases	\$ 231,356	\$ 228,000
Total cash outflow	<u>\$ 231,356</u>	<u>\$ 228,000</u>

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

Years Ended December 31	Vehicle	Property	Total
2025	\$ 10,067	\$ 209,000	\$ 219,067
2026	10,067	-	10,067
2027	5,873	-	5,873
Total Payments	<u>26,007</u>	<u>209,000</u>	<u>235,007</u>
Less: Interest	<u>(1,179)</u>	<u>(4,288)</u>	<u>(5,467)</u>
Total	<u>\$ 24,828</u>	<u>\$ 204,712</u>	<u>\$ 229,540</u>

In July 2024, Solutions for Change entered into a lease agreement beginning April 1, 2025 and terminating December 31, 2034 for 115 acres at Green Oak Ranch, Vista, with monthly payments of \$45,000, increasing annually by 2%. In August 2024, Solutions for Change paid a security deposit of \$90,000 on the property. No other payments have been made as of the date of these consolidated financial statements as the Organization is waiting on the current tenants to move out.

**Contracts**

The Organization has an employment contract with the President of Solutions for Change, Inc., 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.

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**DECEMBER 31, 2024**

<b>ASSETS</b>						
	Solutions					
	Solutions For Change, Inc.	Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Eliminations	Consolidated
<b><u>Current Assets:</u></b>						
Cash and cash equivalents	\$ 337,350	\$ 10,862	\$ -	\$ 29,896	\$ -	\$ 378,108
Grants and other receivables, net	95,326	2,855	-	3,711	-	101,892
Intercompany receivables	-	248,744	-	763,251	(1,011,995)	-
Prepaid expenses and other assets	84,947	953	-	-	-	85,900
Tenant trust funds	85,541	-	-	-	-	85,541
Tenant security deposits	44,005	18,198	-	18,700	-	80,903
Deposits	90,000	3,161	-	-	-	93,161
Total Current Assets	<u>737,169</u>	<u>284,773</u>	<u>-</u>	<u>815,558</u>	<u>(1,011,995)</u>	<u>825,505</u>
<b><u>Noncurrent Assets:</u></b>						
Investment in subsidiary	(2,663,210)	-	-	-	2,663,210	-
Related party receivables	1,182,034	-	-	-	-	1,182,034
Investment in partnerships	46	-	-	-	-	46
Right of use asset - finance lease	219,798	-	-	-	-	219,798
Property and equipment, net	5,941,349	3,179,327	-	2,718,620	-	11,839,296
Total Noncurrent Assets	<u>4,680,017</u>	<u>3,179,327</u>	<u>-</u>	<u>2,718,620</u>	<u>2,663,210</u>	<u>13,241,174</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,417,186</u></b>	<b><u>\$ 3,464,100</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,534,178</u></b>	<b><u>\$ 1,651,215</u></b>	<b><u>\$ 14,066,679</u></b>

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2024**

**LIABILITIES AND NET ASSETS**

	Solutions						
	Solutions For Change, Inc.	Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Eliminations		Consolidated
<b><u>Current Liabilities:</u></b>							
Accounts payable	\$ 112,629	\$ 31,494	\$ 15	\$ 1,992	\$ -	\$ 146,130	
Accrued expenses	397,691	-	-	-	-	397,691	
Deferred revenue	-	4,362	-	-	-	4,362	
Interest payable	14,836	-	967	-	-	15,803	
Intercompany payables	1,011,995	-	-	-	(1,011,995)	-	
Tenant trust funds	85,541	-	-	-	-	85,541	
Tenant security deposits	44,005	18,198	-	18,700	-	80,903	
Current portion of finance lease liability	214,041	-	-	-	-	214,041	
Current portion of notes payable	2,681,780	176,700	-	-	-	2,858,480	
Total Current Liabilities	<u>4,562,518</u>	<u>230,754</u>	<u>982</u>	<u>20,692</u>	<u>(1,011,995)</u>	<u>3,802,951</u>	
<b><u>Noncurrent Liabilities:</u></b>							
Finance lease liability, net	15,499	-	-	-	-	15,499	
Notes payable, net	5,474,790	3,926,612	82,800	2,646,000	-	12,130,202	
Interest payable	1,549,484	1,994,444	-	331,529	-	3,875,457	
Total Noncurrent Liabilities	<u>7,039,773</u>	<u>5,921,056</u>	<u>82,800</u>	<u>2,977,529</u>	<u>-</u>	<u>16,021,158</u>	
Total Liabilities	<u>11,602,291</u>	<u>6,151,810</u>	<u>83,782</u>	<u>2,998,221</u>	<u>(1,011,995)</u>	<u>19,824,109</u>	
<b><u>Minority Interest in Subsidiary</u></b>							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,846)</u>	<u>(22,846)</u>	
<b><u>Net Assets (Deficit):</u></b>							
Without donor restrictions	(6,185,105)	(2,687,710)	(83,782)	535,957	2,686,056	(5,734,584)	
Total Net Assets (Deficit)	<u>(6,185,105)</u>	<u>(2,687,710)</u>	<u>(83,782)</u>	<u>535,957</u>	<u>2,686,056</u>	<u>(5,734,584)</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,417,186</b>	<b>\$ 3,464,100</b>	<b>\$ -</b>	<b>\$ 3,534,178</b>	<b>\$ 1,651,215</b>	<b>\$ 14,066,679</b>	

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

<b>ASSETS</b>							
	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 165,567	\$ 6,007	\$ 198	\$ -	\$ 15,551	\$ -	\$ 187,323
Grants and other receivables, net	27,543	2,956	-	-	4,922	-	35,421
Intercompany receivables	-	219,138	-	-	690,409	(909,547)	-
Prepaid expenses and other assets	53,688	1,196	-	-	-	-	54,884
Tenant trust funds	77,985	-	-	-	-	-	77,985
Tenant security deposits	39,865	19,235	-	-	18,700	-	77,800
Deposits	-	3,161	-	-	-	-	3,161
Total Current Assets	<u>364,648</u>	<u>251,693</u>	<u>198</u>	<u>-</u>	<u>729,582</u>	<u>(909,547)</u>	<u>436,574</u>
<b>Noncurrent Assets:</b>							
Investment in subsidiary	(2,419,896)	-	-	-	-	2,419,896	-
Related party receivables	1,182,034	-	-	-	-	-	1,182,034
Restricted reserves	55,426	26,806	-	-	-	-	82,232
Investment in partnerships	51	-	-	-	-	-	51
Right of use asset - finance lease	396,961	-	-	-	-	-	396,961
Property and equipment, net	5,975,446	3,333,749	-	-	2,761,643	-	12,070,838
Total Noncurrent Assets	<u>5,190,022</u>	<u>3,360,555</u>	<u>-</u>	<u>-</u>	<u>2,761,643</u>	<u>2,419,896</u>	<u>13,732,116</u>
<b>TOTAL ASSETS</b>	<b>\$ 5,554,670</b>	<b>\$ 3,612,248</b>	<b>\$ 198</b>	<b>\$ -</b>	<b>\$ 3,491,225</b>	<b>\$ 1,510,349</b>	<b>\$ 14,168,690</b>

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2023**

<b>LIABILITIES AND NET ASSETS</b>							
	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
<b>Current Liabilities:</b>							
Accounts payable	\$ 242,260	\$ 26,566	\$ -	\$ -	\$ 16,066	\$ -	\$ 284,892
Accrued expenses	236,774	-	-	-	-	-	236,774
Interest payable	9,219	-	2,710	-	-	-	11,929
Intercompany payables	909,547	-	-	-	-	(909,547)	-
Tenant trust funds	77,985	-	-	-	-	-	77,985
Tenant security deposits	39,865	19,235	-	-	18,700	-	77,800
Current portion of finance lease liability	212,844	-	-	-	-	-	212,844
Current portion of notes payable	762,568	176,700	-	-	-	-	939,268
Total Current Liabilities	<u>2,491,062</u>	<u>222,501</u>	<u>2,710</u>	<u>-</u>	<u>34,766</u>	<u>(909,547)</u>	<u>1,841,492</u>
<b>Noncurrent Liabilities:</b>							
Finance lease liability, net	204,712	-	-	-	-	-	204,712
Notes payable, net	7,108,282	3,926,612	82,800	-	2,646,000	-	13,763,694
Interest payable	1,422,374	1,905,073	-	-	252,149	-	3,579,596
Total Noncurrent Liabilities	<u>8,735,368</u>	<u>5,831,685</u>	<u>82,800</u>	<u>-</u>	<u>2,898,149</u>	<u>-</u>	<u>17,548,002</u>
Total Liabilities	<u>11,226,430</u>	<u>6,054,186</u>	<u>85,510</u>	<u>-</u>	<u>2,932,915</u>	<u>(909,547)</u>	<u>19,389,494</u>
<b>Minority Interest in Subsidiary</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,388)</u>	<u>(20,388)</u>
<b>Net Assets (Deficit):</b>							
Without donor restrictions	<u>(5,671,760)</u>	<u>(2,441,938)</u>	<u>(85,312)</u>	<u>-</u>	<u>558,310</u>	<u>2,440,284</u>	<u>(5,200,416)</u>
Total Net Assets (Deficit)	<u>(5,671,760)</u>	<u>(2,441,938)</u>	<u>(85,312)</u>	<u>-</u>	<u>558,310</u>	<u>2,440,284</u>	<u>(5,200,416)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,554,670</b>	<b>\$ 3,612,248</b>	<b>\$ 198</b>	<b>\$ -</b>	<b>\$ 3,491,225</b>	<b>\$ 1,510,349</b>	<b>\$ 14,168,690</b>

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions Chestnut, LLC	Eliminations	Consolidated
<b><u>Net Assets Without Donor Restrictions</u></b>						
<b><u>Support and Revenue:</u></b>						
Contributions	\$ 2,406,605	\$ 406,287	\$ -	\$ 222,084	\$ (426,076)	\$ 2,406,605
Rental income	940,389					1,142,684
Special event revenue (net of direct donor benefit costs of \$89,090)	344,678	-	-	-	-	344,678
Grants	107,370	-	-	-	-	107,370
Miscellaneous	50,885	-	-	-	-	50,885
In-kind contributions	35,120	-	-	-	-	35,120
Supporting services	-	-	5,473	-	(5,473)	-
Gain on sale of property and equipment	(2,276)	-	-	-	-	(2,276)
Total Support and Revenue	<u>3,882,771</u>	<u>406,287</u>	<u>5,473</u>	<u>222,084</u>	<u>(431,549)</u>	<u>4,085,066</u>
<b><u>Operating Expenses:</u></b>						
Program services	2,492,072	372,788	3,105	111,439	(431,549)	2,547,855
Management and general	840,662	18,304	838	10,595	-	870,399
Fundraising	280,779	-	-	-	-	280,779
Total Operating Expenses	<u>3,613,513</u>	<u>391,092</u>	<u>3,943</u>	<u>122,034</u>	<u>(431,549)</u>	<u>3,699,033</u>
Change in Net Assets Without Donor Restrictions Before Nonoperating Revenue and (Expenses)	<u>269,258</u>	<u>15,195</u>	<u>1,530</u>	<u>100,050</u>	<u>-</u>	<u>386,033</u>
<b><u>Nonoperating Revenue and (Expenses):</u></b>						
Depreciation and amortization	(437,031)	(154,422)	-	(43,023)	-	(634,476)
Interest - residual receipts debt	(102,253)	(106,545)	-	(79,380)	-	(288,178)
Excess (deficit) of support and revenue over expenses of subsidiary	(243,314)	-	-	-	245,772	2,458
Partnership loss	(5)	-	-	-	-	(5)
Total Nonoperating Revenue and (Expenses)	<u>(782,603)</u>	<u>(260,967)</u>	<u>-</u>	<u>(122,403)</u>	<u>245,772</u>	<u>(920,201)</u>
Change in Net Assets	<u>(513,345)</u>	<u>(245,772)</u>	<u>1,530</u>	<u>(22,353)</u>	<u>245,772</u>	<u>(534,168)</u>
Net Assets (Deficit) at Beginning of Year	<u>(5,671,760)</u>	<u>(2,441,938)</u>	<u>(85,312)</u>	<u>558,310</u>	<u>2,440,284</u>	<u>(5,200,416)</u>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ (6,185,105)</b>	<b>\$ (2,687,710)</b>	<b>\$ (83,782)</b>	<b>\$ 535,957</b>	<b>\$ 2,686,056</b>	<b>\$ (5,734,584)</b>

**SOLUTIONS FOR CHANGE, INC.**  
**SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Solutions For Change, Inc.	Solutions Family Center, L.P.	Solutions Farms, LLC	Solutions East Vista Way, LP	Solutions Chestnut, LLC	Eliminations	Consolidated
<b><u>Net Assets Without Donor Restrictions</u></b>							
<b><u>Support and Revenue:</u></b>							
Contributions	\$ 2,456,470	\$ 511,657	\$ -	\$ -	\$ 219,824	\$ (545,217)	\$ 2,456,470
Rental income	810,636						996,900
Special event revenue (net of direct donor benefit costs of \$85,504)	372,789	-	-	-	-	-	372,789
Grants	102,965	-	-	-	-	-	102,965
Interest and miscellaneous	73,570	-	3,500	-	-	-	77,070
Gain on sale of property and equipment	-	-	73,888	-	-	-	73,888
In-kind contributions	34,236	-	-	-	-	-	34,236
Supporting services	-	-	35,792	-	-	(35,792)	-
Other income	-	-	1,190,546	651,317	-	(1,841,863)	-
Net assets released from restriction	595,155	-	-	-	-	-	595,155
Total Support and Revenue	<u>4,445,821</u>	<u>511,657</u>	<u>1,303,726</u>	<u>651,317</u>	<u>219,824</u>	<u>(2,422,872)</u>	<u>4,709,473</u>
<b><u>Operating Expenses:</u></b>							
Program services	5,684,475	402,307	47,783	-	135,131	(2,422,872)	3,846,824
Management and general	961,058	16,004	8,965	36	13,192	-	999,255
Fundraising	430,821	-	-	-	-	-	430,821
Total Operating Expenses	<u>7,076,354</u>	<u>418,311</u>	<u>56,748</u>	<u>36</u>	<u>148,323</u>	<u>(2,422,872)</u>	<u>5,276,900</u>
Change in Net Assets Without Donor Restrictions Before Nonoperating Revenue and (Expenses)	(2,630,533)	93,346	1,246,978	651,281	71,501	-	(567,427)
<b><u>Nonoperating Revenue and (Expenses):</u></b>							
Depreciation and amortization	(431,361)	(157,396)	(69,244)	-	(43,032)	-	(701,033)
Interest - residual receipts debt	(102,253)	(106,546)	-	-	(79,380)	-	(288,179)
Excess (deficit) of support and revenue over expenses of subsidiary	(168,890)	-	-	-	-	170,596	1,706
Partnership loss	(6)	-	-	-	-	-	(6)
Total Nonoperating Revenue and (Expenses)	<u>(702,510)</u>	<u>(263,942)</u>	<u>(69,244)</u>	<u>-</u>	<u>(122,412)</u>	<u>170,596</u>	<u>(987,512)</u>
Change in Net Assets Without Donor Restrictions	<u>(3,333,043)</u>	<u>(170,596)</u>	<u>1,177,734</u>	<u>651,281</u>	<u>(50,911)</u>	<u>170,596</u>	<u>(1,554,939)</u>
<b><u>Net Assets With Donor Restrictions</u></b>							
Contributions	64,300	-	-	-	-	-	64,300
Net assets released from restrictions	(595,155)	-	-	-	-	-	(595,155)
Change in Net Assets With Donor Restrictions	<u>(530,855)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(530,855)</u>
Total Change in Net Assets	(3,863,898)	(170,596)	1,177,734	651,281	(50,911)	170,596	(2,085,794)
Net Assets (Deficit) at Beginning of Year	(1,807,862)	(2,271,342)	(1,263,046)	(651,281)	609,221	2,269,688	(3,114,622)
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ (5,671,760)</b>	<b>\$ (2,441,938)</b>	<b>\$ (85,312)</b>	<b>\$ -</b>	<b>\$ 558,310</b>	<b>\$ 2,440,284</b>	<b>\$ (5,200,416)</b>

**SOLUTIONS FOR CHANGE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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

**SOLUTIONS FOR CHANGE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**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, 2024. 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, 2023	Loans Awarded for the Year Ended December 31, 2024	Loan Principal Repaid for the Year Ended December 31, 2024	Loans Outstanding at December 31, 2024
<b>14.218      Community Development Block Grants/Entitlement Grants:</b>					
	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>
<b>14.239      HOME Investment Partnerships Program:</b>					
	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>
<b>14.256      Neighborhood Stabilization Program:</b>					
	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>
<b>Total Loans</b>		<b>\$ 6,515,290</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,515,290</b>



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.

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, 2024, 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 8, 2025.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, 2024-003 and 2024-004.

### **Solutions for Change Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Solutions for Change, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Solutions for Change, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 8, 2025



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.

**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, 2024. 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, 2024.

***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.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-005. Our opinion on the major federal program is not modified with respect to this matter.

Solutions for Change, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Solutions for Change, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 8, 2025

**SOLUTIONS FOR CHANGE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**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?	<input type="checkbox"/>	<u>X</u>	No
Significant deficiencies identified?	<input type="checkbox"/>	<u>X</u>	No

Noncompliance material to consolidated financial statements noted? X Yes        No

**Federal Awards**

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

Internal control over major program:

Material weaknesses identified?	<input type="checkbox"/>	<u>X</u>	No
Significant deficiencies identified?	<input type="checkbox"/>	<u>X</u>	No

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

**OLUTIONS FOR CHANGE, INC.  
CHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section II - Financial Statement Findings:**

**Finding 2024-001 - Operating Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$8,656 were made by Solutions Family Center, L.P. from the operating reserve account to cover operating cash flow needs without the approval of the MHP during the year ended December 31, 2024. In addition, withdrawals made in prior years were not repaid in 2024.

**Criteria**

According to the MHP Regulatory Agreement, disbursements from the operating reserve account may only be made to fund Project operations with the approval of MHP.

**Effect**

Solutions Family Center, L.P. was not in compliance with the terms of MHP Regulatory Agreement during the year and the operating reserve had a deficient balance of \$89,200 at December 31, 2024.

**Cause**

Solutions Family Center, L.P. used funds from the operating reserve account to cover operating cash flow needs.

**Recommendation**

Operating reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Management Response**

Current management recognizes these withdrawals were made in error. Repayment of the reserves is planned to be funded through sale of the General Partner's Neighborhood Stabilization Program ("NSP") properties, which will be in 2025 or 2026 (timing of the eligibility for loan forgiveness/sale of the NSPs is currently in discussion with the County of San Diego). No future withdrawals which are not in compliance with the MHP regulatory agreement are planned.

**Finding 2024-002 - Replacement Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$18,150 were made by Solutions Family Center, L.P. from the replacement reserve account to cover operating cash flow needs without the approval of the MHP during the year ended December 31, 2024. In addition, withdrawals made in prior years were not repaid in 2024.

**Criteria**

According to the MHP Regulatory Agreement, disbursements from the replacement reserve account may only be made to fund Project expenses with the approval of MHP.

**Effect**

Solutions Family Center, L.P. was not in compliance with the terms of MHP Regulatory Agreement during the year and the replacement reserve had a deficient balance of \$232,232 at December 31, 2024.

**SOLUTIONS FOR CHANGE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section II - Financial Statement Findings: (Continued)**

**Finding 2024-002 - Replacement Reserve Withdrawals: (Continued)**

**Cause**

Solutions Family Center, L.P. used funds from the replacement reserve account to cover operating cash flow needs.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Management Response**

Current management recognizes these withdrawals were made in error. Repayment of the reserves is planned to be funded through sale of the General Partner's NSP properties, which will be in 2025 or 2026 (timing of the eligibility for loan forgiveness/sale of the NSPs is currently in discussion with the County of San Diego). No future withdrawals which are not in compliance with the MHP regulatory agreement are planned.

**Finding 2024-003 - Replacement Reserve Not Funded:**

**Statement of Condition**

Solutions Family Center, L.P. did not fund the replacement reserve during the year ended December 2024.

**Criteria**

Solutions Family Center, L.P. is required to fund a replacement reserve of \$19,800 annually in accordance with the operating budget approved by the Department of Housing and Community Development.

**Effect**

Solutions Family Center, L.P. was not in compliance with the terms of MHP Regulatory Agreement during the year and the replacement reserve had a deficient balance of \$238,232 at December 31, 2024.

**Cause**

Solutions Family Center, L.P. did not fund the replacement reserve account due to insufficient funds.

**Recommendation**

Replacement reserves should be funded per the requirements of the MHP Regulatory Agreement.

**Management Response**

Cash flows of Solutions Family Center, L.P.'s General Partner (GP) have been insufficient to fund reserves. The GP is in the process of reducing costs and increasing grant and donor revenue to stabilize the GP's cash flows. The GP intends to fully fund reserve requirements starting in 2025.

**SOLUTIONS FOR CHANGE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section II - Financial Statement Findings: (Continued)**

**Finding 2024-004 - Replacement Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$36,186 were made by Solutions for Change from the replacement reserve account for the Projects acquired with Neighborhood Stabilization Program funds were used to cover operating cash flow needs during the year ended December 31, 2024.

**Criteria**

According to the County of San Diego Department of Housing and Community Development (the “County”) Regulatory Agreements, disbursements from the replacement reserve accounts may only be made to fund Project expenses with the approval of the County.

**Effect**

Solutions for Change was not in compliance with the terms of the County Regulatory Agreements during the year and the replacement reserve accounts had a deficient balance of \$71,581 at December 31, 2024.

**Cause**

Solutions for Change used funds from the replacement reserve account to cover operating cash needs.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should not be used without the approval of the County.

**Management Response**

Current management recognizes these withdrawals were made in error. Repayment of the reserves is planned to be funded through sale of the General Partner’s NSP properties, which will be in Q4 2026. A short-term loan may be necessary to fund the reserves prior to sale of the properties. Repayment may be sooner pending fundraising results. No future withdrawals which are not in compliance with the County Regulatory Agreements are planned.

**SOLUTIONS FOR CHANGE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2024-005 - Replacement Reserve Withdrawals – HOME Investment Partnership Program  
Assistance Listing Number 14.239:**

**Statement of Condition**

Withdrawals in the amount of \$19,240 were made by Solutions for Change from the replacement reserve account for the Projects acquired with HOME Investment Partnerships Program funds to cover operating cash flow needs during the year ended December 31, 2024.

**Criteria**

According to the County of San Diego Department of Housing and Community Development (the “County”) Regulatory Agreement, disbursements from the replacement reserve accounts may only be made to fund Project expenses with the approval of the County

**Effect**

Solutions for Change was not in compliance with the terms of the County Regulatory Agreement during the year and the replacement reserve had a deficient balance of \$205,929 at December 31, 2024.

**Cause**

Solutions for Change used funds from the replacement reserve account to cover operating cash flow needs.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Management Response**

Current management recognizes these withdrawals were made in error. Repayment of the reserves is planned to be funded through sale of the General Partner’s NSP properties, which will be in Q4 2026. A short-term loan may be necessary to fund the reserves prior to sale of the properties. Repayment may be sooner pending fundraising results. No future withdrawals which are not in compliance with the County Regulatory Agreement are planned.

**SOLUTIONS FOR CHANGE, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section II - Financial Statement Findings:**

**Finding 2023-001 - Operating Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$38,656 were made Solutions Family Center, L.P. from the operating reserve account to cover operating cash flow needs without the approval of the MHP during the year ended December 31, 2023.

**Recommendation**

Operating reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Current Status**

Withdrawals were not repaid in 2024. Finding repeated in 2024 as Finding 2024-001.

**Finding 2023-002 - Replacement Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$180,482 were made Solutions Family Center, L.P. from the replacement reserve account to cover operating cash flow needs without the approval of the MHP during the year ended December 31, 2023.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Current Status**

Withdrawals were not repaid in 2024. Finding repeated in 2024 as Finding 2024-002.

**Finding 2023-003 - Replacement Reserve Not Funded:**

**Statement of Condition**

Solutions Family Center, L.P. did not fund the replacement reserve during the year ended December 2023.

**Recommendation**

Replacement reserves should be funded per the requirements of the MHP Regulatory Agreement.

**Current Status**

Replacement reserve was not funded in 2024. This issue is repeated in 2024 as Finding 2024-003.

**SOLUTIONS FOR CHANGE, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Section II - Financial Statement Findings: (Continued)**

**Finding 2023-004 - Replacement Reserve Withdrawals:**

**Statement of Condition**

Withdrawals in the amount of \$171,000 were made by Solutions for Change from the replacement reserve account for the Projects acquired with HOME Investment Partnerships Program funds to cover operating cash flow needs during the year ended December 31, 2023.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should be made with the approval of MHP.

**Current Status**

Withdrawals were not repaid in 2024. Finding repeated in 2024 as Finding 2024-005.

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2023-005 - Replacement Reserve Withdrawals – Neighborhood Stabilization Program, Assistance Listing Number 14.256:**

**Statement of Condition**

Withdrawals in the amount of \$26,000 were made by Solutions for Change from the replacement reserve account for the Projects acquired with Neighborhood Stabilization Program funds were used to cover operating cash flow needs during the year ended December 31, 2023.

**Recommendation**

Replacement reserves should be repaid. Future withdrawals should not be used without the approval of the County.

**Current Status**

Withdrawals were not repaid in 2024. Finding repeated in 2024 as Finding 2024-004.