

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
FINANCIAL STATEMENTS

DECEMBER 31, 2023

## CONTENTS

### FINANCIAL STATEMENTS

|                                  |        |
|----------------------------------|--------|
| Independent Auditor's Report     | 1 - 2  |
| Statement of Financial Position  | 3      |
| Statement of Activities          | 4      |
| Statement of Functional Expenses | 5      |
| Statement of Cash Flows          | 6      |
| Notes to Financial Statements    | 7 - 15 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
VETS: Veterans Exploring Treatment Solutions, Inc.

**Opinion**

We have audited the accompanying financial statements of VETS: Veterans Exploring Treatment Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VETS: Veterans Exploring Treatment Solutions, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VETS: Veterans Exploring Treatment Solutions, Inc. and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VETS: Veterans Exploring Treatment Solutions Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

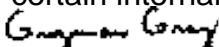
## Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

  
GuzmanGray  
Costa Mesa, CA  
August 9, 2024

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 716,203          |
| Investments               | 4,096,839           |
| Promises to give          | 718,350             |
| Other receivable          | 16,500              |
| Prepaid expense           | 17,339              |
| TOTAL ASSETS              | <u>\$ 5,565,231</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

|  |               |
|--|---------------|
| Accounts payable and accrued liabilities | \$ 46,459     |
| TOTAL LIABILITIES                        | <u>46,459</u> |

NET ASSETS

|                                  |                     |
|----------------------------------|---------------------|
| Without donor restrictions       | 2,518,772           |
| With donor restrictions          | 3,000,000           |
| TOTAL NET ASSETS                 | <u>5,518,772</u>    |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,565,231</u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

|   | Without<br>Restrictions | With<br>Restrictions | Total               |
|---|-------------------------|----------------------|---------------------|
| <b>SUPPORT AND REVENUE</b>                      |                         |                      |                     |
| Grants and contributions                        | \$ 1,150,611            | \$ 131,625           | \$ 1,282,236        |
| Investment, net                                 | (44,825)                | 306,959              | 262,134             |
| Merchandise sale                                | 13,242                  |                      | 13,242              |
| Gross special events revenue                    | \$ 972,191              |                      |                     |
| Less: cost of direct benefit to donors          | (578,240)               |                      |                     |
| Net special event revenue                       | 393,951                 |                      | 393,951             |
|   | 1,512,979               | 438,584              | 1,951,563           |
| <b>NET ASSETS RELEASED FROM<br/>RESTRICTION</b> |                         |                      |                     |
|   | 438,584                 | (438,584)            | -                   |
| <b>TOTAL SUPPORT AND REVENUE</b>                | <b>1,951,563</b>        | <b>-</b>             | <b>1,951,563</b>    |
| <b>EXPENSES</b>                                 |                         |                      |                     |
| Program   | 2,188,225               |                      | 2,188,225           |
| Management and general                          | 385,719                 |                      | 385,719             |
| Fundraising                                     | 159,791                 |                      | 159,791             |
| <b>TOTAL EXPENSES</b>                           | <b>2,733,735</b>        | <b>-</b>             | <b>2,733,735</b>    |
| <b>CHANGE IN NET ASSETS</b>                     | <b>(782,172)</b>        | <b>-</b>             | <b>(782,172)</b>    |
| <b>BEGINNING NET ASSETS</b>                     | <b>3,300,944</b>        | <b>3,000,000</b>     | <b>6,300,944</b>    |
| <b>ENDING NET ASSETS</b>                        | <b>\$ 2,518,772</b>     | <b>\$ 3,000,000</b>  | <b>\$ 5,518,772</b> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

**VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

|  | Program             | Supporting Services       |                   | Cost of Direct<br>Benefit to<br>Donors | Total               |
|--|---------------------|---------------------------|-------------------|--|---------------------|
|  |                     | Management<br>and General | Fundraising       |  |                     |
| Salaries and wages   | \$ 551,604          | \$ 87,991                 | \$ 44,594         |  | \$ 684,189          |
| Payroll taxes  | 45,781              | 5,439                     | 3,615             |  | 54,835              |
| Workers compensation insurance   |                     | 2,537                     |                   |  | 2,537               |
| Cell phone reimbursement   | 3,100               | 150                       | 150               |  | 3,400               |
| Payroll processing fees  |                     | 20,499                    |                   |  | 20,499              |
| <b>Total personnel expenses</b>  | <b>600,485</b>      | <b>116,616</b>            | <b>48,359</b>     |  | <b>765,460</b>      |
| Accounting   |                     | 38,700                    |                   |  | 38,700              |
| Bank fees  |                     | 347                       |                   |  | 347                 |
| Conferences, conventions, and meetings   | 1,686               | 959                       |                   |  | 2,645               |
| Facility   | 5,109               | 8,387                     |                   |  | 13,496              |
| Gifts  | 1,393               | 975                       | 6,524             |  | 8,892               |
| Insurance  | 565                 | 4,754                     |                   |  | 5,319               |
| Legal  | 15,838              | 80,237                    |                   |  | 96,075              |
| License, fees, and permits   |                     | 404                       |                   |  | 404                 |
| Marketing  | 74,655              | 10,433                    | 11,516            |  | 96,604              |
| Merchandise expense  |                     | 156                       | 2,572             |  | 2,728               |
| Merchant processing fees   |                     | 46,998                    |                   |  | 46,998              |
| Other professional services  | 203,726             | 40,997                    | 77,393            |  | 322,116             |
| Postage and shipping   | 1,398               | 2,580                     | 3,404             |  | 7,382               |
| Printing   | 358                 | 5,938                     |                   |  | 6,296               |
| Program - grants   | 860,625             |                           |                   |  | 860,625             |
| Program - coaching   | 217,568             |                           |                   |  | 217,568             |
| Program - grantee travel   | 15,572              |                           |                   |  | 15,572              |
| Program - travel   | 67,741              |                           |                   |  | 67,741              |
| Program - other  | 25,425              | 1,080                     | 32                |  | 26,537              |
| Software, computer, and information technology                                       | 66,697              | 16,686                    | 6,282             |  | 89,665              |
| Special events   |                     |                           |                   | \$ 578,240                             | 578,240             |
| Subscriptions  |                     | 1,157                     | 795               |  | 1,952               |
| Supplies   | 789                 | 889                       | 1,560             |  | 3,238               |
| Telecommunications   | 4,126               | 1,403                     |                   |  | 5,529               |
| Travel   | 618                 | 60                        | 1,354             |  | 2,032               |
| Website  | 23,851              | 5,963                     |                   |  | 29,814              |
|  | <b>2,188,225</b>    | <b>385,719</b>            | <b>159,791</b>    | <b>578,240</b>                         | <b>3,311,975</b>    |
| Less expenses included with revenues on the<br>statement of activities:              |                     |                           |                   |  |                     |
| Cost of direct benefit to donors   |                     |                           |                   | (578,240)                              | (578,240)           |
| <b>Total expenses included in expense section on<br/>the statement of activities</b> | <b>\$ 2,188,225</b> | <b>\$ 385,719</b>         | <b>\$ 159,791</b> | <b>\$ -</b>                            | <b>\$ 2,733,735</b> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

|   |                          |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                          |
| Change in net assets  | \$ (782,172)             |
| Adjustments to reconcile change in net assets to<br>net cash used in operating activities |                          |
| Realized loss on investments  | 106,184                  |
| Unrealized gain on investments  | (208,952)                |
| (Increase) decrease in assets:  |                          |
| Promises to give  | 250,000                  |
| Other receivable  | 23,382                   |
| Prepaid expense   | (17,339)                 |
| Increase (decrease) in liabilities:   |                          |
| Accounts payable and accrued liabilities  | <u>(42,581)</u>          |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>(671,478)</u>         |
|   |                          |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                          |
| Purchase of investments   | (3,494,435)              |
| Proceeds from sale of investments   | <u>2,855,605</u>         |
| NET CASH USED IN INVESTING ACTIVITIES   | <u>(638,830)</u>         |
|   |                          |
| NET INCREASE (DECREASE) IN CASH   | (1,310,308)              |
|   |                          |
| BEGINNING CASH  | <u>2,026,511</u>         |
| ENDING CASH   | <u><u>\$ 716,203</u></u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

|               |                    |
|---------------|--------------------|
| INTEREST PAID | <u>NONE</u>        |
| INCOME TAXES  | <u><u>NONE</u></u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements.



VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

VETS: Veterans Exploring Treatment Solutions, Inc. ("VETS"), formerly known as Sons of Light, Inc., is a not-for-profit organization that was established in California, and incorporated in 2019.

VETS is the leading organization focused on ending the veteran suicide epidemic and addressing traumatic brain injury with psychedelic therapy. VETS provides grants, coaching, and resources for veterans to receive psychedelic-assisted treatments in countries where they are legal, but still unregulated. VETS helps veterans and their spouses access treatment with psychedelic therapies.

Basis of Accounting

VETS uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed or grantor-imposed restrictions and may be expended for any purpose in performing the primary objectives of VETS. The board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors or grantors. Some donor-restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed or grantor-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.

Net assets released from donor restrictions

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors or grantors.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

VETS considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents. Cash equivalents amounted to \$62,867 at December 31, 2023.

Promises to Give

Promises to give are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, donor restrictions are reclassified to net assets without donor restrictions. No allowance for doubtful accounts was established as all promises to give were determined by management to be collectable at December 31, 2023.

Revenue Recognition

VETS applies the five-step model to contracts when it is probable that the VETS will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, Revenue from Contracts with Customers, VETS performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as VETS satisfies a performance obligation. VETS then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

A summary of significant revenue recognition policies is as follows:

Grants and Contributions

VETS recognizes contributions when cash, other assets, or unconditional promise to give are received. Grants and contributions that are not restricted by the grantor or donor are reported as increases in net assets without donor restrictions. Grantor or donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with grantor or donor restrictions are reclassified to net assets without donor restrictions. Grants and donor-restricted

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions (Continued)

contributions whose restrictions are met in the same reporting period are reported as increases in net assets without donor restriction. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Services

Donated services are recorded at fair value at the time the services are performed or time of receipt only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. VETS received donated services totaling \$32,000 for the year ended December 31, 2023.

Special Events

Special events are organized to raise contributions to support the activities of VETS. The participants of these events are offered something of value for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the donor and the fair value of the benefit received by the donor is considered a contribution. The items of value given to the donor are referred to as "cost of direct benefit to donors." These are the actual costs of the items and services furnished to the donor to attend the special event. The cost of direct benefit to donors is presented as a line item deducted from gross special events revenue in the statement of activities.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly identified with a functional area are charged to that area. Expenses affecting more than one functional area are allocated to the respective areas based on estimated usage.

Income Taxes

VETS is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. VETS has been classified as "other than a private foundation" by the Internal Revenue Service. VETS recognizes the financial statement benefit of tax positions, such as filing status of tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

VETS is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Recently Issued Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Codification (ASC) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which modifies existing guidance related to the measurement of credit losses on financial instruments, including trade and loan receivables. The new guidance requires the allowance for credit losses to be measured based on expected losses over the life of the asset rather than incurred losses. The guidance is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted. The adoption of FASB ASC 2016-13, Topic 326 did not have an impact on the Organization's financial statements.

NOTE 2 – PROMISES TO GIVE

The fair value of promises to give is as follows at December 31, 2023:

|                                     |                   |
|-------------------------------------|-------------------|
| Without donor restrictions          | \$ 750,000        |
| Less: Discount to net present value | <u>(31,650)</u>   |
|                                     | <u>\$ 718,350</u> |

Promises to give are expected to be collected at December 31, 2023, as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Receivable in less than one year    | \$ 250,000        |
| Receivable in one to five years     | 500,000           |
| Less: Discount to net present value | <u>(31,650)</u>   |
|                                     | <u>\$ 718,350</u> |

NOTE 3 – FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Valuations based on other observable inputs, which include quoted prices in active markets for similar assets and liabilities, either directly or indirectly. These inputs may include observable inputs such as interest rates that are observable at commonly quoted intervals.

Level 3: Valuations based on unobservable inputs for assets and liabilities, which are typically based on an organization’s own assumptions which are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis as of December 31, 2023:

Exchange-traded and closed-end funds, stocks, corporate fixed income, and mutual funds: Valued using readily determinable fair values based on quoted prices in active markets.

The following table presents assets measured at fair value on a recurring basis at December 31, 2023:

|                                      | Level 1             | Level 2     | Level 3     | Total               |
|--------------------------------------|---------------------|-------------|-------------|---------------------|
| Exchange traded and closed-end funds | \$ 2,097,428        |             |             | \$ 2,097,428        |
| Stocks                               | 152,467             |             |             | 152,467             |
| Corporate Fixed Income               | 28,939              |             |             | 28,939              |
| Mutual funds                         | 1,818,005           |             |             | 1,818,005           |
|                                      | <u>\$ 4,096,839</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,096,839</u> |

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4 – INVESTMENTS

Investments consist of the following at December 31, 2023:

|                                      | Cost         | Unrealized<br>Gain (Loss) | Fair Value   |
|--------------------------------------|--------------|---------------------------|--------------|
| Exchange traded and closed-end funds | \$ 2,000,214 | \$ 97,214                 | \$ 2,097,428 |
| Stocks                               | 153,059      | (592)                     | 152,467      |
| Corporate Fixed Income               | 28,957       | (18)                      | 28,939       |
| Mutual funds                         | 1,839,342    | (21,337)                  | 1,818,005    |
|                                      | \$ 4,021,572 | \$ 75,267                 | \$ 4,096,839 |

Net investment return consists of the following for the years ended December 31, 2023:

|                           |            |
|---------------------------|------------|
| Interest and dividends    | \$ 208,686 |
| Realized gains (losses)   | (106,184)  |
| Unrealized gains (losses) | 204,457    |
| Investment expenses       | (44,825)   |
|                           | \$ 262,134 |

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 is as follows:

|                            |              |
|----------------------------|--------------|
| Janice B. Brittingham Fund | \$ 3,000,000 |
|----------------------------|--------------|

NOTE 6 – ENDOWMENT FUNDS

VETS' endowment consists of the Janice B. Brittingham Fund which is donor-restricted, the income from which shall be used for direct assistance to injured warriors.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 6 – ENDOWMENT FUNDS (Continued)

General Board Policy on Administration of Endowment Funds

VETS has interpreted the UPMIFA (California Uniform Prudent Management of Institutional Funds Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VETS classifies net assets with donor restrictions which are perpetual in nature as: (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

Investment Policy for Endowment Funds

The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is considered to be temporary in nature until those amounts are appropriated for expenditure by VETS in a manner consistent with the standard of prudence prescribed by UPMIFA, which became effective in California on January 1, 2009.

VETS has utilized investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, allow it to grow at a rate exceeding expected inflation.

This is consistent with VETS' objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. The principal of the endowment assets, or the sum of the contributions, will be invested and managed in perpetuity.

Spending Policy for Endowment Funds

The income earned from the Janice B. Brittingham Fund shall only be used to directly assist injured warriors. VETS may annually expend up to the total amount of income it has earned in the Janice B. Brittingham Fund during the year.

Endowment net assets consist of the following at December 31, 2023:

|                         |                     |
|-------------------------|---------------------|
| With donor restrictions | <u>\$ 3,000,000</u> |
|-------------------------|---------------------|

VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 6 – ENDOWMENT FUNDS (Continued)

Spending Policy for Endowment Funds (Continued)

Changes in endowment net assets consist of the following for the year ended December 31, 2023:

|  | With Donor Restrictions |                        | Total        |
|--|-------------------------|------------------------|--------------|
|  | Purpose<br>Restricted   | Perpetual<br>in Nature |              |
| Endowment net assets,<br>beginning of year | \$ -                    | \$ 3,000,000           | \$ 3,000,000 |
| Contributions                              | 131,625                 |                        | 131,625      |
| Investments, net                           | 306,959                 |                        | 306,959      |
| Deductions                                 | (438,584)               |                        | (438,584)    |
| Endowment net assets,<br>end of year       | \$ -                    | \$ 3,000,000           | \$ 3,000,000 |

NOTE 7 – CREDIT RISKS AND UNCERTAINTIES

VETS maintains cash balances at Bank of America. The balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured cash balance at December 31, 2023 was \$263,062. Management believes the VETS is not exposed to any significant credit risk. Cash balances deposited and maintained by the bank may differ from cash balances presented in the statement of financial position due to timing differences.

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|   |              |
|---|--------------|
| Cash  | \$ 716,203   |
| Investments   | 4,096,839    |
| Promises to give  | 250,000      |
| Other receivable  | 16,500       |
|   | 5,079,542    |
| Less: Donor-imposed restrictions  | (3,000,000)  |
| Financial assets available to meet cash needs for<br>general expenditures within one year | \$ 2,079,542 |



VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 8 – LIQUIDITY AND AVAILABILITY (Continued)

VETS maintains and manages adequate operating funds per policies set by the board of directors. In addition to financial assets available to meet general expenditures over the next 12 months, VETS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 9 – SUBSEQUENT EVENTS

VETS evaluated subsequent events for their potential impact on the financial statements and disclosures through August 9, 2024, which is the date the financial statements were available to be issued.