# Financial Statements

December 31, 2025
(with Comparative Totals for 2024)

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# INDEPENDENT AUDITORS' 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, 2025, 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, 2025, 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 Auditors' 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.

**Auditors' 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 auditors' 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.

**Report on Summarized Comparative Information**

We have previously audited VETS: Veterans Exploring Treatment Solutions Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Windes, Inc.

Long Beach, California
June 23, 2026

## VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.

## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2025
## (WITH COMPARATIVE TOTALS FOR 2024)

### ASSETS

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 1,757,744 | $ 796,876 |
| Investments | 6,117,561 | 4,442,013 |
| Pledges receivable, net | 367,890 | 570,280 |
| Prepaid expenses | 18,233 | 12,122 |
| **TOTAL ASSETS** | $ 8,261,428 | $ 5,821,291 |

### LIABILITIES AND NET ASSETS

| | December 31, 2025 | December 31, 2024 |
|---|---|---|
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 85,439 | $ 78,513 |
| Total liabilities | 85,439 | 78,513 |
| **CONTINGENCIES (Note 8)** | | |
| **NET ASSETS** | | |
| Without donor restrictions | 4,439,535 | 2,469,368 |
| With donor restrictions | | |
| Restricted for purpose | 736,454 | 273,410 |
| Restricted in perpetuity - endowment | 3,000,000 | 3,000,000 |
| | 3,736,454 | 3,273,410 |
| Total net assets | 8,175,989 | 5,742,778 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 8,261,428 | $ 5,821,291 |

The accompanying notes are an integral part of these financial statements.

## VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.

### STATEMENT OF ACTIVITIES
### FOR THE YEAR ENDED DECEMBER 31, 2025
### (WITH COMPARATIVE TOTALS FOR 2024)

| | Without Donor Restrictions | With Donor Restrictions | Total 2025 | Total 2024 |
|---|---|---|---|---|
| **SUPPORT AND REVENUE** | | | | |
| Contributions | $ 3,183,259 | $ 2,113,304 | $ 5,296,563 | $ 2,845,450 |
| Investment return, net | 224,524 | 454,417 | 678,941 | 316,342 |
| Merchandise sale, net | 12,936 | - | 12,936 | 6,978 |
| Special events, net of direct costs of $893,562 | 716,642 | - | 716,642 | 40,805 |
| Net assets released from restrictions | 2,104,677 | (2,104,677) | - | - |
| Total Support and Revenue | 6,242,038 | 463,044 | 6,705,082 | 3,209,575 |
| **EXPENSES** | | | | |
| Program services | 3,307,239 | - | 3,307,239 | 2,347,734 |
| Management and general | 519,755 | - | 519,755 | 422,855 |
| Fundraising | 444,877 | - | 444,877 | 214,980 |
| Total Expenses | 4,271,871 | - | 4,271,871 | 2,985,569 |
| **CHANGE IN NET ASSETS** | 1,970,167 | 463,044 | 2,433,211 | 224,006 |
| **NET ASSETS, BEGINNING OF YEAR** | 2,469,368 | 3,273,410 | 5,742,778 | 5,518,772 |
| **NET ASSETS, END OF YEAR** | $ 4,439,535 | $ 3,736,454 | $ 8,175,989 | $ 5,742,778 |

## VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED DECEMBER 31, 2025
### (WITH COMPARATIVE TOTALS FOR 2024)

| | | Supporting Services | | Total | |
|---|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | 2025 | 2024 |
| Salaries and wages | $ 823,277 | $ 146,314 | $ 109,321 | $ 1,078,912 | $ 747,400 |
| Employee-related benefits and taxes | 90,607 | 47,400 | 18,198 | 156,205 | 88,665 |
| Total personnel costs | 913,884 | 193,714 | 127,519 | 1,235,117 | 836,065 |
| Bank and merchant fees | - | 44,451 | 12,344 | 56,795 | 33,027 |
| Bad debt | - | 5,500 | - | 5,500 | - |
| Dues and subscriptions | - | 2,333 | 3,900 | 6,233 | 5,065 |
| Insurance | 1,944 | 10,542 | 375 | 12,861 | 7,784 |
| Marketing and outreach | 365,778 | 35,989 | 35,064 | 436,831 | 187,362 |
| Meals and entertainment | 7,149 | 104 | 418 | 7,671 | 12,106 |
| Occupancy expenses | 19,951 | 4,952 | - | 24,903 | 10,527 |
| Office expenses | 83,481 | 65,647 | 23,466 | 172,594 | 146,829 |
| Accounting services | - | 56,075 | - | 56,075 | 41,041 |
| Legislative consulting | 184,907 | 63,468 | - | 248,375 | 201,770 |
| Other professional fees | 635,655 | 34,039 | 231,702 | 901,396 | 473,673 |
| Treatment grants | 714,650 | - | - | 714,650 | 706,123 |
| Coaching | 256,022 | - | - | 256,022 | 245,385 |
| Treatment travel and other costs | 111,131 | - | - | 111,131 | 52,531 |
| Volunteer costs | 4,589 | - | - | 4,589 | - |
| Travel | 8,098 | 2,941 | 10,089 | 21,128 | 26,281 |
| Total functional expenses | $ 3,307,239 | $ 519,755 | $ 444,877 | $ 4,271,871 | $ 2,985,569 |

The accompanying notes are an integral part of these financial statements.

## VETS: VETERANS EXPLORING TREATMENT SOLUTIONS, INC.

### STATEMENT OF CASH FLOWS
### FOR THE YEAR ENDED DECEMBER 31, 2025
### (WITH COMPARATIVE TOTALS FOR 2024)

| | For the Year Ended December 31, | |
|---|---|---|
| | 2025 | 2024 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 2,433,211 | $ 224,006 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Realized gain on investments | (78,650) | (80,684) |
| Unrealized gain on investments | (355,345) | (26,813) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 202,390 | 164,570 |
| Prepaid expenses | (6,111) | 5,217 |
| Accounts payable and accrued liabilities | 6,926 | 32,054 |
| Net Cash Provided By Operating Activities | 2,202,421 | 318,350 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of investments | (3,948,913) | (2,414,611) |
| Proceeds from sale of investments | 2,707,360 | 2,176,934 |
| Net Cash Used In Investing Activities | (1,241,553) | (237,677) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 960,868 | 80,673 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 796,876 | 716,203 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,757,744 | $ 796,876 |

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**DECEMBER 31, 2025**
**(WITH COMPARATIVE TOTALS FOR 2024)**

## NOTE 1 – Summary of Significant Accounting Policies

### *Organization*

VETS: Veterans Exploring Treatment Solutions, Inc. (VETS), formerly known as Sons of Light, Inc., is a nonprofit organization incorporated in 2019 in the state of California.

VETS is the leading organization dedicated to ending the veteran suicide epidemic and treating traumatic brain injuries with psychedelic-assisted therapy. VETS provides grants, coaching, and resources for veterans and their spouses to receive care in countries where these therapies are legal, but still unregulated.

### *Basis of Presentation*

The financial statements of VETS have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

VETS reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions as follows:

> *Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions.
>
> *With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by actions of VETS or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity.

VETS's endowment consists of an individual donor's restricted funds, the income from which shall be used exclusively for direct assistance to injured veterans. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Use of Estimates and Assumptions*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

### *Prior Year Comparative Information*

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with VETS's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

### *Concentration of Credit Risk*

VETS maintains its cash and cash equivalents with financial institutions. At times during the year, such cash and cash equivalent balances may exceed federally insured limits. VETS has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on its cash and cash equivalent balances.

### *Major Revenue Sources*

For the years ended December 31, 2025 and 2024, two donors accounted for approximately 32% and 44% of VETS's total contribution revenue. There were no pledges receivable attributable to these donors as of December 31, 2025. Receivables from these two donors represented approximately 90% of pledges receivable as of December 31, 2024.

### *Cash and Cash Equivalents*

VETS considers cash on hand, cash on deposit, and all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Investments*

VETS's investments are stated at fair value based on the closing price on the last business day of the fiscal year. Realized gains and losses are calculated using the underlying cost of the securities traded. Interest and dividend income are recorded when earned. Gains or losses (including investments bought, sold, and held during the year), as well as interest and dividend income, are reflected in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by the donor or by law.

Investments in marketable securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of financial position.

An endowment fund is considered underwater when losses or withdrawals reduce the fund's assets below the level required by donor stipulations or applicable law. Gains that restore the fair value of the fund's assets to the required level are classified as increases in net assets with donor restrictions.

### *Pledges Receivable*

Pledges receivable are recognized when the donor makes an unconditional promise to give. 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 uncollectible receivables was recorded, as management determined all pledges receivable to be collectible as of December 31, 2025 and 2024.

### *Contributions*

All contributions are considered to be available for unconditional use unless specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Contributions (Continued)***

Contributions are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows when such discount is material. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the donor's conditions are substantially met.

***Special Events***

Revenue from special events includes ticket sales, sponsorships auction proceeds and donations. Events held during the year ended December 31, 2025 generated $1,610,204 of revenues, and had expenses of $893,562.

***Merchandise Sales***

Merchandise sales is comprised sales of promotional clothing and apparell marketed from the Organization's website. Sales revenue is recognized at the time goods are transferred (sold) to the customer.

***Allocation of Functional Expenses***

The cost of providing VETS's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on management's estimates of time and effort.

***Income Taxes***

VETS is exempt from federal income taxes 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.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### *Income Taxes (Continued)*

VETS recognizes the financial statement benefit of tax positions, such as its position of being tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. 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 state purposes is generally three and four years, respectively.

### *Lease Arrangements*

VETS determines if an arrangement contains a lease at inception based on whether VETS has the right to control the asset during the contract period and other facts and circumstances.

VETS's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then VETS has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

VETS has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for payment is incurred. For the years ended December 31, 2025 and 2024, VETS's leases were all short-term; therefore, all components of the lease payments were recognized in the period in which the payment was incurred.

### *Subsequent Events*

In preparing these financial statements, VETS's management has evaluated subsequent events and transactions for potential recognition or disclosure from the date of the statement of financial position through June 23, 2026, the date the financial statements were available to be issued (see Note 11).

## NOTE 2 – Pledges Receivable

The fair value of pledges receivable is as follows:

| | December 31, | |
|---|---|---|
| | **2025** | **2024** |
| Without donor restrictions | $ 367,890 | $ 581,830 |
| Less discount to net present value | - | (11,550) |
| | $ 367,890 | $ 570,280 |

Pledges receivable are expected to be collected as follows:

| | December 31, | |
|---|---|---|
| | **2025** | **2024** |
| Receivable in less than one year | $ 292,890 | $ 331,830 |
| Receivable greater than one year | 75,000 | 250,000 |
| Less discount to net present value | - | (11,550) |
| | $ 367,890 | $ 570,280 |

## NOTE 3 – Fair Value Measurements

Investments are carried at fair value, which is determined, presented, and disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. Under FASB ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to measurements involving significant unobservable inputs (level 3).

**NOTE 3 – Fair Value Measurements (Continued)**

The three levels of the fair value hierarchy are as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities.

*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 estimates and assumptions.

The following tables set forth by level, within the fair value hierarchy, VETS's assets at fair value:

| | As of December 31, 2025 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Exchange traded and closed-end funds | $ 4,004,027 | $ - | $ - | $ 4,004,027 |
| Stocks | 202,910 | - | - | 202,910 |
| Corporate fixed income | 39,313 | - | - | 39,313 |
| Mutual funds | 1,871,311 | - | - | 1,871,311 |
| | $ 6,117,561 | $ - | $ - | $ 6,117,561 |

**NOTE 3 – Fair Value Measurements (Continued)**

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Exchange traded and closed-end funds | $ 2,588,529 | $ - | $ - | $ 2,588,529 |
| Stocks | 186,206 | - | - | 186,206 |
| Corporate fixed income | 29,318 | - | - | 29,318 |
| Mutual funds | 1,637,960 | - | - | 1,637,960 |
| | $ 4,442,013 | $ - | $ - | $ 4,442,013 |

**NOTE 4 – Investments**

Net investment return consists of the following:

| | For the Year Ended December 31, | |
|---|---|---|
| | **2025** | **2024** |
| Interest and dividends | $ 296,626 | $ 254,227 |
| Realized gains | 78,650 | 80,684 |
| Unrealized gains | 355,345 | 26,813 |
| Investment expenses | (51,680) | (45,382) |
| | $ 678,941 | $ 316,342 |

## NOTE 5 – Net Assets With Donor Restrictions

Changes in net assets with donor restrictions were as follows:

| | January 1, 2025 | Contributions | Released from Restrictions | December 31, 2025 |
|---|---|---|---|---|
| Program - Treatment | $ - | $ 1,075,002 | $ (641,737) | $ 433,265 |
| Program - Research | - | 65,000 | (65,000) | - |
| Program - Advocacy | 352,727 | 873,302 | (1,222,229) | 3,800 |
| Time restricted | - | 100,000 | - | 100,000 |
| Endowment earnings (deficit) | (79,317) | 454,417 | (175,711) | 199,389 |
| Endowment corpus | 3,000,000 | - | - | 3,000,000 |
| Total | $ 3,273,410 | $ 2,567,721 | $ (2,104,677) | $ 3,736,454 |

## NOTE 6 – Endowment Funds

VETS's endowment consists of the Janice B. Brittingham Fund, which is donor-restricted, the income from which shall be used for direct assistance to injured veterans. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

## NOTE 6 – Endowment Funds (Continued)

### *Investment Policy for Endowment Funds*

The portion of the donor-restricted endowment fund that is not perpetual in nature is considered to be temporary in nature until 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 adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by the endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested with the objective of achieving long-term returns that exceed expected inflation.

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

### *Funds with Deficiencies – Underwater Endowment Fund*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount required to be maintained in perpetuity by the donor or under UPMIFA (underwater). In accordance with authoritative guidance issued by the FASB, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result primarily from changes in market rates and withdrawals for operational purposes. Subsequent gains that restore the fair value of the endowment assets to the required level are classified as an increase in net assets with donor restrictions.

## NOTE 6 – Endowment Funds (Continued)

### *Funds with Deficiencies – Underwater Endowment Fund (Continued)*

Changes in endowment net assets consist of the following for the years ended December 31, 2025 and 2024:

| | With Donor Restrictions | | |
|---|---|---|---|
| | Accumulated Balance (Deficit) | Perpetual in Nature | Total |
| Endowment net assets, beginning of year | $ (79,317) | $ 3,000,000 | $ 2,920,683 |
| Endowment earnings, net | 454,417 | - | 454,417 |
| Amount appropriated for expenditure | (175,711) | - | (175,711) |
| Endowment net assets, end of year | $ 199,389 | $ 3,000,000 | $ 3,199,389 |

## NOTE 7 – 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 as of December 31, 2025:

| | |
|---|---|
| Cash and cash equivalents | $ 1,757,744 |
| Investments | 6,117,561 |
| Pledges receivable, net | 367,890 |
| | 8,243,195 |
| Less donor-imposed restrictions | (3,736,454) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 4,506,741 |

**NOTE 7 – Liquidity and Availability (Continued)**

VETS maintains and manages adequate operating funds per policies set by its 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 generating sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**NOTE 8 – Contingencies**

From time to time, VETS may be involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters, if any, will have a material effect on VETS's statements of financial position or activities.

**NOTE 9 – Related Party Transactions**

For the year ended December 31, 2025, VETS purchased consulting services from a company owned by one of its founding members totaling approximately $100,000.

For the year ended December 31, 2025, VETS paid a family member of one of the founding members for marketing services totaling approximately $2,400.

**NOTE 10 – Employee Retirement Plan**

During 2025, the Organization began offering a 401(k) retirement plan covering substantially all employees. The Organization provides employer matching contributions equal to 100% of employee contributions on the first 1% of eligible compensation and 50% of employee contributions on the next 5% of eligible compensation. Participants are immediately vested in all contributions and related earnings. Participants may make pre-tax and Roth contributions subject to Internal Revenue Service limitations. The Organization made employer contributions of $33,633 for the year ended December 31, 2025, and are included with employee-related benefits and taxes on the statement of functional expenses.

**NOTE 11 – Subsequent Event**

In March 2026, VETS entered into an operating lease for a facility with escalating monthly payments starting at $6,221 and with a lease term expiring in March 2029.