

THREE SQUARE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024



THREE SQUARE
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Dear Friends,

As I reflect on this last year as President and CEO of Three Square, I am grateful for our community's unwavering commitment to our mission. I invite you to explore our audited financials for the 2024-2025 fiscal year, which highlight the stability, determination, and strength of our organization. While our financials tell an important story, they do not fully capture the incredible impact made this past year. I am thrilled to share that Three Square exceeded its food distribution goal, achieving multiple benchmarks worth celebrating:

- 48 million pounds, the equivalent of 40 million meals, distributed
 - More than 13 million pounds of quality food rescued from retail food partners and diverted from the waste stream
- 440,000 meals and 2.4 million federal dollars brought into the local economy through Nutrition Assistance Program (SNAP) Outreach and Assistance
- 94 cents of every dollar donated to Three Square was allocated to food programs
- 67,000 hours donated by generous volunteers, which is the equivalent of 33 full-time employees

Through numerous conversations with decision-makers, donors, agency partners, and families facing food insecurity, I have felt the tenacity of our city. While it remains strong, we continue to witness an upward trend in food insecurity. According to Feeding America, one in six Southern Nevadans faces food insecurity – that's more than 377,000 people in our community, which includes more than 114,000 children.

The food bank is committed to evolving its work through new partnerships and initiatives to serve our community with dignity and respect. By engaging actively with local stakeholders and organizations, we aim to connect those unconnected to resources, ensuring no one in our community is hungry.

As we look ahead, the challenges of food insecurity remain, but so does our resolve to make a difference. Together, with your continued support and partnership, we can forge a path towards a hunger-free community. Thank you for being an integral part of our journey. We are excited about what we can achieve together in the coming year and beyond.

With gratitude,

Beth Martino
President & CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Three Square and Subsidiary
Las Vegas, Nevada

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements (financial statements) of Three Square and Subsidiary (both nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 financial position of Three Square and Subsidiary as of June 30, 2025 and 2024, 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 audit 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 Financial Statements section of our report. We are required to be independent of Three Square and Subsidiary 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the in-kind contributions and related expenses are based upon estimates. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Three Square and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financials are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain assurance about whether the consolidated financial statements 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 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 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 Three Square and Subsidiary'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 Three Square and Subsidiary'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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The letter from the chief executive officer on page 1 and the New Markets Tax Credits Portion of Business Reporting (Note 13) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025 on our consideration of Three Square and Subsidiary'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 Three Square and Subsidiary'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 Three Square and Subsidiary's internal control over financial reporting and compliance.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 7, 2025

THREE SQUARE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,138,018	\$ 3,254,699
Investments	47,098,249	49,273,101
Investments, restricted	9,231,258	5,861,425
Accounts and other receivables, net of allowance for credit losses	35,733	64,154
Pledges receivable	465,535	349,222
Grants receivable	874,804	927,512
Inventory	3,521,483	4,175,665
Prepaid expenses and deposits	333,037	446,491
	<u>64,698,117</u>	<u>64,352,269</u>
OTHER ASSETS		
Investments, restricted	74,000,000	74,000,000
Finance lease right-of-use assets	975,327	1,266,437
Property and equipment, net	18,325,427	18,781,114
Property and equipment, net, restricted	1,465,117	1,660,465
	<u><u>\$ 159,463,988</u></u>	<u><u>\$ 160,060,285</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,165,171	\$ 1,034,468
Accrued expenses and other current liabilities	647,678	658,096
Finance lease payable, current portion	360,230	466,842
	<u>3,173,079</u>	<u>2,159,406</u>
LONG-TERM LIABILITIES		
Finance lease payable, net of current portion	551,324	832,575
Long-term debt	6,705,436	6,511,278
	<u>10,429,839</u>	<u>9,503,259</u>
NET ASSETS		
Without donor restrictions	63,872,239	68,685,915
With donor restrictions	85,161,910	81,871,111
	<u>149,034,149</u>	<u>150,557,026</u>
	<u><u>\$ 159,463,988</u></u>	<u><u>\$ 160,060,285</u></u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
In-kind contributions	\$ 63,901,065	\$ -	\$ 63,901,065
Donations and contributions	11,749,296	910,227	12,659,523
Government grants	6,260,508	-	6,260,508
Proceeds from food purchased for agency partners	617,597	-	617,597
Investment return, net	9,857,219	3,499,316	13,356,535
Other income	85,848	-	85,848
	<u>92,471,533</u>	<u>4,409,543</u>	<u>96,881,076</u>
Net assets released from restrictions	<u>1,118,744</u>	<u>(1,118,744)</u>	<u>-</u>
	<u>93,590,277</u>	<u>3,290,799</u>	<u>96,881,076</u>
Expenses and losses:			
Food program	92,726,404	-	92,726,404
Management and general	2,010,431	-	2,010,431
Fundraising	3,530,870	-	3,530,870
	<u>98,267,705</u>	<u>-</u>	<u>98,267,705</u>
Loss on disposal of assets	128,402	-	128,402
Credit loss expense	7,846	-	7,846
	<u>98,403,953</u>	<u>-</u>	<u>98,403,953</u>
(DECREASE) / INCREASE IN NET ASSETS	<u>(4,813,676)</u>	<u>3,290,799</u>	<u>(1,522,877)</u>
NET ASSETS, BEGINNING OF YEAR	<u>68,685,915</u>	<u>81,871,111</u>	<u>150,557,026</u>
NET ASSETS, END OF YEAR	<u>\$ 63,872,239</u>	<u>\$ 85,161,910</u>	<u>\$ 149,034,149</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
In-kind contributions	\$ 72,439,061	\$ -	\$ 72,439,061
Donations and contributions	12,924,416	344,554	13,268,970
Government grants	7,420,836	-	7,420,836
Proceeds from food purchased for agency partners	576,951	-	576,951
Investment return, net	8,576,676	3,364,886	11,941,562
Other income	2,213	-	2,213
	<u>101,940,153</u>	<u>3,709,440</u>	<u>105,649,593</u>
Net assets released from restrictions	<u>724,783</u>	<u>(724,783)</u>	<u>-</u>
	<u>102,664,936</u>	<u>2,984,657</u>	<u>105,649,593</u>
Expenses and losses:			
Food program	96,767,725	-	96,767,725
Management and general	1,831,816	-	1,831,816
Fundraising	3,312,422	-	3,312,422
	<u>101,911,963</u>	<u>-</u>	<u>101,911,963</u>
Loss on disposal of assets	5,047	-	5,047
Credit loss expense	47,718	-	47,718
	<u>101,964,728</u>	<u>-</u>	<u>101,964,728</u>
INCREASE IN NET ASSETS	<u>700,208</u>	<u>2,984,657</u>	<u>3,684,865</u>
NET ASSETS, BEGINNING OF YEAR	<u>67,985,707</u>	<u>78,886,454</u>	<u>146,872,161</u>
NET ASSETS, END OF YEAR	<u>\$ 68,685,915</u>	<u>\$ 81,871,111</u>	<u>\$ 150,557,026</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 79,004,771	\$ -	\$ -	\$ 79,004,771
Salaries, taxes and benefits	7,217,003	1,001,180	1,843,271	10,061,454
Depreciation and amortization	1,553,307	40,000	93,505	1,686,812
Grants	1,248,736	-	-	1,248,736
Professional fees	567,883	555,386	218,664	1,341,933
Vehicle expenses	1,039,430	5,966	4,998	1,050,394
Occupancy	612,959	24,504	37,579	675,042
Rent and rental expense	44,542	957	207,334	252,833
Printing	49,100	467	409,449	459,016
Advertising	15,050	-	324,202	339,252
Insurance	279,003	3,817	8,994	291,814
Office	84,509	9,555	191,272	285,336
Program materials	281,770	-	670	282,440
Repairs and maintenance	401,129	5,763	13,914	420,806
Supplies	44,570	299	25,930	70,799
Interest	126,232	274,648	-	400,880
Travel and conferences	25,280	7,363	2,287	34,930
Computer support	105,299	40,907	33,356	179,562
Dues and subscriptions	18,353	25,024	1,434	44,811
Merchant processing and bank fees	-	5,140	101,496	106,636
Meals	7,478	9,455	12,515	29,448
	<u>\$ 92,726,404</u>	<u>\$ 2,010,431</u>	<u>\$ 3,530,870</u>	<u>\$ 98,267,705</u>

See notes to the consolidated financial statements

THREE SQUARE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Food program	Management & general	Fundraising	Total
Inventory disbursed	\$ 83,676,681	\$ -	\$ -	\$ 83,676,681
Salaries, taxes and benefits	6,680,627	950,905	1,583,945	9,215,477
Depreciation and amortization	1,492,437	43,422	87,827	1,623,686
Grants	1,568,177	-	-	1,568,177
Professional fees	392,283	460,189	169,502	1,021,974
Vehicle expenses	1,028,213	1,987	3,391	1,033,591
Occupancy	556,543	24,387	32,211	613,141
Rent and rental expense	27,257	1,853	194,760	223,870
Printing	74,845	453	416,966	492,264
Advertising	50,283	630	428,965	479,878
Insurance	268,996	3,553	7,255	279,804
Office	128,730	7,930	183,553	320,213
Program materials	183,751	-	1,000	184,751
Repairs and maintenance	287,493	3,947	8,020	299,460
Supplies	21,851	2,006	23,020	46,877
Interest	134,489	270,678	-	405,167
Travel and conferences	23,966	4,790	7,071	35,827
Computer support	134,587	6,263	49,111	189,961
Dues and subscriptions	22,038	27,027	2,527	51,592
Merchant processing and bank fees	-	4,756	96,487	101,243
Meals	14,478	17,040	16,811	48,329
	<u>\$ 96,767,725</u>	<u>\$ 1,831,816</u>	<u>\$ 3,312,422</u>	<u>\$ 101,911,963</u>

See notes to the consolidated financial statements

THREE SQUARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,522,877)	\$ 3,684,865
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,686,812	1,623,686
Amortization of debt issuance costs	194,158	194,157
Donated securities	(43,584)	(19,708)
Donated food received	(63,696,030)	(72,144,636)
Donated food distributed	65,584,139	71,934,023
Donated fixed assets	-	(5,000)
Change in allowance for credit losses	20,275	(38,414)
Realized and unrealized gain on investments	(9,974,888)	(8,849,530)
Loss on disposal of assets	128,402	5,047
Changes in operating assets and liabilities:		
Accounts and other receivable	8,146	70,570
Pledges receivable	(116,313)	250,713
Grants receivable	52,708	(193,074)
Inventory	(1,233,927)	76,776
Prepaid expenses	113,454	99,581
Accounts payable	1,130,703	77,193
Accrued expenses and other current liabilities	(10,418)	176,005
Net cash used in operating activities	<u>(7,679,240)</u>	<u>(3,057,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(640,022)	(111,556)
Sales of property and equipment	-	8,000
Sales of investments	46,681,898	53,736,637
Purchases of investments	(37,858,407)	(52,373,830)
Net cash provided by investing activities	<u>8,183,469</u>	<u>1,259,251</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of finance lease obligations	(620,910)	(417,910)
Net cash used in financing activities	<u>(620,910)</u>	<u>(417,910)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(116,681)	(2,216,405)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,254,699</u>	<u>5,471,104</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,138,018</u></u>	<u><u>\$ 3,254,699</u></u>
SUPPLEMENTAL DISCLOSURES		
Capital assets acquired through finance leases	\$ 265,279	\$ 214,367
Cash paid for interest	\$ 206,722	\$ 211,010

See notes to the consolidated financial statements

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Three Square is a nonprofit entity organized under the laws of the State of Nevada. Three Square's mission is to provide wholesome food to hungry people, while passionately pursuing a hunger-free community in Southern Nevada. Three Square procures food from individuals, manufacturers, food distributors, and grocery stores and then distributes food to other nonprofit agencies feeding those in need and provides other services for the purpose of ending hunger in Southern Nevada. Three Square is supported through donor contributions and grants from donors and organizations. Accordingly, future operations may be affected by adverse changes in local economic conditions in Southern Nevada.

Three Square Plan Giving (TSPG) is a non-profit entity organized under the laws of the State of Nevada, with the mission to solicit estate gifts on behalf of Three Square. The results of TSPG have been consolidated with Three Square, and all intercompany transactions have been eliminated. References to the Organization refer to the consolidated entity of Three Square and Three Square Plan Giving.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation and Reclassifications

The consolidated financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Codification. Under the FASB Codification, resources must be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as without donor restrictions and with donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures, some of which may need revision in future periods. Actual results may differ from those estimates.

The Organization receives significant amounts of donated food which is recognized as in-kind revenue, inventory, and inventory disbursed. The valuation of these in-kind food donations is a significant estimate. The Organization also uses estimates to allocate expenses by function. Management's estimate of the functional expense allocation is based upon salary and square footage allocations. The salary allocation is determined based on how much time each employee spends working in each function. The square footage allocation is based on how much space each department occupies related to each function.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. In accordance with accounting standards, management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed.

No amounts have been identified or recorded as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to six years.

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with an initial maturity of three months or less.

Accounts and Other Receivables

Accounts and other receivables consists primarily of nominal proceeds from food purchased for agency partners and miscellaneous receivables. The credit risk inherent in these receivables is low, as agencies are unable to order additional product if accounts go past due. To determine credit losses, receivables with similar risk characteristics are pooled together and evaluated based on historical credit losses. The allowance for credit losses was \$75,071 and \$95,346 as of June 30, 2025 and 2024, respectively. No interest income is recognized or charged on accounts receivable. The beginning balances of accounts and other receivables were \$64,154 and \$96,310 for the years ended June 30, 2025 and 2024, respectively.

The Organization has elected the practical expedient for measuring expected credit losses on accounts receivables. Under this practical expedient, management assumes that the economic conditions existing at the statement of financial position date will remain unchanged for the expected life of these assets.

Management has also elected the accounting policy option to consider subsequent cash collections occurring between the statement of financial position date and the date the financial statements are available for issuance when estimating expected credit losses.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of purchased and donated food and non-food items, as well as government commodities. Purchased inventory is valued using the first-in, first-out and weighted average methods. Donated inventory is recorded when received at an estimated fair value per pound provided by Feeding America, a national food bank network, which was \$1.90 and \$1.97 as of June 30, 2025 and 2024, respectively. Government commodities are also recorded when received at an estimated fair value per pound, provided by Feeding America, of \$1.72 and \$1.74 as of June 30, 2025 and 2024, respectively.

	As of June 30,	
	2025	2024
Purchased inventory	\$ 2,557,514	\$ 1,323,586
Donated inventory	507,968	1,102,069
Government commodity inventory	456,001	1,750,010
Total inventory	<u>\$ 3,521,483</u>	<u>\$ 4,175,665</u>

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from estimated future undiscounted cash flows expected to result from the asset's use and eventual disposition. If the undiscounted cash flows exceed the carrying amount, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying amount, an impairment charge is recorded based upon the fair value of the asset.

Property and Equipment

The Organization capitalizes expenditures for property and equipment in excess of \$5,000 and with a useful life greater than one year. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of 39 years for buildings; 15 to 39 years for building improvements; 5 years for computer equipment and software; 6 years for vehicles; 5 years for furniture, equipment and machinery; and 5 years for website design.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement contains a lease at inception. An arrangement contains a lease if there are identified assets and the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. Control over the use of the identified asset means the lessee has both the right to obtain substantially all of the economic benefit from the use of the asset and the right to direct the use of the asset.

For leases with terms greater than twelve months, the right-of-use assets and lease liabilities are recognized based on the present value of the future minimum leases payments over the lease term at the commencement date. Lease terms include options to extend the lease when it is reasonably certain that such option will be exercised. For operating leases, lease expense is recognized on a straight-line basis over the expected lease term. For finance leases, the right-of-use asset depreciates on a straight-line basis over the shorter of the lease term or useful life of the right-of-use asset. The lease liability accretes interest based on the interest method using the discount rate determined at lease commencement. For leases that do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of the lease payments.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged at their estimated net realizable value. Contributions are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with or without donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. Investment income is recognized consistent with these policies.

Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The Organization expenses advertising costs as incurred.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On July 30, 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. These amendments provide (1) all entities with a practical expedient and (2) entities other than public business entities (PBEs), with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under FASB Accounting Standards Codification 606, *Revenue from Contracts with Customers*, as follows:

- 1) In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the statement of financial position date do not change for the remaining life of the asset.
- 2) An entity other than a PBE that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the statement of financial position date when estimating expected credit losses.

The amendments are effective for annual reporting periods beginning after December 15, 2025 with early adoption permitted, and the ASU should be applied prospectively. The Organization has elected to adopt the amendment for the year ended June 30, 2025 inclusive of both the practical expedient and the policy election.

Subsequent Events

Subsequent events have been evaluated through November 7, 2025, which is the date the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted and restricted pledges. All pledges are expected to be received within one year, so no pledges have been discounted. All pledges were deemed fully collectible for the years ended June 30, 2025 and 2024.

	As of June 30,	
	2025	2024
Time restricted (no purpose restriction)	\$ 465,535	\$ 349,222
Total pledges receivable	\$ 465,535	\$ 349,222
Receivable in less than one year	\$ 465,535	\$ 349,222

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 3. INVESTMENTS AND FAIR VALUE

Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is measured according to a hierarchy that includes: “Level 1” inputs, such as quoted prices in an active market for identical assets or liabilities; “Level 2” inputs, which are observable inputs for similar assets; or “Level 3” inputs, which are unobservable inputs. For the fiscal years ended June 30, 2025 and 2024, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2025 and 2024 are summarized as follows.

	June 30, 2025		
	Level 1	Level 2	Total
Equity securities	\$ 65,454,657	\$ -	\$ 65,454,657
Fixed income and preferred securities	38,109,872	-	38,109,872
Alternative investments	5,894,030	20,870,948	26,764,978
Total investments	<u>\$ 109,458,559</u>	<u>\$ 20,870,948</u>	<u>\$ 130,329,507</u>

	June 30, 2024		
	Level 1	Level 2	Total
Equity securities	\$ 66,758,347	\$ -	\$ 66,758,347
Fixed income and preferred securities	40,749,857	-	40,749,857
Alternative investments	435,001	21,191,321	21,626,322
Total investments	<u>\$ 107,943,205</u>	<u>\$ 21,191,321</u>	<u>\$ 129,134,526</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of June 30,	
	2025	2024
Building and building improvements	\$ 26,170,811	\$ 25,985,373
Vehicles	436,977	412,168
Furniture and equipment	2,572,773	2,373,658
Land	1,959,953	1,959,953
Computer equipment and software	1,187,973	1,289,584
Website design	145,114	138,164
Construction-in-progress	16,700	49,585
Total property and equipment	32,490,301	32,208,485
Less: accumulated depreciation	(12,699,757)	(11,766,906)
Total property and equipment, net	<u>\$ 19,790,544</u>	<u>\$ 20,441,579</u>

For the years ended June 30, 2025 and 2024, depreciation expense totaled \$1,157,272 and \$1,250,256, respectively.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5. LEASES

The Organization leases real estate and various equipment under finance lease arrangements. The amortization related to these right-of-use assets, included in depreciation and amortization expense in the consolidated statements of functional expenses. These right-of-use assets are as follows:

	As of June 30,	
	2025	2024
Vehicles	\$ 2,073,062	\$ 1,900,986
Furniture and equipment	515,103	577,933
Land ⁽¹⁾	252,431	252,431
	<u>2,840,596</u>	<u>2,731,350</u>
Less: accumulated amortization	(1,865,269)	(1,464,913)
Finance leases right-of-use assets, net	<u>\$ 975,327</u>	<u>\$ 1,266,437</u>

(1) In November 2018, the Organization entered into an agreement to lease land adjacent to the main offices of Three Square to be used for a parking lot. The term of the land lease is ten years, with an option to extend for another ten years.

Total lease costs for the years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Short-term lease costs	\$ 252,833	\$ 223,870
Finance lease costs:		
Interest expense	110,858	134,489
Amortization of right-of-use assets	529,540	373,430
	<u>\$ 893,231</u>	<u>\$ 731,789</u>

As of June 30, 2025, the weighted-average remaining lease term of finance leases was 36 months and the weighted-average discount rate was 4.09%. As of June 30, 2024, the weighted-average remaining lease term of finance leases was 42 months, and the weighted-average discount rate was 9.71%.

Future minimum lease payments under these lease arrangements are as follows:

Fiscal year ending June 30,	
2026	\$ 423,284
2027	261,193
2028	209,539
2029	119,396
2030	10,898
	<u>1,024,310</u>
Less: amount representing interest	(112,756)
Less: current portion	(360,230)
Finance lease payable, net of current portion	<u>\$ 551,324</u>

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 6. LONG-TERM DEBT

Long-term debt consists of the following:

	As of June 30,	
	2025	2024
Term loan due January 10, 2050 ⁽¹⁾	\$ 3,034,900	\$ 3,034,900
Term loan 1 due July 22, 2055 ⁽²⁾	441,177	441,177
Term loan 2 due July 22, 2055 ⁽²⁾	912,028	912,028
Term loan 3 due July 22, 2055 ⁽²⁾	673,663	673,663
Term loan 4 due July 22, 2055 ⁽²⁾	673,662	673,662
Term loan 5 due July 22, 2055 ⁽²⁾	673,662	673,662
Term loan 6 due July 22, 2055 ⁽²⁾	673,662	673,662
Total long-term debt	7,082,754	7,082,754
Less: debt issuance costs	(377,318)	(571,476)
Less: current maturities of long-term debt	-	-
Total	\$ 6,705,436	\$ 6,511,278

(1) On January 10, 2020, the Organization entered into a NMTC financing transaction to partially fund the purchase and renovation of a new warehouse. As part of the transaction, this loan was made. Outstanding principal bears interest at a rate of 1.2371% and is due and payable quarterly. No principal payments are due or payable until March 1, 2027. The note is secured by a deed of trust on the warehouse property and requires the Organization, among other obligations, to maintain specified financial ratios. As of June 30, 2025, the Organization was in compliance with all required debt covenants. For further information regarding the NMTC financing transaction, see Note 12.

(2) On July 22, 2020, the Organization entered into a NMTC financing transaction to fund the portion of the Organization's operations located at the Three Square Headquarters, specifically the childhood nutrition program, the food rescue program, and the agency delivery program. As part of this transaction, six loans were made by five lenders. For loans 1 and 2, outstanding principal bears interest at a rate of 1.0247% and is due and payable quarterly. For loans 3, 4, 5 and 6, outstanding principal bears interest at a rate of 1.0% and is due and payable quarterly. For all six loans, no principal payments are due or payable until March 1, 2027. All notes are secured by a deed of trust on the Three Square Headquarters building, and all notes require the Organization, among other obligations, to maintain specified financial ratios. As of June 30, 2025, the Organization was in compliance with all required debt covenants. For further information regarding the NMTC transaction, see Note 12.

Future minimum principal payments under these notes payable are as follows:

Fiscal year ending June 30:	
2026	\$ -
2027 and thereafter	7,082,754
Total minimum payments	\$ 7,082,754

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are restricted for the following purposes or periods:

	As of June 30,	
	2025	2024
Subject to expenditure for specific purpose:		
School-based distributions	\$ 741,708	\$ 1,289,104
Building maintenance	523,309	600,861
Home delivery	372,386	-
Government affairs	182,007	-
Senior nutrition programs	180,616	148,116
Childhood nutrition programs	170,719	114,862
Food rescue	52,804	33,029
Marketing	48,000	-
Benefit services outreach	44,569	-
Food purchases	22,925	52,758
Healthcare partnerships	5,000	50,000
Employee training programs	2,003	2,000
Transportation	-	184,800
Total subject to expenditure for specific purpose	2,346,046	2,475,530
Subject to the passage of time:		
Building and land ⁽¹⁾	1,465,117	1,660,465
Pledges receivable, net	465,535	349,222
Total subject to the passage of time	1,930,652	2,009,687
Subject to endowment spending policy and appropriation:		
Hilton endowment ⁽²⁾	3,200,541	2,915,247
Englestad endowment ⁽²⁾	12,402,903	11,437,586
Senior Hunger endowment	65,281,768	63,033,063
	80,885,212	77,385,896
Total nets assets with donor restrictions	\$ 85,161,910	\$ 81,871,113

(1) Clark County donated a building to the Organization on November 16, 2007, with a usage restriction that requires the building to be used as a food bank warehouse or, subject to approval by Clark County, for some other similar purpose for thirty years. The original restrictions were assigned to the building as of December 2002 to be fully released in December 2032. Net assets with donor restrictions include the restricted donation of \$4,900,000 with an equal portion released each year.

(2) Earnings from these endowments are unrestricted.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 8. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the date of the statements of financial position for general expenditures are as follows:

	As of June 30,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 3,138,018	\$ 3,254,699
Accounts and other receivables, net	35,733	64,154
Pledges receivable	465,535	349,222
Total financial assets	3,639,286	3,668,075
Liquidity resources		
Bank line of credit	15,000,000	15,000,000
Total financial assets and liquidity resources	\$ 18,639,286	\$ 18,668,075

The Organization is supported by donor contributions, some of which are restricted to a particular project or program. The Organization must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year and have been excluded from the table above. To manage liquidity, a line of credit is maintained that can be drawn upon as needed during the year to manage cash flows. No amounts were outstanding as of June 30, 2025 or 2024. In addition, endowment fund earnings are available for general expenditure. See Note 9 for further details.

NOTE 9. ENDOWMENTS

Endowment funds include restricted donor funds, as detailed in Note 7, and Board-designated funds. As required by the FASB Codification, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Nevada state laws 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, net assets classified as with donor restrictions are (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The funds are appropriated for expenditure by the Organization in accordance with the donor's wishes.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a current policy of retaining the earnings within the endowment fund until such time that the Board of Directors has determined specific expenditures in which to use the earnings not restricted by the donor or the need for use to support operations. This policy is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 9. ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature would be included in net asset with donor restrictions. There were no deficiencies at June 30, 2025.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets, with a primary emphasis on capital growth. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten-year time frame. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6%. Actual returns in any given year may vary from this amount.

Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 5,619,734	\$ -	\$ 5,619,734
Donor restricted endowment funds	-	80,885,512	80,885,512
Total endowment funds	\$ 5,619,734	\$ 80,885,512	\$ 86,505,246

Changes in endowment net assets for the year ended June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 5,774,734	\$77,386,196	\$83,160,930
Investment return, net	5,140,000	3,499,316	8,639,316
Transfer to operations	(5,295,000)	-	(5,295,000)
Endowment net assets, end of year	\$ 5,619,734	\$80,885,512	\$86,505,246

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Board designated	\$ 5,774,734	\$ -	\$ 5,774,734
Donor restricted endowment funds	-	77,386,196	77,386,196
Total endowment funds	\$ 5,774,734	\$ 77,386,196	\$ 83,160,930

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 9. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 4,761,583	\$74,021,010	\$78,782,593
Investment return, net	-	7,238,337	7,238,337
Transfer to operations	(2,860,000)	-	(2,860,000)
Appropriations	3,873,151	(3,873,151)	-
Endowment net assets, end of year	\$ 5,774,734	\$77,386,196	\$83,160,930

Strategies Employed for Achieving Objectives

To satisfy the long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation is targeted that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

NOTE 10. CONCENTRATIONS

The Organization has concentrated credit risk by maintaining deposits at three financial institutions, which at most times exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The loss would represent the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by the FDIC. The Organization has not experienced any losses on accounts, and management does not believe the Organization is exposed to a significant credit risk to cash.

The Organization maintains cash balances in investment accounts held by two investment brokers. The cash held is insured by Securities Investor Protection Corporation (SIPC) insurance. SIPC insurance covers losses due to investment fraud.

For the years ended June 30, 2025 and 2024, nearly 100% of all in-kind contributions were contributions of food and approximately 34% and 36%, respectively, were contributed by one source. For the years ended June 30, 2025 and 2024, in-kind food donations represented 66% and 68%, respectively, of total revenues.

NOTE 11. COMMITMENTS

In November 2021, the Organization entered into a liquidity access line of credit with an investment broker allowing the Organization to receive a non-purpose loan up to \$15 million, secured by unrestricted investment holdings. This liquidity access line is payable upon demand at a variable interest rate based on the Secured Overnight Financing Rate plus a Variable Rate Adjustment or spread adjustment. No amount was drawn on the loan as of June 30, 2025.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 11. COMMITMENTS (CONTINUED)

The Organization maintains a qualified retirement plan under the provisions of Section 403(b) of the Internal Revenue Code of 1986, as amended, which covers all eligible employees. Participating employees defer a portion of their salary in a retirement fund, and the Organization makes a discretionary match contribution, where applicable, of 50% of employees' elective salary deferrals, up to maximum of 6% of eligible employee compensation. The matching contributions for the years ended June 30, 2025 and 2024 were \$190,803 and \$159,188, respectively.

NOTE 12. NEW MARKETS TAX CREDIT TRANSACTIONS

On July 22, 2020, the Organization entered into a NMTC financing transaction to partially fund operational activities at the Three Square Headquarters, specifically the childhood nutrition programs, the food rescue program and the agency delivery program. These programs have been identified as a portion of business (POB) and are the only programs to utilize the funding received. See Note 13 for further discussion. As part of the financing transaction, the NMTC investors made loans totaling \$4,047,854 into the project, which are discussed in Note 6. The Organization entered into put and call agreements to take place at the end of the seven-year period. Under the put and call agreements, the NMTC investors can exercise a put option to sell all interest in the project to the Organization for \$1,000. If the NMTC investor does not exercise that put option, then the agreement allows for the Organization to exercise a call option to purchase the interest in the project at fair market value.

On January 10, 2020, the Organization entered into a NMTC financing transaction to partially fund the acquisition and renovation of a warehouse. The warehouse is to be used for the Senior Hunger programs, Federal commodities, and assistance with benefits such as the Supplemental Nutrition Assistance Program (SNAP), among other activities. These programs operating within the warehouse have been defined as a POB and are the only programs to utilize the funding received. See Note 13 for further discussion. As part of the financing transaction, the NMTC investor made loans totaling \$3,034,900 into the project, which are discussed in Note 6. The Organization entered into a put and call agreement to take place at the end of the seven-year period. Under the put and call agreement, the NMTC investor can exercise a put option to sell all interest in the project to the Organization for \$1,000. If the NMTC investor does not exercise that put option, then the agreement allows for the Organization to exercise a call option to purchase the interest in the project at fair market value.

The NMTC program is designed to increase investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for investments. To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2027 for both projects.

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 13. NEW MARKETS TAX CREDIT PORTION OF BUSINESS REPORTING (UNAUDITED)

Per the loan agreements associated with the NMTC transactions, the Organization is obligated to provide financial information for the portion of businesses funded by the NMTC transactions. The East Campus POB is defined as the portion of business that developed and operates programs located at the East Campus warehouse, which include senior hunger programs, Federal food commodities, and benefits assistance, including SNAP assistance, among others. The Headquarters POB is defined as the portion of business that operates the childhood nutrition programs, the food rescue program, and the agency delivery program out of the Three Square Headquarters warehouse. The following financial statements are as of June 30, 2025.

STATEMENT OF FINANCIAL POSITION

	East Campus POB	Headquarters POB	Non-POB	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 3,138,018	\$ 3,138,018
Investments	-	-	130,329,507	130,329,507
Accounts and other receivables, net	-	963,804	412,268	1,376,072
Inventory	935,348	2,586,135	-	3,521,483
Prepaid expenses and deposits	-	324,523	8,514	333,037
Property and equipment, net	5,974,897	13,815,647	-	19,790,544
Finance lease right-of-use asset	-	975,327	-	975,327
	<u>\$ 6,910,245</u>	<u>\$ 18,665,436</u>	<u>\$ 133,888,307</u>	<u>\$ 159,463,988</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 504,299	\$ 1,537,456	\$ 123,416	\$ 2,165,171
Accrued expenses and other	62,198	383,025	202,455	647,678
Finance lease payable	-	911,554	-	911,554
Long-term debt	-	-	6,705,436	6,705,436
	<u>566,497</u>	<u>2,832,035</u>	<u>7,031,307</u>	<u>10,429,839</u>
Net assets	<u>6,343,748</u>	<u>15,833,401</u>	<u>126,857,000</u>	<u>149,034,149</u>
	<u><u>\$ 6,910,245</u></u>	<u><u>\$ 18,665,436</u></u>	<u><u>\$ 133,888,307</u></u>	<u><u>\$ 159,463,988</u></u>

THREE SQUARE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 13. NEW MARKETS TAX CREDIT PORTION OF BUSINESS REPORTING (UNAUDITED)
(CONTINUED)

STATEMENT OF ACTIVITIES				
	East Campus POB	Headquarters POB	Non-POB	Total
Revenue, gains and other support:				
In-kind contributions	\$ 57,531	\$ 63,818,902	\$ 24,632	\$ 63,901,065
Contributions and grants	799,402	16,631,542	1,489,087	18,920,031
Proceeds from food purchased for agency partners	55,049	562,548	-	617,597
Investment return	6,792,703	-	6,563,832	13,356,535
Other income	-	3,008	82,840	85,848
	<u>7,704,685</u>	<u>81,016,000</u>	<u>8,160,391</u>	<u>96,881,076</u>
Expenses and losses:				
Inventory disbursed	4,853,523	74,151,248	-	79,004,771
Salaries, taxes and benefits	1,321,763	4,707,642	4,032,049	10,061,454
Other	2,121,505	4,186,550	3,029,673	9,337,728
	<u>8,296,791</u>	<u>83,045,440</u>	<u>7,061,722</u>	<u>98,403,953</u>
Increase (decrease) in net assets	<u>\$ (592,106)</u>	<u>\$ (2,029,440)</u>	<u>\$ 1,098,669</u>	<u>\$ (1,522,877)</u>

**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
Three Square
Las Vegas, Nevada

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 Three Square and Subsidiary (both nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2025, 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 November 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Three Square and Subsidiary'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 Three Square and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Three Square and Subsidiary'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Three Square and Subsidiary's consolidated financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Three Square and Subsidiary'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 Three Square and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 7, 2025