



Futures Explored, Inc.

Financial Statements

For the Years Ended June 30, 2022 and 2021



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities for the Year Ended June 30, 2022	4
Statement of Activities for the Year Ended June 30, 2021	5
Statement of Functional Expenses for the Year Ended June 30, 2022	6
Statement of Functional Expenses for the Year Ended June 30, 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To The Board of Directors
Futures Explored, Inc.
Concord, California

Opinion

We have audited the financial statements of Futures Explored, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations 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 ("GAAS"). 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 the Organization 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.

Other Matter

The financial statements of the Organization, as of and for the year ended June 30, 2021, were audited by other auditors, whose report, dated August 16, 2022, expressed an unmodified opinion on those statements.

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 the Organization's ability to continue as a going concern for 12 months beyond the date of the financial statements.

Independent Auditor's Report (continued)

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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.



Santa Rosa, California
April 21, 2023

Futures Explored, Inc.
Statements of Financial Position

June 30,	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,034,953	\$ 1,365,657
Accounts receivable, net	946,062	967,213
Grants receivable	281,039	-
Prepaid expenses	26,941	53,145
Total current assets	2,288,995	2,386,015
Property, equipment, and improvements, net	1,065,313	1,124,862
Investments, at fair value	20,832	22,367
Deposits and other assets	72,014	69,925
Total assets	\$ 3,447,154	\$ 3,603,169
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 140,326	\$ 88,349
Accrued expenses	557,890	538,159
Current portion of accrued payroll taxes	133,663	139,995
Current portion of long-term debt	41,824	246,598
Total current liabilities	873,703	1,013,101
Deferred rent	120,641	125,848
Paycheck Protection Program loan	-	1,405,739
Accrued payroll taxes, less current portion	195,686	217,377
Long-term debt, less current portion	147,626	192,027
Total liabilities	1,337,656	2,954,092
Net assets		
Without donor restrictions	2,016,567	291,812
With donor restrictions	92,931	357,265
Total net assets	2,109,498	649,077
Total liabilities and net assets	\$ 3,447,154	\$ 3,603,169

See accompanying notes.

Futures Explored, Inc.
Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Client service revenue	\$ 8,732,092	\$ -	\$ 8,732,092
Paycheck Protection Program loan and interest forgiveness	1,420,066	-	1,420,066
Grant revenue	281,039	-	281,039
Community revenue	213,275	-	213,275
Contribution income	42,573	60,179	102,752
Other income	43,016	-	43,016
Related party loan principal and interest forgiveness	9,230	-	9,230
Event revenue, net	3,347	-	3,347
Investment income (loss)	524	(3,083)	(2,559)
Total revenue, gains, and other support	10,745,162	57,096	10,802,258
Reclassification, net assets released from restriction	321,430	(321,430)	-
Expenses			
Program services	7,705,122	-	7,705,122
Administration	1,629,626	-	1,629,626
Fundraising	7,089	-	7,089
Total expenses	9,341,837	-	9,341,837
Change in net assets	1,724,755	(264,334)	1,460,421
Net assets at beginning of year	291,812	357,265	649,077
Net assets at end of year	\$ 2,016,567	\$ 92,931	\$ 2,109,498

See accompanying notes.

Futures Explored, Inc.
Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Client service revenue	\$ 9,575,386	\$ -	\$ 9,575,386
Contribution income	42,521	231,087	273,608
Community revenue	166,045	-	166,045
Other income	58,269	-	58,269
Investment income	1,226	2,834	4,060
Grant revenue	3,496	-	3,496
Event revenue, net	1,624	-	1,624
Loss on sale of property, equipment, and improvements	(57,232)	-	(57,232)
Total revenue, gains, and other support	9,791,335	233,921	10,025,256
Reclassification, net assets released from restriction	63,780	(63,780)	-
Expenses			
Program services	7,470,106	-	7,470,106
Administration	1,822,766	-	1,822,766
Fundraising	16,064	-	16,064
Total expenses	9,308,936	-	9,308,936
Change in net assets	546,179	170,141	716,320
Net assets (deficit) at beginning of year	(254,367)	187,124	(67,243)
Net assets at end of year	\$ 291,812	\$ 357,265	\$ 649,077

See accompanying notes.

Futures Explored, Inc.
Statement of Functional Expenses

Year Ended June 30, 2022

	Programs						Total				
	Community Connections	Employment Support	Film and Media	Personal Wellness	Business Enterprises	Special Projects	Program Services	Administration			
Personnel	\$ 1,206,634	\$ 865,403	\$ 1,309,696	\$ 1,216,858	\$ 2,924	\$ 252,961	\$ 4,854,476	\$ 662,503	\$ -	\$ 5,516,979	
Employee benefits	224,661	156,999	173,540	219,238	25	177	774,640	97,592	-	872,232	
Rent	68,751	108,750	208,249	174,460	162,638	181	723,029	24,393	125	747,547	
Payroll taxes	91,259	65,336	89,529	91,430	223	19,114	356,891	59,101	-	415,992	
Professional services	1,077	993	124,198	1,410	6,933	99	134,710	216,211	540	351,461	
Information technology	19,973	14,064	48,870	20,894	1,109	712	105,622	154,335	3,985	263,942	
Vehicle expenses	48,868	-	1,748	102,129	-	-	152,745	5,030	-	157,775	
Depreciation	-	-	-	58,275	-	-	58,275	91,547	-	149,822	
Small equipment and supplies	14,892	5,395	46,641	38,986	8,477	-	114,391	14,375	522	129,288	
Insurance	-	-	-	-	-	-	-	97,745	-	97,745	
Travel and meals	23,591	22,024	14,502	12,544	763	3,435	76,859	10,233	90	87,182	
Bad debt expense	21,398	16,612	398	22,165	-	-	60,573	19,420	-	79,993	
Telephone and communications	12,896	15,577	13,015	20,993	2,324	1,539	66,344	12,678	-	79,022	
Repairs and maintenance	2,694	267	29,865	22,086	550	-	55,462	7,831	-	63,293	
Service charges	11	-	55	2,452	60	-	2,578	54,560	-	57,138	
Utilities	4,627	108	26,476	19,231	6,034	-	56,476	227	-	56,703	
Taxes and licenses	133	-	362	1,376	(10)	-	1,861	43,023	-	44,884	
Professional development	1,796	3,210	2,139	1,711	32	24,203	33,091	6,306	(200)	39,197	
Advertising	8,545	5,920	8,850	8,462	22	-	31,799	5,052	2,076	38,927	
Equipment rental	589	4,200	6,915	7,467	488	-	19,659	15,973	-	35,632	
Property taxes	-	-	642	276	280	-	1,198	18,283	-	19,481	
Miscellaneous	8,346	1,374	218	1,120	56	239	11,353	5,514	(49)	16,818	
Dues and subscriptions	2,885	2,056	2,855	2,599	335	-	10,730	2,154	-	12,884	
Interest	-	-	-	2,208	-	-	2,208	4,397	-	6,605	
Postage	113	-	27	12	-	-	152	1,143	-	1,295	
	\$ 1,763,739	\$ 1,288,288	\$ 2,108,790	\$ 2,048,382	\$ 193,263	\$ 302,660	\$ 7,705,122	\$ 1,629,626	\$ 7,089	\$ 9,341,837	

See accompanying notes.

Futures Explored, Inc.
Statement of Functional Expenses

Year Ended June 30, 2021

	Programs					Total Program Services	Administration	Fundraising	Total
	Community Connections	Employment Support	Film and Media	Personal Wellness	Business Enterprises				
Personnel	\$ 1,090,904	\$ 826,968	\$ 1,118,086	\$ 1,567,475	\$ 38,377	\$ 4,641,810	\$ 830,332	\$ 10,395	\$ 5,482,537
Employee benefits	248,081	207,495	210,139	407,502	2,941	1,076,158	103,829	312	1,180,299
Rent	68,510	91,978	217,441	203,035	93,655	674,619	42,861	17	717,497
Payroll taxes	77,886	61,740	76,604	118,060	3,490	337,780	31,625	649	370,054
Professional services	1,520	980	85,196	2,444	3,179	93,319	235,502	4,465	333,286
Information technology	21,341	15,509	48,500	31,114	3,014	119,478	89,177	37	208,692
Depreciation	-	-	-	62,842	-	62,842	117,342	-	180,184
Vehicle expenses	13,887	(11,414)	1,559	113,292	29	117,353	12,663	126	130,142
Insurance	-	-	-	-	-	-	103,498	-	103,498
Telephone and communications	11,342	15,179	15,156	25,590	2,147	69,414	10,941	10	80,365
Interest	-	-	-	3,985	-	3,985	60,823	-	64,808
Service charges	6,181	4,587	5,596	11,765	315	28,444	35,371	42	63,857
Bad debt expense	3,774	14,645	15,498	4,258	-	38,175	17,177	-	55,352
Taxes and licenses	1,118	12	319	817	207	2,473	50,281	-	52,754
Utilities	3,540	114	17,911	17,305	4,785	43,655	4,107	-	47,762
Small equipment and supplies	4,948	8,909	5,221	14,440	6,312	39,830	7,245	-	47,075
Professional development	3,714	3,666	4,264	3,836	57	15,537	26,197	11	41,745
Equipment rental	4,709	3,153	10,571	5,696	1,572	25,701	15,705	-	41,406
Travel and meals	3,024	14,345	3,006	14,679	281	35,335	5,809	-	41,144
Repairs and maintenance	983	853	6,980	10,751	254	19,821	438	-	20,259
Property taxes	-	-	717	15,664	294	16,675	183	-	16,858
Miscellaneous	(431)	978	2,924	(4)	130	3,597	12,235	-	15,832
Dues and subscriptions	375	2,387	(253)	773	325	3,607	8,357	-	11,964
Postage	52	352	56	38	-	498	1,068	-	1,566
	\$ 1,565,458	\$ 1,262,436	\$ 1,845,491	\$ 2,635,357	\$ 161,364	\$ 7,470,106	\$ 1,822,766	\$ 16,064	\$ 9,308,936

See accompanying notes.

Futures Explored, Inc.
Statements of Cash Flows

Year Ended June 30,	2022	2021
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Change in net assets	\$ 1,460,421	\$ 716,320
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	149,822	180,184
Loss on disposal of property, equipment, and improvements	-	57,232
Net realized and unrealized loss (gain) on investments	1,535	(3,428)
Paycheck Protection Program loan forgiveness	(1,405,739)	-
Paycheck Protection Program loan interest forgiveness	(14,327)	-
Related party loan principal and interest forgiveness	(9,230)	-
(Increase) decrease in operating assets:		
Accounts receivable	21,151	(92,385)
Grants receivable	(281,039)	-
Prepaid expenses	26,204	(34,419)
Deposits and other assets	(2,089)	77,781
Increase (decrease) in operating liabilities:		
Accounts payable	51,977	(155,276)
Accrued expenses	34,058	(552,593)
Accrued payroll taxes	(28,023)	-
Deferred revenue	-	(30,519)
Deferred rent	(5,207)	(17,596)
Net cash (used in) provided by operating activities	(486)	145,301
Cash flows from investing activities		
Purchase of property, equipment, and improvements	(90,273)	-
Cash flows from financing activities		
Proceeds on long-term debt	-	159,619
Principal payments on long-term debt	(239,945)	(345,285)
Net cash used in financing activities	(239,945)	(185,666)
Net decrease in cash and cash equivalents	(330,704)	(40,365)
Cash and cash equivalents at beginning of year	1,365,657	1,406,022
Cash and cash equivalents at end of year	\$ 1,034,953	\$ 1,365,657
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 7,336	\$ 36,753

See accompanying notes.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies

Futures Explored, Inc. (the “Organization”) is a California nonprofit public benefit corporation, whose mission is to provide life skills and work-related training to adults with developmental disabilities in Alameda, Contra Costa, Sacramento, San Joaquin, and Yolo counties. The Organization was established in 1964, with the purpose of supporting these individuals in reaching their optimal level of individual potential by delivering a broad range of resources and ongoing guidance.

Nature of Activities

The Organization offers several programs within four program competencies: Community Connections, Film and Media, Personal Wellness, and Employment. The Organization’s goal in each of these programs is to provide participants with the support and tools to achieve “dignity through work and community participation.”

Community Connections – The Go Group, LIFE, Connections, and Tailored Day Service-Education programs are designed around participant choice. These programs support individuals to be engaged and contributing members in their communities and provide opportunities for the development of personal empowerment, individual creativity, and relationship building. The Education Support program supports individuals to attend post-secondary education. Direct support professionals provide assistance with registration, campus navigation, organization, time management, and accessing campus supports and social and recreational opportunities. This service can be utilized for support at any college.

Film and Media – The Film and Media Studio and Inclusion Film Camp programs are designed to provide working knowledge of film production and build upon those skills with continuing studio participation. The curriculum moves beyond classroom instruction and offers the individual real-world practical experience. By combining film history and theory with the “studio that teaches” experience, the goal is to prepare individuals to make entertaining, commercially viable, and purposeful films. Students in the program can gain experience through work with Futures Films and/or through the Paid Internship Program.

Personal Wellness – The GARDEN Brentwood, GARDEN Tri-Valley, In Home, ALIVE East, and Futures ALIVE programs are designed for individuals requiring physical care and supervision who may also have medical support needs. Participants are supported to engage in a variety of activities, including sensory and stimulation activities and community activities based on individual desires and needs.

Employment Support – The Supported Employment-Individual Placement Program and Tailored Day Service-Employment Employment Training Program help people achieve competitive, integrated employment in the job of their choosing. Career exploration, training in technical and soft skills, job development, and job coaching are all available through these programs. Support is offered in achieving volunteer employment, paid internships, micro-enterprise and competitive employment in order for participants to increase their ability to lead integrated and inclusive lives.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Nature of Activities (continued)

Business Enterprises – Futures Films is a production company that provides professional video services across Northern California. Futures Films is an inclusive business and hires many crew members who are graduates of the Film and Media Studio programs. Futures Films works with clients to provide high-quality video services at competitive prices. The Artist’s Den is an art gallery and studio, located in downtown Concord, where guidance is given to studio artists as a way to acquire new skills and generate income using creative exploration. The Artist’s Den provides a means of self-expression and empowerment in a supportive environment where artists feel comfortable to try new techniques and interests.

Special Projects – Person-centered Thinking and Planning HCBS Grants were awarded by the Regional Center of the East Bay and Alta Regional Center to advance the goal of providing person-centered services and support. Objectives of the grant include providing employee training on person-centered support, completing person-centered plans for participants, and re-designing the Individual Service Plan to be more person-centered. The grant cycle is July 2021 through June 2023.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market accounts. The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed that limits the investment's use to long-term. Cash is held in demand accounts at banks and cash balances may exceed the federally insured amounts during the year.

Accounts Receivable and Allowance for Uncollectable Accounts

Accounts receivable represents funds due from regional centers, other state agencies and individuals for various programs. Accounts receivables is stated at the amount management expects to collect from outstanding balances. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on experience from prior years and management’s analysis of specific accounts. Management has determined that an allowance for uncollectible accounts of \$23,299 was deemed necessary as of June 30, 2022 and 2021, respectively.

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Property, Equipment, and Improvements

Property, equipment, and improvements are stated at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over useful lives ranging from three to thirty years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted.

Impairment of Long-Lived Assets

The Organization routinely evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted net cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment loss is recognized. No asset impairment losses were recorded during the years ended June 30, 2022 and 2021.

Investments

The Organization carries investments in marketable equity securities with readily determinable fair values. Changes in unrealized gains and losses are included in the statement of activities.

Deferred Rent

For the Organization's operating leases, the Organization recognizes rent expenses on a straight-line basis over the terms of the leases. Accordingly, the Organization records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability on the statements of financial position.

Revenue Recognition and Contributions

The Organization recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- 1) Identify the contract with a 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
- 5) Recognize revenue when or as performance obligations are satisfied

Client service revenue is recognized once performance obligations under the terms of the Organization's contracts with its clients have been satisfied; this occurs at a point in time when control of the promised service is transferred to clients. Revenue is measured in an amount that reflects the consideration the Organization expects to receive in exchange for those services.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition and Contributions (continued)

The Organization receives grants from the agencies for direct and indirect program costs. The grants are subject to certain restrictions, which are met by incurring qualified expenses or by performing activities as specified in the grant agreement.

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

Gifts of land, buildings and equipment are reported as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used or disposed. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions as net assets without donor restrictions when the donated assets are received or when acquired or constructed assets, funded by donor contributions, are placed into service.

Functional Expense Allocation

The Organization allocates operational costs between program services, administration, and fundraising based on an adopted cost allocation, reviewed by management annually. The Organization applies several methods for allocating costs. Expenses that can be identified with a program are charged directly to that program as direct costs. Expenses related to more than one function are charged to programs and supporting services proportionate to salaries recorded for each function as determined by the Organization's management. Administration expenses include those costs that are not directly identifiable with any program but provide for the overall support and direction of the Organization. The allocation is reflected in the statement of functional expenses.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded for the years ended June 30, 2022 and 2021, as management determined that the Organization had no unrelated business income.

The Organization is subject to *Accounting for Uncertainty in Income Taxes*, under ASC 740, *Income Taxes*. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the Organization's tax returns and does not allow recognition of tax positions that do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. The Organization does not believe it has taken any tax positions that would not meet this threshold. The Organization's policy is to reflect interest and penalties related to uncertain tax positions as part of income tax expense, when and if they become applicable. The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, federal income tax returns have a three-year statute of limitations, and state income tax returns have a four-year statute of limitations.

Net Assets

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

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

Net assets released from restriction – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support, and expenses. The use of management's estimates primarily relates to the collectability of accounts receivable and depreciable lives of property, equipment, and improvements. Actual results could differ from those estimates.

Endowment Funds

Effective January 1, 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The board of directors has interpreted UPMIFA 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, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) additions to the permanent endowment in accordance with donor directions. The remaining portion of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the endowment funds
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization has an established endowment fund to allow for donor-restricted endowment funds. The Organization's Board of Directors has interpreted the State Uniform Prudent Management of Institutional Funds Act as allowing the Organization to appropriate for expenditure or accumulate as much of the endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and durations for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument.

Years Ended June 30, 2022 and 2021

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize total return consistent with an acceptable level of risk, and to provide a predictable stream of funding to programs supported by its endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the relevant index or indices (e.g., S&P 500 index) while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3% annually. Actual returns in any given year may vary from this amount.

To achieve its 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 gains) and current yield (interest and dividends).

Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases* (Topic 842). This standard requires entities that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. Nonpublic companies and organizations may elect early application, but no earlier than the effective date for public entities. The Organization is evaluating the impact of this standard on the financial statements.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on prior year net assets.

Note B. Property, Equipment, and Improvements

Property, equipment, and improvements consists of the following:

June 30,	2022	2021
Land	\$ 380,000	\$ 380,000
Buildings and improvements	1,251,826	1,230,022
Leasehold improvements	481,646	413,176
Furniture and equipment	215,779	215,779
Vehicles	288,269	287,469
	2,617,520	2,526,446
Accumulated depreciation	(1,552,207)	(1,401,584)
	\$ 1,065,313	\$ 1,124,862

Note B. Property, Equipment, and Improvements (continued)

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$149,822 and \$180,184, respectively.

Note C. Lines of Credit

The Organization has two unsecured Reserve Line of Credit agreements with Bank of the West, wherein the Organization has overdraft protection available of \$15,000 and \$20,000 connected to the payroll and operating bank accounts, respectively. Borrowing limits are established by the lender and under the terms of the agreement, interest accrues at prime plus 9% (13.75% as of June 30, 2022). There was no outstanding balance on the lines as of June 30, 2022 and 2021.

Note D. Accrued Payroll Taxes

Accrued payroll taxes consist of the following:

June 30,	2022	2021
Department of Treasury - Internal Revenue Service	\$ 256,886	\$ 278,577
Employment Development Department (“EDD”)	72,463	78,795
	329,349	357,372
Less current portion	(133,663)	(139,995)
	\$ 195,686	\$ 217,377

On May 11, 2020, the Organization entered into an installment agreement with the Department of Treasury - Internal Revenue Service for \$673,530 in order to pay past due federal payroll taxes from 2019. The terms of the installment agreement provide for monthly minimum payments of \$5,100 starting July 16, 2020. As of June 30, 2022, the Organization has made payments of \$395,732 in addition to the monthly minimum payment. The current portion of the accrued payroll taxes payable to the Department of Treasury is \$61,200 as of June 30, 2022 and 2021.

Accrued payroll taxes due to the EDD are expected to be paid in full within the next year and therefore the entire amount owed of \$72,463 is included in the current portion as of June 30, 2022 and 2021.

Years Ended June 30, 2022 and 2021

Note E. Deferred Rent

The Organization leases facilities in Brentwood, Concord, Livermore, Sacramento, and Stockton, California, under lease agreements that provide for periodic rent escalations, which are being accrued by the Organization such that rent expense is recognized over the lease term on a straight-line basis. The leases expire at various dates through December 2026. The minimum rental commitment (excluding variable common area expenses) and net rent expense under these leases are as follows:

Year ending June 30:	Minimum Lease Payment	(Amortization) of Deferred Rent	Net Lease Rent
2023	\$ 404,884	\$ (54,239)	\$ 350,645
2024	310,881	(34,912)	275,969
2025	196,865	(19,483)	177,382
2026	101,266	(8,328)	92,938
2027	39,424	(3,679)	35,745
	\$ 1,053,320	\$ (120,641)	\$ 932,679

Note F. Paycheck Protection Program Loan

In June 2020, the Organization received a loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act's (P.L. 116-136) Paycheck Protection Program in the amount of \$1,405,739. In February 2022, the Organization received notification from the Small Business Administration ("SBA") that the Paycheck Protection Program loan was forgiven and therefore the full amount of the loan and interest accrued, is included in income on the statement of activities for the year ended June 30, 2022.

Years Ended June 30, 2022 and 2021

Note G. Long-Term Debt

A summary of long-term debt is as follows:

June 30,	2022	2021
SBA loan of \$150,000, payable in monthly installments of \$641 commencing November 2021 which first apply to interest at 2.75%, secured by property, due October 2050	\$ 150,000	\$ 150,000
California Health Facilities Financing Authority, two promissory notes payable in monthly installments of \$2,783 and \$2,396, including interest at 3.00% per annum, secured by a Deed of Trust, due February 2023	39,450	99,395
Related party notes payable in monthly interest-only installments of 4.00% until June 30, 2020 and then increased to 18.00% on July 1, 2020. Notes were due September 2019 through October 2019 or on demand. A settlement was reached and the notes were paid in full in 2022 and related interest was forgiven	-	189,230
	189,450	438,625
Less current portion	(41,824)	(246,598)
	\$ 147,626	\$ 192,027

The aggregate maturities of long-term debt are as follows:

Year ending June 30:	
2023	\$ 41,824
2024	3,678
2025	3,781
2026	3,886
2027	3,994
Thereafter	132,287
	\$ 189,450

Years Ended June 30, 2022 and 2021

Note H. Net Assets

Net assets with donor restrictions represents amounts received or committed with donor restrictions, which have not yet been expended for their designated purpose (purpose-restricted) or amounts for general use in future periods (time-restricted). Net assets consisted of the following:

June 30,	2022	2021
With donor restrictions:		
Perpetual in nature- donor restricted endowment	\$ 53,091	\$ 56,174
Purpose restricted for specific programs:		
Training fund	22,500	-
Futures Film Festival	5,000	5,000
Foundation fund	5,000	-
Scholarship fund	4,205	4,205
Memorial fund	3,135	3,135
CARES Act grant	-	185,023
Stabilize Services for Individuals with Significant Deficiencies to Live, Work, and Play	-	98,728
Go Group	-	5,000
Total net assets with donor restrictions	92,931	357,265
Without donor restrictions	2,016,567	291,812
Total net assets	\$ 2,109,498	\$ 649,077

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose or by occurrence of the passage of time or other events specified by the donor. During the years ended June 30, 2022 and 2021, \$321,430 and \$63,780, respectively, was released from restriction by incurring expenses for specific programs.

Note I. Endowment Fund and Net Asset Classification

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies in this nature are reported in net assets with donor restriction. As of June 30, 2022 and 2021, the Organization's endowment fund was underwater. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the original investment and management believes the deficiencies will be recovered in the near future. As of June 30, 2022 and 2021, all amounts included in the endowment net asset balance is donor restricted.

Years Ended June 30, 2022 and 2021

Note I. Endowment Fund and Net Asset Classification (continued)

Changes in endowment net assets were as follows:

	Under-Water (Deficiencies)	Corpus	Total Net Endowment Assets
Endowment net assets, as of July 1, 2020	\$ (32,999)	\$ 86,400	\$ 53,401
Amount appropriated for expenditure	(61)	-	(61)
Investment income	2,834	-	2,834
Endowment net assets, as of July 1, 2021	(30,226)	86,400	56,174
Investment loss	(3,083)	-	(3,083)
Endowment net assets, as of June 30, 2022	\$ (33,309)	\$ 86,400	\$ 53,091

Note J. Fair Value Measurements

In accordance with GAAP, the Organization uses the following prioritized levels to measure fair value of investments. The inputs used for valuing investments are not necessarily an indication of risk.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization invests in balanced and cash mutual funds and equity securities for which fair value is determined based upon quoted prices for identical instruments in active markets.

Years Ended June 30, 2022 and 2021

Note J. Fair Value Measurements (continued)

The following table sets forth by level within the fair value hierarchy, the Organization's investments at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 14,796	\$ -	\$ -	\$ 14,796
Equities	6,036	-	-	6,036
Investments at fair value	\$ 20,832	\$ -	\$ -	\$ 20,832

The following table sets forth by level within the fair value hierarchy, the Organization's investments at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 15,988	\$ -	\$ -	\$ 15,988
Equities	6,379	-	-	6,379
Investments at fair value	\$ 22,367	\$ -	\$ -	\$ 22,367

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. During the years ended June 30, 2022 and 2021, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on the financial statements.

Note K. Commitments

The Organization has multiple operating leases for administrative and program operations, both month-to-month and under long-term, non-cancellable operating lease agreements. The leases expire at various dates through November 2028 and provide for renewal options up to five years. Additionally, the Organization leases vehicles under operating leases which expire through 2027.

The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. For the years ended June 30, 2022 and 2021, net rent expense under building and facility leases was \$747,547 and \$717,497, respectively, and rent expense under vehicle leases was \$82,403 and \$101,644, respectively.

In November 2021, the Organization entered into a lease termination agreement for a facility in Antioch, California. Upon termination, the Organization was required to make an \$85,000 lease termination payment, transfer assets valued at \$6,000 to the landlord, and forfeit the security deposit of \$2,500. Expense related to the lease termination is included in net rent expense under building and facility leases.

Years Ended June 30, 2022 and 2021

Note K. Commitments (continued)

The minimum future non-cancellable operating lease commitments for facility and vehicle leases are as follows:

Year ending June 30,	Building and Facility Leases	Vehicle Leases	Total
2023	\$ 595,263	\$ 65,068	\$ 660,331
2024	448,079	30,520	478,599
2025	279,002	16,645	295,647
2026	137,477	16,229	153,706
2027	76,720	16,229	92,949
Thereafter	54,618	-	54,618
	\$ 1,591,159	\$ 144,691	\$ 1,735,850

Note L. Risks and Uncertainties

The Organization is a defendant in an employee wage and hour lawsuit. It is management's opinion that the ultimate impact on the Organization cannot be estimated at this time, however the matter is not currently expected to have a material adverse effect on the Organization's financial position.

Note M. Liquidity

The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year. Financial assets are considered unavailable due to donor-imposed restrictions, or when the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet purpose or time restriction within the next twelve months from the statement of position date. The Organization operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants.

June 30,	2022	2021
Cash and cash equivalents	\$ 1,034,953	\$ 1,365,657
Accounts receivable, net	946,062	967,213
Grant receivable	281,039	-
Investments, at fair value	20,832	22,367
	2,282,886	2,355,237
Less: donor imposed purpose restrictions unavailable for general expenditure	(92,931)	(172,242)
Funds available to meet expenditures within one year	\$ 2,189,955	\$ 2,182,995

Years Ended June 30, 2022 and 2021

Note N. Concentrations

The Organization received funding from regional centers that contract with the Department of Developmental Services to provide support for individuals with developmental disabilities. The Organization generated approximately 84% and 95% of its overall revenue for the years ended June 30, 2022 and 2021, respectively from regional centers. Additionally, 97% and 68% of the Organization's accounts receivable balance was from regional centers as of June 30, 2022 and 2021, respectively.

Note O. Subsequent Events

The Organization has evaluated subsequent events through April 21, 2023, the date which the financial statements were available to be issued.

In January 2023, the Organization entered into a line of credit agreement with a commercial bank. The agreement allows for borrowings up to \$400,000 and is secured by the Organization's Livermore, California property. The outstanding borrowings bear an interest rate equal to the bank's prime rate plus .50%, but no less than 4%. Borrowings on the line of credit were utilized to pay off the Organization's remaining debt to the Department of Treasury - Internal Revenue Service.