Futures Explored, Inc.

Financial Statements

Year Ended June 30, 2023

PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Auditor's Report

To The Board of Directors
Futures Explored, Inc.

Opinion

We have audited the financial statements of Futures Explored, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 within one year after the date that the financial statements are issued or available to be issued.

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.

Pisenti & Brinker LLP

Santa Rosa, California
January 16, 2024

		June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	$	2,521,669
Accounts receivable, net		1,054,576
Grants receivable		29,386
Prepaid expenses		51,937
Total current assets		3,657,568
Property, equipment, and improvements, net		962,401
Right-of-use asset for operating leases, net		5,044,239
Right-of-use asset for finance leases, net		47,241
Investments		22,887
Deposits and other assets		102,435
Total assets	$	9,836,771
Liabilities and net assets		
Current liabilities		
Accounts payable	$	126,966
Accrued payroll and other current liabilities		591,169
Deferred grant revenue		75,910
Current maturities of operating lease liability		703,369
Current maturities of finance lease liability		16,284
Current portion of long-term debt		3,678
Total current liabilities		1,517,376
Operating lease liability, net of current maturities		4,494,951
Finance lease liability, net of current maturities		27,191
Long-term debt, less current portion		143,948
Total liabilities		6,183,466
Net assets		
Without donor restriction		3,540,134
With donor restriction		113,171
Total net assets		3,653,305
Total liabilities and net assets	$	9,836,771

See accompanying notes.

Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Revenue, gains, and other support:			
Client service revenue	$ 9,309,597	$ -	$ 9,309,597
Employee Retention Credit, net	1,370,051	-	1,370,051
Contract revenue	351,753	-	351,753
Contribution revenue	68,302	-	68,302
Grant revenue	258,881	-	258,881
Event revenue, net	32,718	-	32,718
Other income	13,206	-	13,206
Investment income	5,240	-	5,240
Total revenue, gains, and other support	11,409,748	-	11,409,748
Reclassification of net assets			
Satisfaction of donor restriction	13,069	(13,069)	-
Restoration of endowment corpus	(33,309)	33,309	-
Total reclassification of net assets	(20,240)	20,240	-
Expenses:			
Program services	8,091,764	-	8,091,764
Administration	1,752,240	-	1,752,240
Fundraising	21,937	-	21,937
Total expenses	9,865,941	-	9,865,941
Change in net assets	1,523,567	20,240	1,543,807
Net assets at beginning of year	2,016,567	92,931	2,109,498
Net assets at end of year	$ 3,540,134	$ 113,171	$ 3,653,305

See accompanying notes.

Year Ended June 30, 2023

	Programs									
	Community Connections	Employment Support	Film and Media	Personal Wellness	Business Enterprises	Special Projects	Total Program Services	Administration	Fundraising	Total
Personnel	$ 1,236,975	$ 1,047,435	$ 1,391,563	$ 1,165,510	$ 41,365	$ 224,521	5,107,369	$ 815,591	$ 13,394	$ 5,936,354
Rent	115,948	126,167	270,816	243,826	76,665	-	833,422	41,789	29	875,240
Employee benefits	207,411	165,537	190,371	203,716	625	10,869	778,529	79,383	715	858,627
Payroll taxes	92,344	79,354	98,817	89,193	2,298	16,276	378,282	49,351	1,058	428,691
Professional services	4,634	8,022	164,173	3,205	23,856	400	204,290	179,849	-	384,139
Vehicle expenses	54,243	(126)	29,549	107,123	131	-	190,920	2,405	-	193,325
Information technology	5,288	3,120	7,657	5,954	3,679	-	25,698	154,991	167	180,856
Depreciation and amortization	-	-	-	53,284	-	-	53,284	95,540	-	148,824
Travel and meals	36,387	29,180	18,765	11,456	4,266	950	101,004	16,800	3,035	120,839
Small equipment and supplies	11,248	6,112	40,252	39,321	3,615	-	100,548	12,080	-	112,628
Insurance	-	-	-	-	-	-	-	111,729	-	111,729
Telephone and communications	13,120	14,989	19,013	20,070	2,120	-	69,312	8,688	2,059	80,059
Service charges	59	18	419	1,158	10	-	1,664	67,693	278	69,635
Miscellaneous	6,951	2,736	32,020	2,986	2,321	25	47,039	15,873	-	62,912
Utilities	4,442	-	29,060	23,621	6,125	-	63,248	-	-	63,248
Interest	-	-	-	462	-	-	462	40,250	-	40,712
Equipment rental	1,020	4,272	7,141	9,040	5,651	-	27,124	12,661	-	39,785
Professional development	3,843	2,338	6,308	4,705	49	19,061	36,304	2,370	36	38,710
Advertising	2,086	1,910	2,607	2,267	1	-	8,871	28,201	571	37,643
Repairs and maintenance	2,294	13	27,233	6,102	-	-	35,642	400	595	36,637
Property taxes	97	38	147	9,357	-	-	9,639	7,826	-	17,465
Dues and subscriptions	3,599	2,482	3,224	2,852	35	-	12,192	2,836	-	15,028
Taxes and licenses	4	337	227	1,354	-	-	1,922	4,685	-	6,607
Bad debt expense	-	-	960	3,415	-	-	4,375	-	-	4,375
Postage	12	-	547	-	65	-	624	1,249	-	1,873
	$ 1,802,005	$ 1,493,934	$ 2,340,869	$ 2,009,977	$ 172,877	$ 272,102	$ 8,091,764	$ 1,752,240	$ 21,937	$ 9,865,941

See accompanying notes.

	Year Ended June 30, 2023
	Increase (decrease) in cash and cash equivalents
Cash flows from operating activities	
Change in net assets	$ 1,543,807
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	148,824
Right-of-use asset operating lease amortization	611,425
Right-of-use asset finance lease amortization	23,978
In-kind donations	(2,717)
Net realized and unrealized gain on investments	(2,055)
(Increase) decrease in:	
Accounts receivable	(108,514)
Grants receivable	251,653
Prepaid expenses	(24,996)
Deposits and other assets	(30,421)
Increase (decrease) in:	
Accounts payable	(13,360)
Accrued payroll and other current liabilities	33,279
Deferred grant revenue	75,910
Accrued payroll taxes	(329,349)
Operating lease liability	(584,351)
Net cash provided by operating activities	1,593,113
Cash flows from investing activities	
Purchases of property, equipment, and improvements	(43,195)
Cash flows from financing activities	
Principal payments on finance lease liabilities	(21,378)
Principal payments on long-term debt	(41,824)
Net cash used in financing activities	(63,202)
Net increase in cash and cash equivalents	1,486,716
Cash and cash equivalents at beginning of year	1,034,953
Cash and cash equivalents at end of year	$ 2,521,669

See accompanying notes.

		Year Ended June 30, 2023
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$	31,085
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows-payments on operating leases	$	708,200
Financing cash outflows-payments on finance leases	$	4,000
Noncash investing and financing activities		
Right-of-use assets obtained in exchange for operating lease obligations	$	5,655,664
Right-of-use assets obtained in exchange for finance lease obligations	$	71,219

See accompanying notes.

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, Passport to Independence, 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.

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 –

- The WIN for ALL Grant was awarded by the California Department of Developmental Services with the goals of increasing competitive, integrated employment for people with intellectual and developmental disabilities and creating a replicable model of partnership with cities to employ people with intellectual and developmental disabilities. The grant cycle is January 2023 through June 2024.

- 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 ended in 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 receivable 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 $23,300 was deemed necessary as of June 30, 2023.

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.

The Organization capitalizes certain costs related to software development to construction in progress. To the extent that the assets become ready for their intended use, these costs are included in property, equipment, and improvements and depreciated on a straight-line basis over their estimated useful lives.

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 year ended June 30, 2023.

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASC 2016-02, *Leases* (“Topic 842”), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (“ROU”) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. For nonpublic companies the new guidance is required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. The Organization adopted Topic 842 effective July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022.

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has also elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of Topic 842 as of July 1, 2022.

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

Leases (continued)

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its property, equipment, and improvement asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Organization’s operating leases of $3,443,748 and $3,565,437, respectively, and additional ROU assets and lease liabilities related to the Organization’s finance leases of $24,396 at July 1, 2022. The adoption of the standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

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.

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

Deferred Grant Revenue

The Organization receives grants from governmental 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. Deferred grant revenue represents funds received but performance obligations have not yet been fulfilled.

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 and contract revenues are 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.

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.

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

Revenue Recognition and Contributions (continued)

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.

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 year ended June 30, 2023, 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.

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

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.

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

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

Endowment Funds (continued)

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.

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. During the fiscal ended June 30, 2023, endowment funds were invested in equities and a certificate of deposit with a 5% rate of return.

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).

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, valuation of lease right-of-use assets and liabilities, depreciable lives of property, equipment, and improvements, and the allocation of expenses by program and function. Actual results could differ from those estimates.

Note B. Property, Equipment, and Improvements

Property, equipment, and improvements consists of the following as of June 30, 2023:

Land	$ 380,000
Buildings and improvements	1,251,826
Leasehold improvements	504,103
Vehicles	290,986
Furniture and equipment	215,779
Work in progress	20,736
	2,663,430
Accumulated depreciation	(1,701,029)
	$ 962,401

Depreciation and amortization expense for the year ended June 30, 2023 amounted to $148,824.

Note C. Lease Commitments

The Organization leases facilities under long-term, non-cancellable operating lease agreements, with terms through January 2033. Some leases include one or more options to renew, generally at the Organization's sole discretion. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Organization also leases vehicles under a master finance lease agreement. Leases under this agreement expire through July 2027 and bear interest ranging from 4.96% to 8.98%. The Organization's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the right-of use assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$ 740,592
Finance lease cost - amortization of right-of-use assets	4,000
Finance lease cost - interest on lease liabilities	23,978
Short-term lease cost	186,661
Total lease cost	$ 955,231

Note C. Lease Commitments (continued)

Supplemental balance sheet information related to leases is as follows as of June 30, 2023:

Finance leases:		
Vehicles	$	64,853
Accumulated depreciation		(17,612)
Right-of-use asset for finance leases, net	$	47,241

Weighted-average remaining lease term:	
Operating leases	3.1 years
Finance leases	8.1 years
Weighted-average discount rate:	
Operating leases	3.02%
Finance leases	8.00%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

Year Ending June 30,	Operating Leases	Finance Leases
2024	$ 849,226	$ 19,131
2025	716,831	10,196
2026	657,664	9,942
2027	678,430	9,942
2028	699,309	829
Thereafter	2,272,156	-
Total lease payments	5,873,616	50,040
Less: imputed interest	(675,296)	(6,565)
Total present value of lease liabilities	5,198,320	43,475
Less: current maturities of lease liabilities	(703,369)	(16,284)
Lease liabilities, net of current maturities	$ 4,494,951	$ 27,191

Note D. Line of Credit

In January 2023, the Organization entered into a line of credit agreement with a commercial bank, which allows for borrowings up to $400,000. The line of credit is secured by the Organization's Livermore, California property and matures October 2027. The outstanding borrowings bear an interest rate equal to the bank's prime rate plus .50% (8.75% as of June 30, 2023). There was no outstanding balance on the line as of June 30, 2023.

Note E. Accrued Payroll Taxes

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. During the year ended June 30, 2023, accrued payroll taxes payable due to the Department of Treasury were paid in full.

Note F. Long-term Debt

Long-term debt consists of a loan due to the U.S. Small Business Administration. The loan bears interest at 2.75% and payments are due in monthly installments of $641, which first apply to interest. The loan is secured by property and is due in full October 2050.

Maturities of long-term debt are as follows for the next five years and in the aggregate:

Year ending June 30:	
2024	$ 3,678
2025	3,781
2026	3,886
2027	3,994
2028	4,106
Thereafter	128,181
	$ 147,626

Note G. 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 as of June 30, 2023:

With donor restrictions:	
Perpetual in nature - donor restricted endowment	$ 86,400
Purpose restricted for specific programs:	
Training fund	17,500
Futures Film Festival	5,000
Foundation fund	1,566
Scholarship fund	2,705
Total net assets with donor restrictions	113,171
Without donor restrictions	3,540,134
Total net assets	$ 3,653,305

Note H. 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 without donor restriction. During the year ended June 30, 2023, the Organization's underwater endowment fund was replenished as the board of directors voted to restore the corpus balance of $86,400. There were no such deficiencies as of June 30, 2023. Changes in endowment net assets were as follows for the year ended June 30, 2023:

Endowment net assets, as of July 1, 2022	$	53,091
Restoration of corpus		33,309
Endowment net assets, as of June 30, 2023	$	86,400

Note I. 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.

Note I. Fair Value Measurements (continued)

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.

The following table sets forth by level within the fair value hierarchy, the Organization's investments at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 16,378	$ -	$ -	$ 16,378
Equities	6,509	-	-	6,509
Investments, at fair value	$ 22,887	$ -	$ -	$ 22,887

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 year ended June 30, 2023, 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 J. Liquidity

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. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year, as of June 30, 2023:

Cash and cash equivalents	$ 2,521,669
Accounts receivable, net	1,054,576
Grant receivable	29,386
Investments, at fair value	22,887
	3,628,518
Less: donor imposed purpose restrictions unavailable for general expenditure	(113,171)
Funds available to meet expenditures within one year	$ 3,515,347

Note K. Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization filed for and received a $1.59 million employee retention credit during the fiscal year ended June 30, 2023, for costs incurred between January 2021 through June 2021. The employee retention credit is shown net of costs in the amount of $218,754, related to the application process, on the statement of activities.

Note L. 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 81% of its overall revenue for the year ended June 30, 2023, from regional centers. Additionally, 99% of the Organization's accounts receivable balance was from regional centers as of June 30, 2023.

Note M. Subsequent Events

The Organization has evaluated subsequent events through January 16, 2024, the date which the financial statements were available to be issued.