Futures Explored, Inc.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

FUTURES EXPLORED, INC.

CONTENTS

BPM
BURR PILGER MAYER
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Futures Explored, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Futures Explored, Inc.'s 2009 financial statements and, in our report dated September 30, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Futures Explored, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Burr, Pilger & Mayer

San Jose, California
October 13, 2010

BURR PILGER MAYER, INC.
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FUTURES EXPLORED, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS

	2010	2009
Current Assets:		
Cash and cash equivalents	$ 31,821	$ 49,862
Accounts receivable	572,511	524,556
Unconditional promises to give receivable	350,000	350,000
Prepaids	15,773	68,519
Total current assets	970,105	992,937
Land and building	1,572,529	1,572,529
Furniture and equipment	346,592	308,335
Vehicles	334,956	325,596
Building and leasehold improvements	1,223,838	1,215,500
Construction in progress	16,865	10,483
	3,494,780	3,432,443
Less accumulated depreciation	(1,340,096)	(1,123,819)
	2,154,684	2,308,624
Unconditional promises to give receivable long-term	-	50,000
Other Assets:		
Investments	11,651	8,013
Deposits	29,100	27,299
Escrow and loan fees, net	35,281	38,482
	76,032	73,794
Total assets	$ 3,200,821	$ 3,425,355
Current Liabilities:		
Line of credit	$ 150,000	$ 622,980
Accounts payable	20,422	47,426
Accrued expenses	249,122	225,086
Deferred revenue	792	32,507
Current portion of long-term debt	181,892	93,183
Total current liabilities	602,228	1,021,182
Long-term debt, less current portion	1,545,922	1,316,706
Net Assets:		
Unrestricted	594,909	597,205
Temporarily restricted	371,362	403,862
Permanently restricted	86,400	86,400
	1,052,671	1,087,467
Total liabilities and net assets	$ 3,200,821	$ 3,425,355

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

FUTURES EXPLORED, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
With Summarized Financial Information
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	(For comparative purposes only) Total 2009
Revenues:					
Regional Center	$ 5,698,771	$ -	$ -	$ 5,698,771	$ 5,166,818
Department of Rehabilitation	56,404	-	-	56,404	84,187
Community revenue	636,064	-	-	636,064	616,318
Contribution income	77,270	37,500	-	114,770	288,821
Investment (loss)	1,162	-	-	1,162	(6,625)
Miscellaneous income	53,812	-	-	53,812	119,094
Total revenues	6,523,483	37,500	-	6,560,983	6,268,613
Net assets released from restriction	70,000	(70,000)	-	-	-
Total Support and Revenue	6,593,483	(32,500)	-	6,560,983	6,268,613
Expenses:					
Program Services:					
Lafayette	1,031,098	-	-	1,031,098	1,086,626
Garden	1,678,948	-	-	1,678,948	1,360,029
ALIVE	1,680,527	-	-	1,680,527	1,714,156
Supported Employment	393,804	-	-	393,804	410,952
Social Recreation	86,327	-	-	86,327	102,932
Nifty Thrift & Huckleberry	399,044	-	-	399,044	324,414
VTE	697,173	-	-	697,173	603,585
Total program services	5,966,921	-	-	5,966,921	5,602,694
Supporting Services:					
Administration	597,860	-	-	597,860	556,494
Fund Development	30,998	-	-	30,998	25,848
Total supporting services	628,858	-	-	628,858	582,342
Total expenses	6,595,779	-	-	6,595,779	6,185,036
Changes in net assets	(2,296)	(32,500)	-	(34,796)	83,577
Net assets, beginning of year	597,205	403,862	86,400	1,087,467	1,003,890
Net assets, end of year	$ 594,909	$ 371,362	$ 86,400	$ 1,052,671	$ 1,087,467

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

FUTURES EXPLORED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010
With Summarized Financial Information
For the Year Ended June 30, 2009

	Program Services							Total	Supporting Services		Total		(For comparative
				Supported	Social	Nifty Thrift		Program		Fund	Supporting	Total	purposes only)
	Lafayette	Garden	ALIVE	Employment	Recreation	& Huckleberry	VTE	Services	Administration	Development	Services	2010	2009
Personnel Expenses	$ 733,970	$ 1,184,013	$ 1,273,278	$ 357,327	$ 21,193	$ 167,985	$ 437,923	$ 4,175,689	$ 443,487	$ 11,524	$ 455,011	$ 4,630,700	$ 4,507,042
Community Contract Expenses	114,429	25,091	142,050	764	3	71,564	197,851	551,752	20	-	20	551,772	490,864
Occupancy Expenses	152,329	427,096	203,521	14,304	7,694	143,579	18,599	967,122	30,498	-	30,498	997,620	853,751
Communications	6,805	21,388	22,351	2,026	754	8,615	7,294	69,233	33,374	504	33,878	103,111	88,123
Outside Services	458	653	1,860	311	51,789	6,660	437	62,168	69,370	18,970	88,340	150,508	94,109
Travel, Conferences and Training	4,874	2,790	6,419	19,072	3,518	53	27,503	64,229	21,111	-	21,111	85,340	76,393
Program Expenses	18,233	17,917	31,048	-	1,376	588	7,566	76,728	-	-	-	76,728	74,754
Total	$ 1,031,098	$ 1,678,948	$ 1,680,527	$ 393,804	$ 86,327	$ 399,044	$ 697,173	$ 5,966,921	$ 597,860	$ 30,998	$ 628,858	$ 6,595,779	$ 6,185,036

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

FUTURES EXPLORED, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ (34,796)	$ 83,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	216,277	166,092
Loss on disposal of fixed assets	-	3,025
(Gain) loss on investments	(855)	6,838
Dividends and interest reinvested	(307)	(439)
(Increase) decrease in operating assets:		
Accounts receivable	(47,955)	(66,442)
Unconditional promises to give receivable	50,000	(100,000)
Prepaids	52,770	(40,244)
Deposits	(1,801)	6,420
Escrow and loan fees	3,201	3,202
Increase (decrease) in operating liabilities:		
Accounts payable	(27,004)	(8,976)
Accrued expenses	24,036	(18,658)
Deferred revenue	(31,715)	19,027
Total adjustments	236,647	(30,155)
Net cash provided by operating activities	201,851	53,422
Cash flows from investing activities:		
Acquisition of fixed assets	(50,317)	(137,092)
Purchase of investments	(2,500)	-
Proceeds from sale of investments	-	30,000
Net cash (used in) investing activities	(52,817)	(107,092)
Cash flows from financing activities:		
Gross borrowings on line of credit	2,677,786	51,635
Repayments on line of credit	(2,700,000)	(122,000)
Principal payments on long-term debt	(144,861)	(92,370)
Net cash (used in) financing activities	(167,075)	(162,735)
Net (decrease) in cash	(18,041)	(216,405)
Cash and cash equivalents, beginning of year	49,862	266,267
Cash and cash equivalents, end of year	$ 31,821	$ 49,862

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

FUTURES EXPLORED, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

Supplemental Disclosure of Cash Flow Information

1. Accounting Policy - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalent."

2. The following cash payments were made during the period for:

	2010	2009
Interest	$ 88,775	$ 77,431

3. Schedule of non-cash investing transactions:

	2010	2009
Fixed asset acquisitions	$ (62,507)	$ (158,553)
Less financing of acquisition	12,190	21,461
	$ (50,317)	$ (137,092)
Borrowings on long-term debt	$ 567,190	$ -
Refinance of Heritage Bank debt	(104,234)	-
Repayment of Heritage Bank construction line of credit and Heritage Bank line of credit that terminated October 2009	(450,766)	-
Financing of fixed asset acquisition	(12,190)	-
	$ -	$ -
Borrowings on Heritage Bank line of credit	$ 2,965,000	$ 51,635
Repayment of Heritage Bank line of credit that terminated October 2009	(287,214)	-
	$ 2,677,786	$ 51,635

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

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

1. Business Description and Summary of Significant Accounting Policies

Business Description

Futures Explored, Inc. (the "Organization") is a California public benefit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Organization was incorporated in January 1964 for the purpose of providing life skills and work related training to adults with developmental disabilities. The purpose of the Organization is to support these individuals to reach their optimal level of individual potential by delivering a broad range of resources and ongoing guidance.

Nature of Activities

Futures Explored, Inc. currently offers seven services to meet its mission of "dignity through work and community participation":

- **Futures Explored Day Program (Lafayette)**
  The Futures Explored Day Program (Lafayette) offers a variety of services and opportunities for individuals to be active in their community, such as small work groups, community outings, art and social activities, as well as educational and other opportunities.

- **Garden**
  The Garden program offers supports and activities to individuals with significant personal care, cognitive and physical disabilities, who often have some long-term medical conditions that need additional supports. The services focus on developing choices, sensory stimulation and involvement with others.

- **ALIVE**
  The ALIVE (Actively Living and Involved in a Variety of Endeavors) program offers supports to encourage individuals to be active in their community, develop skills to be more independent and able to direct their activities. One aspect is the Community College Transition Program that supports individuals wanting to pursue additional academic endeavors after leaving high school.

- **Supported Employment**
  The Supported Employment program offers employment support to individuals who have chosen employment as their primary goal. Employment supports vary based on need from Job Placement, training and support and long-term supports on both an individual and group basis.

- **Futures & Friendships (Social Recreation)**
  The Futures & Friendships (Social Recreation) program is a service that works with individuals to support their desire to develop social networks and enhanced independence to access their social and recreational needs outside of work and/or day activities. In 2010, the State of California during its budget process suspended Social Recreation services as a program option, unless it provides "day care" for adults who are living with their parents and both parents are working.

Continued

1. Business Description and Summary of Significant Accounting Policies, continued

Nature of Activities, continued

- **Huckleberry To-Go Catering**
  Huckleberry To-Go is a full-service catering kitchen located in Lafayette, providing business meeting breakfast and lunch services, as well as individual job catering to our community. It is used as an employment training ground for individuals interested in employment in the food industry.

- **Vocational Training & Education (VTE)**
  Vocation Training & Education (VTE) program offers supported employment and community activities in Yolo and Sacramento Counties.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities in accordance with three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets.

Permanently restricted net assets represent a portion of funds that are not expendable, except for the interest earned on these funds. Unrestricted net assets represent the portion of expendable funds that are available for support at the Organization's operations. Temporarily restricted net assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Organization reports both the revenue and the related expense in the unrestricted net asset class.

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in checking accounts. Periodically throughout the year, cash is maintained at the bank in excess of the insured (FDIC) amount of $250,000.

Accounts Receivable

The Organization utilizes the allowance method for recognizing bad debts. The allowance is based on prior years’ experience and management analysis of specific accounts. Management has determined that no allowance for doubtful accounts is required at the financial statement date.

1. Business Description and Summary of Significant Accounting Policies, continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that no allowance for uncollectible, unconditional promises to give is deemed necessary at June 30, 2010.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Fixed Assets

Purchase of property, equipment or improvements costing more than $500 are recorded at cost, and donated property and equipment at fair market value. Depreciation is computed using the straight-line method over the assets estimated useful life. Total fixed assets recorded under capital lease amount to $35,660 and $21,760 for June 30, 2010 and 2009, respectively. The Organization has recorded $28,441 and $1,439 in accumulated depreciation on these assets as of June 30, 2010 and 2009, respectively.

At fiscal year end, the Organization had several improvement projects in process, the projects are scheduled to be completed in 2011. The estimated cost to complete the improvements is approximately $690,000.

Deferred Revenue

Deferred revenue is recorded when fees for services are received in advance. Revenue is recognized at the time the services are provided.

Endowments

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date.

Continued

1. Business Description and Summary of Significant Accounting Policies, continued

Endowments, continued

Interpretation of Relevant Law

The Organization's Board has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA. The Organization does not have any temporarily restricted donor-restricted endowment funds at June 30, 2010.

Spending Policy

In accordance with the State of California's enacted version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the endowment funds
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Investment Policy, Strategies, and Objectives

The Organization has adopted investment and spending policies for endowment assets that attempts 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, 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 three percent annually. Actual returns in any given year may vary from this amount.

To satisfy 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 and current yield.

Continued

1. **Business Description and Summary of Significant Accounting Policies,** continued

Endowments, continued

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $44,187 and $45,349 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Fair Value Measurement

The Organization defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings when they occur. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Organization considers the principal or most advantageous market in which the Organization would transact and the market-based risk measurement or assumptions that market participants' would use in pricing the assets or liability, such as inherent risk, transfer restrictions and credit risk.

The Organization applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

The fair value hierarchy consists of the following three levels:

- Level 1: instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2: instrument valuations are obtained from readily-available pricing sources for comparable instruments.
- Level 3: instruments valuations are obtained without observable market value and require a high level of judgment to determine the fair value.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as exchange transactions and program fees are recognized as revenue in the period in which the service is provided.

Due to the significant budget deficit, the State of California has reduced the payments made through Regional Centers by 3% starting on February 1, 2009. This resulted in a reduction in the Organization's revenue of $160,412 and $62,674 for the fiscal year ending June 30, 2010 and 2009, respectively. The 3% payment reduction will continue into the next fiscal year and is slated to end on June 30, 2011.

Continued

1. Business Description and Summary of Significant Accounting Policies, continued

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Income Taxes and Uncertainty in Income Taxes

No provision has been made for income taxes as the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and state income taxes under Section 23701(d) of the California Revenue Taxation Code.

Effective July 1, 2009, the Organization began reviewing and assessing tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition.

The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Organization, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization.

At July 1, 2009, the Organization applied this guidance to all tax positions for which the statute of limitations remained open (fiscal years ended since June 30, 2007) and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since July 1, 2009. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities. As the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the adoption of this guidance did not have a material effect on the Organization's financial statements.

Thrift Store

The Organization operates a thrift store that sells merchandise donated to the Organization. Donated merchandise has not been recorded as inventory as the value at the time of receipt of merchandise cannot be reasonably estimated. Revenue from donated merchandise is recorded when the merchandise is sold.

Continued

1. Business Description and Summary of Significant Accounting Policies, continued

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

The costs of providing the Organization's programs have been summarized on a functional basis in these financial statements. Based on management's estimates, costs have been allocated between programs and supporting services as they relate to those functions.

Recent Accounting Pronouncements

Codification
In June 2009, the FASB issued *The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles* (the "Codification"). The Codification supersedes all existing accounting and reporting standards. Updates to the Codification are being issued as Accounting Standards Updates, which will also provide background information about the guidance, and provide the basis for conclusions on changes in the Codification. The Codification became effective for the Organization on July 1, 2009 and did not have a material impact on the Organization's financial statements.

Fair Value Measurements
In January 2010 a new update states that assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (i.e. trading securities), the valuation techniques and inputs used to develop those measurements should be disclosed. Additionally, reasons for transfers between Level 1 and Level 2 fair value measurements should also be disclosed. The update is effective for annual periods beginning after December 15, 2009.

2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Foundations	$ 350,000	$ 400,000
Receivable in less than one year	$ 350,000	$ 350,000
Receivable in one to five years	-	50,000
Total unconditional promises to give	350,000	400,000
Less current portion	(350,000)	(350,000)
Long-term unconditional promises to give	$ -	$ 50,000

Continued

3. Investments

Investments at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Mutual funds	$ 11,651	$ 8,013
Total dividend income	$ 307	$ 439
Total unrealized gain (loss)	$ 855	$ (1,240)
Total realized (loss)	$ -	$ (5,385)

4. Notes Payable

The Organization had a construction line of credit with Heritage Bank. Under this agreement, the Organization had available a $250,000 line of credit due June 2010 with interest at prime plus .5%. In the fiscal year June 30, 2010 the borrowings converted to a term loan (see Note 5). The Organization had outstanding borrowings of $248,336 at June 30, 2009.

The Organization had a line of credit with Heritage Bank. Under this agreement, the Organization had available a $500,000 line of credit due October 2009 with interest at prime plus .5%. The Organization had outstanding borrowings of $374,644 at June 30, 2009.

In 2010 the Organization entered into a line of credit agreement with Heritage Bank. Under this agreement, the Organization has available a $300,000 line of credit due October 2010 with interest at prime plus 0.5% and a minimum rate of 5.5% (currently 5.5%). The line is secured by a Deed of Trust, Assignment of Rents and a Commercial Security Agreement covering substantially all assets of the Organization. The Organization had outstanding borrowings of $150,000 at June 30, 2010.

5. Long-Term Debt

Long-term debt at June 30, 2010 and June 30, 2009 consist of the following:

	2010	2009
Wells Fargo Bank, payable in monthly payments of $4,433, including interest of 7.38%, with a final payment of $483,016, secured by a Deed of Trust, Assignment of Rents and a Commercial Security Agreement, due October 2016	$ 567,967	$ 576,264
CHAFFA (Help II Programs), two loans, payable in monthly installments of $2,783 and $2,396 including interest of 3% secured by Deeds of Trust, due February 2023	657,478	697,130
Heritage Bank, payable in monthly principal payments of $9,250 plus interest of 6.75%, secured by a Deed of Trust, Assignment of Rents, and a Commercial Security Agreement, due October 2014	481,000	-

5. Long-Term Debt, continued

	2010	2009
Heritage Bank, payable in monthly installments of $3,581 including interest of 6.75%, secured by a vehicle, paid in full during the fiscal year	-	115,985
U.S. Bancorp, three capital leases in 2010 and two capital leases in 2009, payable in monthly installments ranging from $210 to $195, including implied interest at 5% secured by equipment, due through March 2014	21,369	20,510
	1,727,814	1,409,889
Less current portion	(181,892)	(93,183)
	$ 1,545,922	$ 1,316,706

The aggregate maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending June 30,	
2011	$ 265,017
2012	252,743
2013	245,250
2014	236,468
2015 and thereafter	1,169,892
	2,169,370
Less amount representing interest	(441,556)
	$ 1,727,814

6. Lease Commitments

The Organization leases various facilities under non-cancelable operating leases with expiration dates ranging from 2010 to 2014.

The following is a schedule of the aggregate future minimum rental payments under the facility leases:

Year Ending June 30,	
2011	$ 335,235
2012	231,915
2013	210,898
2014	64,327
	$ 842,375

During 2009, the Organization subleased office space in two of its facilities. The following minimum payments to be received by the Organization are as follows:

Year Ending June 30,	
2011	$ 6,590

Net rent expense for facility leases amounted to approximately $479,000 at June 30, 2010 and $410,000 at June 30, 2009.

Continued

7. Significant Funding Source

The Organization had two funding sources that generated approximately 87% and 82% of the overall revenue for the years ended June 30, 2010 and 2009, respectively. The Organization had approximately 89% and 90% of accounts receivable from these sources as of June 30, 2010 and 2009, respectively.

8. Net Assets

Temporarily restricted net assets are available for the following purposes:

	2010	2009
Lafayette Renovation	$ 350,000	$ 400,000
Project SEARCH	15,000	-
Film Camp	2,500	-
Memorial Fund	3,135	3,135
GARDEN Tri-Valley	487	487
Scholarship Fund	240	240
Total temporarily restricted net assets	$ 371,362	$ 403,862

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2010
Purpose restriction accomplished:	
Lafayette Renovation	$ 50,000
Project SEARCH	20,000
Total restrictions released	$ 70,000

The Organization has received various gifts which have been designated as permanently restricted. These amounts are classified as part of investments.

9. Endowment

Endowment net asset composition by type of fund as of are as follows:

2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ (44,187)	$ -	$ 86,400	$ 42,213

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ (45,349)	$ -	$ 86,400	$ 41,051

Continued

9. **Endowment,** continued

Changes in endowment net assets are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, at June 30, 2008	$ (39,163)	$ 86,400	$ 47,237
Investment income	439	-	439
Net (depreciation)	(6,625)	-	(6,625)
Endowment net assets, at June 30, 2009	(45,349)	86,400	41,051
Investment income	307	-	307
Net appreciation	855	-	855
Endowment net assets, at June 30, 2010	$ (44,187)	$ 86,400	$ 42,213

10. **Fair Value Measurement**

The following table summarizes the Organization's financial assets and liabilities measured at fair value on a recurring basis are as follows:

	Assets at Fair Value as of June 30, 2010	
	(Level 1)	Total
Money Market	$ 11,365	$ 11,365
Mutual Fund	11,651	11,651
	$ 23,016	$ 23,016

	Assets at Fair Value as of June 30, 2009	
	(Level 1)	Total
Money Market	$ 11,990	$ 11,990
Mutual Fund	8,013	8,013
	$ 20,003	$ 20,003

As of June 30, 2010 and 2009, the Organization did not have any Level 2 or Level 3 assets or liabilities.

11. **Subsequent Events**

The Organization evaluated subsequent events for recognition and disclosure through October 13, 2010, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2010 that require recognition or disclosure in such financial statements.