FUTURES EXPLORED, INC.

REPORT ON AUDITS OF FINANCIAL STATEMENTS

for the years ended June 30, 2011 and 2010

FUTURES EXPLORED, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Futures Explored, Inc. (a nonprofit organization) as of June 30, 2011, 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 2010 financial statements and, in our report dated October 13, 2010, 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, 2011, 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, Inc.

San Jose, California
October 28, 2011

BURR PILGER MAYER, INC.
60 S. MARKET STREET, 8TH FLOOR, SAN JOSE, CA 95113 TEL (408) 961-6300 FAX (408) 961-6324

FUTURES EXPLORED, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	2010
Current Assets:		
Cash and cash equivalents	$ 76,484	$ 31,821
Accounts receivable	875,724	572,511
Unconditional promises to give receivable	-	350,000
Prepaids	53,003	15,773
Total current assets	1,005,211	970,105
Land and building	1,572,529	1,572,529
Furniture and equipment	374,580	346,592
Vehicles	329,512	334,956
Building and leasehold improvements	1,235,880	1,223,838
Construction in progress	187,965	16,865
	3,700,466	3,494,780
Less accumulated depreciation	(1,551,971)	(1,340,096)
	2,148,495	2,154,684
Long-term unconditional promises to give receivable	16,243	-
Other Assets:		
Investments	16,751	11,651
Deposits	33,900	29,100
Escrow and loan fees, net	32,067	35,281
	82,718	76,032
Total assets	$ 3,252,667	$ 3,200,821

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities:		
Line of credit	$ 100,000	$ 150,000
Accounts payable	137,634	20,422
Accrued expenses	293,183	249,122
Deferred revenue	27,219	792
Current portion of long-term debt	165,304	181,892
Total current liabilities	723,340	602,228
Long-term debt, less current portion	1,391,291	1,545,922
Net Assets:		
Unrestricted	846,057	594,909
Temporarily restricted	205,579	371,362
Permanently restricted	86,400	86,400
	1,138,036	1,052,671
Total liabilities and net assets	$ 3,252,667	$ 3,200,821

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

FUTURES EXPLORED, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2011

With Summarized Financial Information

for the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	(For comparative purposes only) Total 2010
Revenues:					
Regional Center	$ 6,362,230	$ -	$ -	$ 6,362,230	$ 5,698,771
Department of Rehabilitation	167,652	-	-	167,652	56,404
Community revenue	949,261	-	-	949,261	636,064
Contribution income	77,091	120,203	-	197,294	114,770
Investment gain	2,600	-	-	2,600	1,162
Miscellaneous income	117,754	-	-	117,754	53,812
Total revenues	7,676,588	120,203	-	7,796,791	6,560,983
Net assets released from restriction	185,986	(185,986)	-	-	-
Total Support and Revenue	7,862,574	(65,783)	-	7,796,791	6,560,983
Expenses:					
Program Services:					
Lafayette	1,049,236	-	-	1,049,236	1,031,098
Garden	1,852,986	-	-	1,852,986	1,678,948
ALIVE	1,916,703	-	-	1,916,703	1,680,527
Supported Employment	434,965	-	-	434,965	393,804
Social Recreation	31,850	-	-	31,850	86,327
Nifty Thrift & Huckleberry	434,369	-	-	434,369	399,044
VTE	1,274,772	-	-	1,274,772	697,173
Total program services	6,994,881	-	-	6,994,881	5,966,921
Supporting Services:					
Administration	585,128	-	-	585,128	597,860
Fund Development	31,417	-	-	31,417	30,998
Total supporting services	616,545	-	-	616,545	628,858
Total expenses	7,611,426	-	-	7,611,426	6,595,779
Change in estimate of prior year contribution	-	(100,000)	-	(100,000)	-
Total expenses and change in estimate of prior year contribution	7,611,426	(100,000)	-	7,711,426	6,595,779
Changes in net assets	251,148	(165,783)	-	85,365	(34,796)
Net assets, beginning of year	594,909	371,362	86,400	1,052,671	1,087,467
Net assets, end of year	$ 846,057	$ 205,579	$ 86,400	$ 1,138,036	$ 1,052,671

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2011
With Summarized Financial Information
for the year ended June 30, 2010

	Program Services							Total	Supporting Services		Total		(For comparative
	Lafayette	Garden	ALIVE	Supported Employment	Social Recreation	Nifty Thrift & Huckleberry	VTE	Program Services	Administration	Fund Development	Supporting Services	Total 2011	purposes only) 2010
Personnel Expenses	$ 710,651	$ 1,317,611	$ 1,414,988	$ 343,705	$ 19,455	$ 172,774	$ 828,274	$ 4,807,458	$ 400,761	$ 11,656	$ 412,417	$ 5,219,875	$ 4,630,700
Community Contract Expenses	118,021	37,176	188,395	52,994	-	98,676	363,537	858,799	1,122	-	1,122	859,921	551,772
Occupancy Expenses	159,013	434,638	241,061	14,250	11,619	149,117	23,176	1,032,874	37,639	-	37,639	1,070,513	997,620
Communications	11,620	33,774	25,581	2,485	476	8,461	12,519	94,916	37,782	-	37,782	132,698	103,111
Outside Services	3,368	1,419	2,490	1,508	14	4,313	1,508	14,620	85,271	19,573	104,844	119,464	150,508
Travel, Conferences and Training	2,698	11,465	9,862	19,756	240	105	39,575	83,701	21,118	188	21,306	105,007	85,340
Program Expenses	43,865	16,903	34,326	267	46	923	6,183	102,513	1,435	-	1,435	103,948	76,728
Total	$ 1,049,236	$ 1,852,986	$ 1,916,703	$ 434,965	$ 31,850	$ 434,369	$ 1,274,772	$ 6,994,881	$ 585,128	$ 31,417	$ 616,545	$ 7,611,426	$ 6,595,779

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

FUTURES EXPLORED, INC.

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 85,365	$ (34,796)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	221,375	216,277
(Gain) on investments	(2,138)	(855)
Dividends and interest reinvested	(462)	(307)
(Increase) decrease in operating assets:		
Accounts receivable	(303,213)	(47,955)
Unconditional promises to give receivable	333,757	50,000
Prepaids	(37,230)	52,770
Deposits	(4,800)	(1,801)
Escrow and loan fees	3,214	3,201
Increase (decrease) in operating liabilities:		
Accounts payable	117,212	(27,004)
Accrued expenses	44,061	24,036
Deferred revenue	26,427	(31,715)
Total adjustments	398,203	236,647
Net cash provided by operating activities	483,568	201,851
Cash flows from investing activities:		
Acquisition of fixed assets	(215,186)	(50,317)
Purchase of investments	(2,500)	(2,500)
Net cash (used in) investing activities	(217,686)	(52,817)
Cash flows from financing activities:		
Gross borrowings on line of credit	3,525,000	2,677,786
Repayments on line of credit	(3,575,000)	(2,700,000)
Principal payments on long-term debt	(171,219)	(144,861)
Net cash (used in) financing activities	(221,219)	(167,075)
Net increase (decrease) in cash	44,663	(18,041)
Cash and cash equivalents, beginning of year	31,821	49,862
Cash and cash equivalents, end of year	$ 76,484	$ 31,821

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

FUTURES EXPLORED, INC.
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2011 and 2010

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:

	2011	2010
Interest	$ 93,608	$ 88,775

3. Schedule of non-cash investing transactions:

	2011	2010
Fixed asset acquisitions	$ (215,186)	$ (62,507)
Less financing of acquisition	-	12,190
	$ (215,186)	$ (50,317)
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	$ 3,525,000	$ 2,965,000
Repayment of Heritage Bank line of credit that terminated October 2009	-	(287,214)
	$ 3,525,000	$ 2,677,786

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

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 23701(d) 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.

- **Nifty Thrift and Huckleberry To-Go Catering**
  The Nifty Thrift program runs two thrift stores. The thrift stores provide the ability to generate community funding and the opportunity to provide a vocational setting and proactive support to individuals. 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.

Continued

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

Nature of Activities, *continued*

- **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 of the Organization have been prepared on 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, 2010, 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

Accounts receivable are stated at unpaid balances. The Organization provides for losses on accounts receivable using the allowance method. 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 as of the financial statement date.

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.

Continued

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

Promises to Give, continued

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 required as of the financial statement date.

Investments

The Organization carries investments in marketable equity securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Fixed Assets

All acquisitions of property, equipment or improvements in excess of $500 are recorded at cost. Donated property and equipment are carried at fair value at the date of the donation. Depreciation is computed using the straight-line method over the assets estimated useful life. Total fixed assets recorded under capital lease amount to $21,760 and $35,660 for June 30, 2011 and 2010, respectively. The Organization has recorded $7,205 and $28,441 in accumulated depreciation on these assets as of June 30, 2011 and 2010, respectively.

At fiscal year end, the Organization had several improvement projects in process, which are scheduled to be completed in December 2011. The total estimated cost of the improvements is approximately $335,000.

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.

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, 2011.

Continued

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

Endowments, continued

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 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, 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 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor 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 $41,587 and $44,187 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Fair Value Measurement–Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Continued

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

Fair Value Measurement–Definition and Hierarchy, continued

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- *Level 1*–quoted prices in active markets for identical investments
- *Level 2*–other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, etc.).
- *Level 3*–significant unobservable inputs (including the Foundation's own assumptions in determining fair value instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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 4.25% starting on July 1, 2010 and 3.00% from February 1, 2009 through June 30, 2010. This resulted in a reduction in the Organization's revenue of $258,266 and $160,412 for the fiscal year ending June 30, 2011 and 2010, respectively. The 4.25% payment reduction will continue into the next fiscal year.

Contributions

Contributions including unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the Statement of Activities as net assets released from restrictions.

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.

Continued

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

Income Taxes and Uncertainty in Income Taxes, continued

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.

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.

The Organization’s administration expenses are 8% and 9% of total expenses at June 30, 2011 and 2010, respectively.

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.

2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Foundations	$ 16,243	$ 350,000
Receivable in less than one year	$ -	$ 350,000
Receivable in one to five years	16,243	-
Total unconditional promises to give	16,243	350,000
Less current portion	-	(350,000)
Long-term unconditional promises to give	$ 16,243	$ -

Continued

3. Investments

Investments at June 30, 2011 and 2010 consist of a mutual fund recorded at fair value:

	2011	2010
Mutual fund	$ 16,751	$ 11,651

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2011 and 2010:

	2011	2010
Dividend income	$ 462	$ 307
Unrealized gain	2,138	855
Total investment gain	$ 2,600	$ 1,162

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 the prime rate plus .5%. In the fiscal year June 30, 2010, the borrowings converted to a term loan (see Note 5).

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 November 2011 with interest at the prime rate 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 three Commercial Security Agreements covering substantially all assets of the Organization. The Organization had outstanding borrowings of $100,000 and $150,000 at June 30, 2011 and 2010, respectively.

Continued

5. Long-Term Debt

Long-term debt at June 30, 2011 and June 30, 2010 consist of the following:

	2011	2010
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	$ 558,313	$ 567,967
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	615,943	657,478
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	370,000	481,000
U.S. Bancorp, two capital leases in 2011 and three capital leases in 2010, payable in monthly installments ranging from $210 to $195, including implied interest at 15% secured by equipment, due through March 2014	12,339	21,369
	1,556,595	1,727,814
Less current portion	(165,304)	(181,892)
	$ 1,391,291	$ 1,545,922

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

Year Ending June 30,	
2012	$ 252,747
2013	245,254
2014	236,423
2015	152,866
2016 and thereafter	1,011,965
	1,899,255
Less amount representing interest	(342,660)
	$ 1,556,595

Continued

6. Lease Commitments

The Organization leases various facilities under non-cancelable operating leases with expiration dates ranging from 2012 to 2016.

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

Year Ending June 30,		
2012	$	482,978
2013		415,138
2014		341,896
2015		169,466
2016		85,768
	$	1,495,246

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,		
2012	$	9,600
2013		9,600
2014		9,600
2015		9,600
2016		2,000
	$	40,400

Net rent expense for facility leases amounted to approximately $557,000 at June 30, 2011 and $479,000 at June 30, 2010.

7. Significant Funding Source

The Organization had Regional Center funding (the pass through agent for the State of California and federal support for individuals with developmental disabilities) that generated approximately 83% and 87% of the overall revenue for the years ended June 30, 2011 and 2010, respectively. The Organization had approximately 83% and 89% of accounts receivable from Regional Center funding as of June 30, 2011 and 2010, respectively.

Continued

8. Net Assets

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Lafayette Renovation	$ 195,257	$ 350,000
Film Camp	6,000	2,500
Memorial Fund	3,135	3,135
Scholarship Fund	700	240
GARDEN Tri-Valley	487	487
Project SEARCH	-	15,000
Total temporarily restricted net assets	$ 205,579	$ 371,362

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

	2011
Purpose restriction accomplished:	
Lafayette Renovation	$ 170,986
Project SEARCH	15,000
Total restrictions released	$ 185,986

9. Endowment

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

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ (41,587)	$ -	$ 86,400	$ 44,813

2010	Unrestricted	Restricted	Restricted	Assets
Donor-restricted endowment funds	$ (44,187)	$ -	$ 86,400	$ 42,213

Continued

9. Endowment

Changes in endowment net assets are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
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
Investment income	462	-	462
Net appreciation	2,138	-	2,138
Endowment net assets, at June 30, 2011	$ (41,587)	$ 86,400	$ 44,813

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, 2011	
	(Level 1)	Total
Money Market	$ 26,369	$ 26,369
Mutual Fund	16,751	16,751
	$ 43,120	$ 43,120

	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

As of June 30, 2011 and 2010, the Organization did not have any Level 2 or Level 3 assets or liabilities.

11. Change in Estimate

In fiscal year 2008, the Organization received a multi-phase grant, based on estimated construction costs, of $400,000 in support of the upgrade, renovation and expansion of the Lafayette, California facility. The grant was considered unconditional and was recorded as temporarily restricted contribution income in the Statement of Activities at June 30, 2008. During fiscal year 2009, the Phase 1 contribution of $100,000 was received as stated in the grant agreement. During fiscal year 2011, the Organization received notification from the grantor that the Phase II contribution of $300,000 would be reduced to $200,000 as the revised construction budget was substantially less than the original budget. The Organization has recorded the reduction of the unconditional promise to give as a change in estimate of $100,000 in the Statement of Activities at June 30, 2011.

Continued

12. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 28, 2011, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2011 that require recognition or disclosure in such financial statements.