

FUTURES EXPLORED, INC.

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2015

FUTURES EXPLORED, INC.

C O N T E N T S

	Page(s)
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4-6
Statement of Cash Flows	7-8
Notes to Financial Statements	9-17



BURR PILGER MAYER

60 South Market Street, Suite 800, San Jose, CA 95113

Phone 408.961.6300 Fax 408.961.6324 Email bpm@bpmcpa.com Web bpmcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Futures Explored, Inc. (a nonprofit organization, the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, 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.

Burr Pilger Mayer, Inc.

San Jose, California
March 1, 2016

ACCOUNTANTS & CONSULTANTS

FUTURES EXPLORED, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(See Independent Auditors' Report)

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 26,667
Accounts receivable	934,349
Promise to give receivable	50,000
Prepays	104,138
Total current assets	<u>1,115,154</u>
Fixed Assets, net:	
Land and building	1,572,529
Furniture and equipment	461,245
Vehicles	413,233
Building and leasehold improvements	1,663,803
	<u>4,110,810</u>
Less accumulated depreciation	<u>(2,243,540)</u>
Net fixed assets	<u>1,867,270</u>
Other Assets:	
Investments	10,236
Deposits and other assets	185,463
Escrow and loan fees, net	67,737
Total other assets	<u>263,436</u>
Total assets	<u>\$ 3,245,860</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Cash overdraft	\$ 21,839
Line of credit	525,000
Accounts payable	183,644
Accrued expenses	438,897
Deferred revenue	30,010
Capital leases payable	14,919
Current portion of long-term debt	88,418
Total current liabilities	<u>1,302,727</u>
Deferred rent	41,026
Long-term debt, less current portion	<u>1,321,875</u>
Total long-term liabilities	<u>1,362,901</u>
Total liabilities	<u>2,665,628</u>
Net Assets:	
Unrestricted	476,792
Temporarily restricted	17,040
Permanently restricted	86,400
Total net assets	<u>580,232</u>
Total liabilities and net assets	<u>\$ 3,245,860</u>

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

FUTURES EXPLORED, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015
(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
Revenue and Other Support:				
Regional Center	\$ 9,342,968	\$ -	\$ -	\$ 9,342,968
Department of Rehabilitation	35,881	-	-	35,881
Community revenue	1,188,141	-	-	1,188,141
Contribution income	302,220	10,000	-	312,220
Investment gain	2,142	-	-	2,142
Miscellaneous income	21,289	-	-	21,289
Total revenue and other support	<u>10,892,641</u>	<u>10,000</u>	<u>-</u>	<u>10,902,641</u>
Expenses:				
Program Services:				
Garden	2,420,444	-	-	2,420,444
ALIVE	2,276,289	-	-	2,276,289
VTE	2,255,158	-	-	2,255,158
Lafayette	1,195,216	-	-	1,195,216
Film and Media	832,570	-	-	832,570
Business Enterprises	523,300	-	-	523,300
Supported Employment	417,973	-	-	417,973
Social Recreation	111,827	-	-	111,827
Total program services	<u>10,032,777</u>	<u>-</u>	<u>-</u>	<u>10,032,777</u>
Supporting Services:				
Administration	923,627	-	-	923,627
Fund development	34,075	-	-	34,075
Total supporting services	<u>957,702</u>	<u>-</u>	<u>-</u>	<u>957,702</u>
Total expenses	<u>10,990,479</u>	<u>-</u>	<u>-</u>	<u>10,990,479</u>
Changes in net assets	(97,838)	10,000	-	(87,838)
Net assets, beginning of year	<u>574,630</u>	<u>7,040</u>	<u>86,400</u>	<u>668,070</u>
Net assets, end of year	<u>\$ 476,792</u>	<u>\$ 17,040</u>	<u>\$ 86,400</u>	<u>\$ 580,232</u>

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2015
(See Independent Auditors' Report)

	Program Services			
	Garden	ALIVE	VTE	Lafayette
Personnel Expenses	\$ 1,738,794	\$ 1,554,211	\$ 1,445,349	\$ 831,808
Community Contract Expenses	61,041	317,567	636,289	115,089
Occupancy Expenses	395,937	296,022	74,966	212,565
Communications	29,187	22,605	18,794	13,453
Outside Services	4,141	7,234	2,208	247
Travel, Conferences and Training	61,708	18,883	66,170	9,544
Program Expenses	129,636	59,767	11,382	12,510
Total	<u>\$ 2,420,444</u>	<u>\$ 2,276,289</u>	<u>\$ 2,255,158</u>	<u>\$ 1,195,216</u>

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED

For the year ended June 30, 2015
(See Independent Auditors' Report)

	Program Services			
	Film and Media	Business Enterprises	Supported Employment	Social Recreation
Personnel Expenses	\$ 337,113	\$ 111,190	\$ 337,212	\$ 11,349
Community Contract Expenses	11,676	236,966	61,036	-
Occupancy Expenses	84,879	119,294	5,689	18,126
Communications	17,271	7,764	2,915	2,375
Outside Services	8,041	17,310	1,508	557
Travel, Conferences and Training	14,232	22,237	9,460	10,835
Program Expenses	359,358	8,539	153	68,585
Total	\$ 832,570	\$ 523,300	\$ 417,973	\$ 111,827

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED

For the year ended June 30, 2015
(See Independent Auditors' Report)

	Total Program Services	Supporting Services		Total Supporting Services	Total
		Administration	Fund Development		
Personnel Expenses	\$ 6,367,026	\$ 561,993	\$ 13,288	\$ 575,281	\$ 6,942,307
Community Contract Expenses	1,439,664	3,500	-	3,500	1,443,164
Occupancy Expenses	1,207,478	113,663	-	113,663	1,321,141
Communications	114,364	42,268	695	42,963	157,327
Outside Services	41,246	166,310	20,092	186,402	227,648
Travel, Conferences and Training	213,069	28,740	-	28,740	241,809
Program Expenses	649,930	7,153	-	7,153	657,083
Total	\$ 10,032,777	\$ 923,627	\$ 34,075	\$ 957,702	\$ 10,990,479

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

FUTURES EXPLORED, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015
(See Independent Auditors' Report)

Cash Flows from Operating Activities:	
Changes in net assets	\$ (87,838)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	168,528
In-kind donation of vehicles	(89,859)
(Gain) on investments	(1,097)
Dividends and interest reinvested	(207)
(Increase) decrease in operating assets:	
Accounts receivable	(72,642)
Unconditional promises to give receivable	(50,000)
Prepays	152
Deposits and other assets	(82,722)
Increase (decrease) in operating liabilities:	
Accounts payable	141,082
Accrued expenses	79,395
Deferred revenue	4,065
Deferred rent	19,893
Total adjustments	<u>116,588</u>
Net cash provided by operating activities	<u>28,750</u>
Cash flows from Investing Activities:	
Acquisition of fixed assets	<u>(33,024)</u>
Net cash (used in) investing activities	<u>(33,024)</u>
Cash flows from Financing Activities:	
Cash overdraft	21,839
Gross borrowings on line of credit	1,773,739
Repayments on line of credit	(1,698,739)
Borrowings on long-term debt	200,000
Principal payments on long-term debt	<u>(270,552)</u>
Net cash provided by financing activities	<u>26,287</u>
Net increase in cash and cash equivalents	22,013
Cash and cash equivalents, beginning of year	4,654
Cash and cash equivalents, end of year	<u>\$ 26,667</u>

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

FUTURES EXPLORED, INC.
STATEMENT OF CASH FLOWS, CONTINUED
For the year ended June 30, 2015

1. Accounting Policy - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”	
2. The following cash payments were made during the year for:	
Interest	<u>\$ 57,030</u>
3. Schedule of non-cash investing transactions:	
Fixed asset acquisitions	\$ (122,883)
Less in kind donation of vehicles	<u> 89,859</u>
	<u>\$ (33,024)</u>

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

FUTURES EXPLORED, INC.
NOTES TO 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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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. 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. Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization’s operations.

Nature of Activities

Futures Explored, Inc. offers eight programs 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 support and activities to individuals with significant personal care, cognitive and physical disabilities, who often have some long-term medical conditions that need additional support. 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 support to encourage individuals to be active in their community, develop skills to be more independent and have the ability 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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

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

Nature of Activities, continued

Supported Employment

The Supported Employment program offers employment support to individuals who have chosen employment as their primary goal. Employment varies based on need from job placement, training and long-term support on both an individual and group basis. Due to the on-going 10% payment reduction since 2008 for Supported Employment Services, especially those provided to individuals working in Integrated Community Settings, the Organization's Board notified both Alta California Regional Center and the Regional Center of the East Bay that effective November 1, 2014 the Organization would shelve (stop providing) Supported Employment Individual Placement Services. As of June 30, 2015, the State had not restored the funding for the service.

Social Recreation

The Futures & Friendships-Afternoon Club 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 2011, 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. The Inclusion Film Camp program is provided as an Out-of-Home respite activity for individuals with developmental disabilities, including Autism and Asperger's Syndrome between the ages of 10 and 25. It is a two week camp that uses film as a means to increase positive social interactions for individuals with disabilities.

Business Enterprises

The Nifty Thrift program runs four 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 the community. It is used as an employment training ground for individuals interested in employment in the food industry. The eWaste program operates three locations to collect eWaste. Those locations are then paid to recycle the eWaste by ECS Refining under California's eWaste recycling program.

Vocational Training & Education (VTE)

Vocation Training & Education (VTE) program offers a variety of employment, community college, school to work transition and community inclusion activities in Yolo and Sacramento Counties.

Film and Media

Practical Film and Media Workshop is a service that provides 20 week workshops to provide opportunities to learn all aspects of film making, including writing, acting, camera and lighting, editing, etc. The goal is to develop both an individual's technical skills, but to provide some support in getting them paid or unpaid internship opportunities in the community. The Organization has a Futures Films production house that provides full service video and editing services to the general community and offers paid employment opportunities for current and former students.

Concentration of Credit Risk

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

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

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

Accounts Receivable and Allowance for Uncollectable Accounts

Accounts receivable consists of client service fees for various services performed by the Organization as of June 30, 2015. The Organization receives fees from the Department of Rehabilitation, the Regional Center of the East Bay, as well as other agencies and private individuals.

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 no allowance for uncollectible accounts is deemed necessary at June 30, 2015.

Investments

The Organization carries investments in marketable equity securities with readily determinable fair values. Unrealized gains and losses are included in the 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 recorded at fair market value. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets.

Included in fixed assets are capital leases of \$38,698 and accumulated depreciation of \$24,697 at June 30, 2015.

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. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Organization's donor-restricted endowment funds and whether or not the Organization is subject to UPMIFA are described below and in Note 7.

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, 2015.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

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, and
- 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 \$39,065 as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Fair Value Measurement—Definition and Hierarchy

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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

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

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: significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: instrument valuations are obtained without observable market value and require a high level of judgment to determine the fair value.

Revenue Recognition

The Organization recognizes 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.

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.

Thrift Stores

The Organization operates thrift stores that sell 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.

eWaste

The Organization receives donations of eWaste. Revenue from donated eWaste is recorded when the donations are transferred to ECS Refining and payment, per pound of eWaste, is received.

Minimum Wage

As of August 1, 2014 the Organization gave up its Federal 14-C Certificate that allowed them to pay individuals who were disabled for the job based on their productivity, which allowed individuals with minimal productivity to be paid less than the established minimum wage. Currently, all individuals with disabilities working on contracts to gain vocational experience are paid at minimum wage or better.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

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 proportionate to the salary and for occupancy expenses recorded for each function as determined by the Organization's management. 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 expense is 8.78% of total expenses for the year ended June 30, 2015.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the financial statements. There was no unrelated business income for the year ended June 30, 2015. The Organization believes that its tax position will, more likely than not, be sustained based on their technical merits should there be an examination by a taxing authority.

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.

Financial Results and Liquidity

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. The Organization shows negative working capital of \$565,543 at June 30, 2015. The Organization depends on funding from the Regional Center. The ability to continue as a going concern anticipates that such funding will increase and continue for a period of one year or more.

2. Line of Credit

The Organization has three line of credit agreements with Bank of the West. Under those agreements, the Organization has available a \$575,000 line of credit with maturity dates ranging from October 2018 to July 2020 with interest ranging from prime rate plus 1.10% to 1.50% and a minimum rate of 4%. 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 borrowings outstanding of \$525,000 at June 30, 2015.

Subsequent to June 30, 2015, the Organization rolled the \$50,000 equipment line of credit into a term loan.

In addition the Organization has an unsecured Reserve Line of Credit agreement whereby borrowing limits are established by the lender; terms of the agreement call for a loan fee of 1.5% of each draw with interest at prime plus 9%. The agreement can be cancelled at any time by either party. Interested parties should inquire with management regarding specifics related to this borrowing arrangement.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

3. Long-Term Debt

A summary of long-term debt at June 30, 2015 is as of the follows:

Bank of the West, payable in monthly installments of \$7,036 including interest at 5.62% per annum, secured by a Deed of Trust, and Assignment of Rents, due September 2028.	\$	781,677
California Health Facilities Financing Authority (CHFFA, Help II Program), (two separate notes) payable in monthly installments of \$2,783 and \$2,396, including interest at 3% per annum, secured by a Deed of Trust, due February 2023.		428,616
Social Venture Funds, (three notes), payable in monthly interest only installments of 4% per annum, unsecured, due October 2016.		200,000
		1,410,293
Less current portion		(88,418)
		\$ 1,321,875

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

<u>Year Ending June 30,</u>		
2016	\$	146,445
2017		346,445
2018		146,445
2019		146,445
2020		146,445
Thereafter		854,130
		1,786,355
Less amount representing interest		(376,062)
		\$ 1,410,293

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

4. Lease Commitments

Operating

The Organization leases various facilities under noncancelable, operating leases with expiration dates through July 2024.

The following is a schedule of the aggregated future minimum rental payments under operating leases that have lease terms in excess of one year.

<u>Year Ending June 30,</u>	
2016	\$ 530,748
2017	501,530
2018	449,312
2019	417,637
2020	323,089
Thereafter	386,100
	<u>\$ 2,608,416</u>

Net rent expense under the leases was \$762,025 for the year ended June 30, 2015.

Capital

The Organization leases equipment under four separate capital lease agreements with expiration dates ranging from 2016 to 2018. The capital lease liability was \$14,919 at June 30, 2015.

5. 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 86% of the overall revenue for the year ended June 30, 2015. The Organization had approximately 68% of accounts receivable from Regional Center funding as of June 30, 2015.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2015:

Memorial Fund	\$ 3,135
Scholarship Fund	3,905
Golden Hill Films Project	10,000
Total temporarily restricted net assets	<u>\$ 17,040</u>

No net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the expiration of time during the year ended June 30, 2015.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

7. Endowment

Endowment net asset composition by type of fund at June 30, 2015 is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (39,065)	\$ 86,400	\$ 47,335

Changes in endowment net assets as of June 30, 2015 is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2014	\$ (39,419)	\$ 86,400	\$ 46,981
Investment income	207	-	207
Net appreciation in fair value	147	-	147
Endowment net assets, at June 30, 2015	\$ (39,065)	\$ 86,400	\$ 47,335

The amount classified as permanently restricted represents the amount of the endowment funds that must be retained permanently in accordance with explicit donor stipulations. The Organization received no permanently restricted contributions for the fiscal year ended June 30, 2015.

8. Fair Value Measurement

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis:

	Assets at Fair Value as of June 30, 2015			Total
	(Level 1)	(Level 2)	(Level 3)	
Money Market	\$ 12,972	\$ -	\$ -	\$ 12,972
Mutual Fund	9,206	-	-	9,206
Common Stock	1,030	-	-	1,030
	\$ 23,208	\$ -	\$ -	\$ 23,208

All assets have been measured at fair value. There were no charges in the valuation methodologies used at June 30, 2015.

9. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through March 1, 2016, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that require recognition or disclosure in such financial statements.