

FUTURES EXPLORED, INC.

AUDITED FINANCIAL STATEMENTS

June 30, 2016

(with summarized comparative totals for June 30, 2015)

FUTURES EXPLORED, INC.

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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, 2016, 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.

Auditors' 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 auditors' 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BPM LLP

San Jose, California
February 1, 2017

FUTURES EXPLORED, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 29,011	\$ 26,667
Accounts receivable	919,206	934,349
Unconditional promise to give receivable, current portion	591,000	50,000
Prepays	38,553	52,138
Total current assets	<u>1,577,770</u>	<u>1,063,154</u>
Unconditional promise to give receivable, less current portion	129,000	-
Fixed Assets, net:		
Land and building	1,572,529	1,572,529
Furniture and equipment	479,810	461,245
Vehicles	428,271	413,233
Building and leasehold improvements	1,755,316	1,663,803
	<u>4,235,926</u>	<u>4,110,810</u>
Less accumulated depreciation	<u>(2,452,500)</u>	<u>(2,243,540)</u>
Net fixed assets	<u>1,783,426</u>	<u>1,867,270</u>
Other Assets:		
Investments	12,074	10,236
Deposits and other assets	261,987	237,463
Escrow and loan fees, net	61,575	67,737
Total other assets	<u>335,636</u>	<u>315,436</u>
Total assets	<u>\$ 3,825,832</u>	<u>\$ 3,245,860</u>

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

FUTURES EXPLORED, INC.

STATEMENT OF FINANCIAL POSITION CONTINUED

June 30, 2016

(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	2016	2015
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Cash overdraft	\$ -	\$ 21,839
Line of credit	535,700	525,000
Accounts payable	401,381	183,644
Accrued expenses	444,578	438,897
Deferred revenue	31,650	30,010
Capital leases payable	6,611	14,919
Current portion of long-term debt	235,002	88,418
Total current liabilities	<u>1,654,922</u>	<u>1,302,727</u>
Deferred rent	78,061	41,026
Long-term debt, less current portion	1,183,902	1,321,875
Total long-term liabilities	<u>1,261,963</u>	<u>1,362,901</u>
Total liabilities	<u>2,916,885</u>	<u>2,665,628</u>
Net Assets:		
Unrestricted	88,007	476,792
Temporarily restricted	734,540	17,040
Permanently restricted	86,400	86,400
Total net assets	<u>908,947</u>	<u>580,232</u>
Total liabilities and net assets	<u>\$ 3,825,832</u>	<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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	(For comparative purposes only) Total 2015
Revenue and Other Support:					
Regional Center	\$ 9,483,933	\$ -	\$ -	\$ 9,483,933	\$ 9,342,968
Department of Rehabilitation	40,435	-	-	40,435	35,881
Community revenue	1,193,158	-	-	1,193,158	1,188,141
Contribution income	171,737	727,500	-	899,237	312,220
Investment gain	1,192	-	-	1,192	2,142
Miscellaneous income	31,504	-	-	31,504	21,289
Total revenue and other support	<u>10,921,959</u>	<u>727,500</u>	<u>-</u>	<u>11,649,459</u>	<u>10,902,641</u>
Restrictions satisfied by payments	10,000	(10,000)	-	-	-
Total revenue and other support with restrictions satisfied by payments	<u>10,931,959</u>	<u>717,500</u>	<u>-</u>	<u>11,649,459</u>	<u>10,902,641</u>
Expenses:					
Program Services:					
Garden	2,455,599	-	-	2,455,599	2,420,444
ALIVE	2,278,445	-	-	2,278,445	2,276,289
VTE	2,433,226	-	-	2,433,226	2,255,158
Lafayette	1,125,203	-	-	1,125,203	1,195,216
Film and Media	892,581	-	-	892,581	832,570
Business Enterprises	514,589	-	-	514,589	523,300
Supported Employment	436,795	-	-	436,795	417,973
Social Recreation	101,018	-	-	101,018	111,827
Total program services	<u>10,237,456</u>	<u>-</u>	<u>-</u>	<u>10,237,456</u>	<u>10,032,777</u>
Supporting Services:					
Administration	1,055,225	-	-	1,055,225	923,627
Fund development	28,063	-	-	28,063	34,075
Total supporting services	<u>1,083,288</u>	<u>-</u>	<u>-</u>	<u>1,083,288</u>	<u>957,702</u>
Total expenses	<u>11,320,744</u>	<u>-</u>	<u>-</u>	<u>11,320,744</u>	<u>10,990,479</u>
Changes in net assets	(388,785)	717,500	-	328,715	(87,838)
Net assets, beginning of year	476,792	17,040	86,400	580,232	668,070
Net assets, end of year	<u>\$ 88,007</u>	<u>\$ 734,540</u>	<u>\$ 86,400</u>	<u>\$ 908,947</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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	Program Services			
	Garden	ALIVE	VTE	Lafayette
Personnel Expenses	\$ 1,732,213	\$ 1,532,975	\$ 1,578,286	\$ 773,599
Community Contract Expenses	67,217	353,841	639,680	88,113
Occupancy Expenses	501,865	294,643	79,876	230,821
Communications	39,399	25,166	25,441	14,694
Outside Services	1,456	5,278	2,790	700
Travel, Conferences and Training	48,655	14,017	92,785	9,867
Program Expenses	64,794	52,525	14,368	7,409
Total	<u>\$ 2,455,599</u>	<u>\$ 2,278,445</u>	<u>\$ 2,433,226</u>	<u>\$ 1,125,203</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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	Program Services			
	Film and Media	Business Enterprises	Supported Employment	Social Recreation
Personnel Expenses	\$ 434,923	\$ 80,270	\$ 363,410	\$ 12,003
Community Contract Expenses	11,362	249,830	58,282	480
Occupancy Expenses	46,154	116,813	2,657	3,066
Communications	16,442	9,554	2,433	1,919
Outside Services	10,206	20,427	1,508	776
Travel, Conferences and Training	16,867	27,218	8,505	3,747
Program Expenses	356,627	10,477	-	79,027
Total	\$ 892,581	\$ 514,589	\$ 436,795	\$ 101,018

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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	Total	Supporting Services		Total	Total	(For comparative purposes only)
	Program Services	Administration	Fund Development	Supporting Services		
Personnel Expenses	\$ 6,507,679	\$ 660,874	\$ 12,670	\$ 673,544	\$ 7,181,223	\$ 6,942,307
Community Contract Expenses	1,468,805	10,941	-	10,941	1,479,746	1,443,164
Occupancy Expenses	1,275,895	116,137	-	116,137	1,392,032	1,321,141
Communications	135,048	31,298	-	31,298	166,346	157,327
Outside Services	43,141	202,634	15,393	218,027	261,168	227,648
Travel, Conferences and Training	221,661	29,922	-	29,922	251,583	241,809
Program Expenses	585,227	3,419	-	3,419	588,646	657,083
Total	\$ 10,237,456	\$ 1,055,225	\$ 28,063	\$ 1,083,288	\$ 11,320,744	\$ 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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

	2016	2015
Cash Flows from Operating Activities:		
Changes in net assets	\$ 328,715	\$ (87,838)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	210,860	168,528
In-kind donation of vehicles	-	(89,859)
(Gain) on sale of fixed asset	(600)	-
(Gain) on investments	-	(1,097)
Dividends and interest reinvested	(1,838)	(207)
(Increase) decrease in operating assets:		
Accounts receivable	65,143	(72,642)
Unconditional promise to give receivable	(720,000)	(50,000)
Prepays	13,585	152
Deposits and other assets	(18,362)	(82,722)
Increase (decrease) in operating liabilities:		
Accounts payable	217,301	141,082
Accrued expenses	5,681	79,395
Deferred revenue	1,640	4,065
Deferred rent	37,035	19,893
Total adjustments	(189,555)	116,588
Net cash provided by operating activities	139,160	28,750
Cash flows from Investing Activities:		
Acquisition of fixed assets	(125,980)	(33,024)
Net cash (used in) investing activities	(125,980)	(33,024)
Cash flows from Financing Activities:		
Cash overdraft	(21,839)	21,839
Gross borrowings on line of credit	400,200	1,773,739
Repayments on line of credit	(389,500)	(1,698,739)
Borrowings on long-term debt	120,000	200,000
Principal payments on long-term debt	(119,697)	(270,552)
Net cash (used in) provided by financing activities	(10,836)	26,287
Net increase in cash and cash equivalents	2,344	22,013
Cash and cash equivalents, beginning of year	26,667	4,654
Cash and cash equivalents, end of year	\$ 29,011	\$ 26,667

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, 2016
(with summarized comparative totals for June 30, 2015)

(See Independent Auditors' Report)

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 equivalents."

	<u>2016</u>	<u>2015</u>
2. The following cash payments were made during the year for:		
Interest	<u>\$ 54,316</u>	<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

June 30, 2016

(See Independent Auditors' Report)

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.

Continued

FUTURES EXPLORED, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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, 2016, 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 Kitchen 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.

The Organization closed its Transition to Greater Independence program as of June 30, 2016. The program provided community training and integration supports to 40 individuals. The closure was the result of three years of growing losses, due to the continued State Rate Freeze. If the service had been allowed to follow previous practices of converting temporary payment rates to permanent rates, the program would have been able to continue at a break even basis.

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.

Continued

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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

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.

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, 2016. 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, 2016.

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 \$29,023 and accumulated depreciation of \$22,918 at June 30, 2016.

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 8.

Continued

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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, 2016.

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.

Continued

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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

Endowments, continued

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 \$38,277 as of June 30, 2016. 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.

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.

Continued

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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

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.

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 9% of total expenses for the year ended June 30, 2016.

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, 2016. 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.

Continued

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

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

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 approximately \$77,000 at June 30, 2016. 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.

Reclassification

Certain reclassifications have been made to the prior year's financial statements in order to conform to the presentation in the current year.

2. Unconditional Promise to Give Receivable

Unconditional promise to give receivable at June 30, 2016 consists of the following:

	Building Community Connections and Employment Opportunities for Individuals with I/DD				
	Employment				
	Project Search	Training and Support	Community Transition Staffing	Media Campaign Staff	Total
Receivable in less than one year	\$ 287,250	\$ 157,194	\$ 102,500	\$ 45,056	\$ 591,000
Receivable in one to five years	-	34,506	22,500	70,994	129,000
Total unconditional promises to give	\$ 287,250	\$ 191,700	\$ 125,000	\$ 116,050	\$ 720,000

3. Line of Credit

The Organization has two line of credit agreements with Bank of the West. Under those agreements, the Organization has available a \$525,000 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 two Commercial Security Agreements covering substantially all assets of the Organization. The Organization had borrowings outstanding of \$535,700 at June 30, 2016.

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FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

3. Line of Credit, continued

The Organization also had a \$50,000 equipment line of credit. On January 16, 2016 the line of credit was terminated. See Note 4 for disclosure of the outstanding balance of \$45,800 was due at June 30, 2016.

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.

4. Long-Term Debt

A summary of long-term debt at June 30, 2016 is as 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.	\$	739,402
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.		378,702
Social Venture Funds, (four notes), payable in monthly interest only installments of 4% per annum, unsecured, due through January 2018.		255,000
Bank of the West, payable in monthly installments of \$1,030 including interest at prime plus 1.5% (currently 4.75%, with a floor of 4.00%), secured by a commercial security agreement, due July 2020.		45,800
		1,418,904
Less current portion		(235,002)
	\$	1,183,902

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FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

4. Long-Term Debt

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

<u>Year Ending June 30,</u>	
2017	\$ 413,808
2018	158,808
2019	158,808
2020	158,808
2021	147,475
Thereafter	707,685
	<u>1,745,392</u>
Less amount representing interest	(326,488)
	<u><u>\$ 1,418,904</u></u>

5. Deferred Rent

The Organization leases facilities in Concord, Livermore, Sacramento, McClellan and Brentwood, California, under lease agreements that provide for periodic rent escalations, which are being accrued by the Organization to provide that rent expense is recognized over the lease term on a straight-line basis. These leases expire in fiscal years through 2024. The minimum rental commitment (excluding variable common area expenses) and net rent expense under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payment</u>	<u>(Amortization) of Deferred Rent</u>	<u>Net Lease Rent</u>
2017	\$ 454,871	\$ 6,141	\$ 461,012
2018	461,991	(979)	461,012
2019	429,696	(6,154)	423,542
2020	395,873	(34,927)	360,946
2021	176,201	(14,920)	161,281
2022 and thereafter	241,138	(27,222)	213,916
	<u>\$ 2,159,770</u>	<u>\$ (78,061)</u>	<u>\$ 2,081,709</u>

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FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

6. 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>		
2017	\$	569,022
2018		549,464
2019		460,142
2020		395,867
2021		182,375
Thereafter		234,965
	<u>\$</u>	<u>2,391,835</u>

Net rent expense under the leases was \$851,843 for the year ended June 30, 2016.

Capital

The Organization leases equipment under three separate capital lease agreements with expiration dates ranging from 2017 to 2018. The capital lease liability was \$6,611 at June 30, 2016.

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 81% of the overall revenue for the year ended June 30, 2016. The Organization had approximately 89% of accounts receivable from Regional Center funding as of June 30, 2016.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Building Community Connections and Employment		
Opportunities for Individual with I/DD	\$	720,000
Futures Films Project		7,500
Scholarship Fund		3,905
Memorial Fund		3,135
Total temporarily restricted net assets	<u>\$</u>	<u>734,540</u>

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FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(See Independent Auditors' Report)

8. Temporarily Restricted Net Assets, continued

Temporary restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose specific by donors as follows during the fiscal year ended June 30, 2016:

Futures Films Project	\$	10,000
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9. Endowment

Endowment net asset composition by type of fund at June 30, 2016 is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (38,277)	\$ 86,400	\$ 48,123

Changes in endowment net assets as of June 30, 2016 is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2015	\$ (39,065)	\$ 86,400	\$ 47,335
Investment income	196	-	196
Net appreciation in fair value	592	-	592
Endowment net assets, at June 30, 2016	\$ (38,277)	\$ 86,400	\$ 48,123

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, 2016.

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10. Fair Value Measurement

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis for June 30, 2016 as follows:

	Assets at Fair Value			
	_____ (Level 1)	_____ (Level 2)	_____ (Level 3)	_____ Total
Money Market	\$ 14,249	\$ -	\$ -	\$ 14,249
Mutual Fund	9,575	-	-	9,575
Common Stock	2,499	-	-	2,499
	<u>\$ 26,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,323</u>

All assets have been measured at fair value. There were no changes in the valuation methodologies used at June 30, 2016.

11. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through February 1, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that require recognition or disclosure in such financial statements.