

**FUTURES EXPLORED, INC.**

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**AUDITED FINANCIAL STATEMENTS**

June 30, 2018

(with summarized comparative totals for June 30, 2017)



# 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, 2018, 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 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BPM ZLP*

Menlo Park, California  
April 17, 2019

# FUTURES EXPLORED, INC.

## STATEMENT OF FINANCIAL POSITION

As of June 30, 2018  
(with summarized comparative totals for June 30, 2017)

	2018	(For Comparative Purposes Only) 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 18,706	\$ 20,786
Accounts receivable	1,049,327	1,028,851
Unconditional promise to give receivable, current portion	489,000	230,000
Prepaid expenses	47,234	43,351
Total current assets	1,604,267	1,322,988
Unconditional promise to give receivable, less current portion	-	129,000
Fixed assets, net:		
Land and building	1,572,529	1,572,529
Building and leasehold improvements	1,786,986	1,763,579
Furniture and equipment	502,603	489,158
Vehicles	619,578	439,545
	4,481,696	4,264,811
Less accumulated depreciation	(2,827,578)	(2,613,186)
Net fixed assets	1,654,118	1,651,625
Other assets:		
Investments	14,700	13,935
Deposits and other assets	193,208	279,500
Escrow and loan fees, net	26,869	55,393
Total other assets	234,777	348,828
Total assets	\$ 3,493,162	\$ 3,452,441

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

## FUTURES EXPLORED, INC.

### STATEMENT OF FINANCIAL POSITION, CONTINUED

As of June 30, 2018  
(with summarized comparative totals for June 30, 2017)

	2018	(For Comparative Purposes Only) 2017
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Cash overdraft	\$ 35,278	\$ 79,582
Line of credit	219,463	542,190
Accounts payable	292,812	279,010
Accrued expenses	574,890	538,188
Deferred revenue	14,465	34,885
Capital leases payable	-	-
Current portion of long-term debt	124,685	276,339
Total current liabilities	1,261,593	1,750,194
Deferred rent	187,101	127,141
Long-term debt, less current portion	1,459,928	947,224
Total long-term liabilities	1,647,029	1,074,365
Total liabilities	2,908,622	2,824,559
Net assets:		
Unrestricted	(286,123)	26,506
Temporarily restricted	784,263	514,976
Permanently restricted	86,400	86,400
Total net assets	584,540	627,882
Total liabilities and net assets	\$ 3,493,162	\$ 3,452,441

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

## FUTURES EXPLORED, INC.

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2018  
(with summarized comparative totals for June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	(For Comparative Purposes Only) Total 2017
Revenue and other support:					
Regional Center	\$ 10,200,427	\$ -	\$ -	\$ 10,200,427	\$ 9,632,905
Department of Rehabilitation	95,345	-	-	95,345	49,798
Community revenue	1,182,189	-	-	1,182,189	1,368,104
Contribution income	37,940	759,750	-	797,690	120,271
Investment gain	8,104	-	-	8,104	4,206
Miscellaneous income	11,224	-	-	11,224	6,881
Total revenue and other support	11,535,229	759,750	-	12,294,979	11,182,165
Restrictions satisfied by payments	490,463	(490,463)	-	-	-
Total revenue and other support with restrictions satisfied by payments	12,025,692	269,287	-	12,294,979	11,182,165
Expenses:					
Program services:					
Garden	2,491,500	-	-	2,491,500	2,749,168
ALIVE	2,003,502	-	-	2,003,502	1,832,272
VTE	2,104,185	-	-	2,104,185	1,925,984
Lafayette	1,224,906	-	-	1,224,906	1,189,710
Film and Media	1,586,318	-	-	1,586,318	1,102,790
Business Enterprises	565,281	-	-	565,281	488,895
Supported Employment	860,456	-	-	860,456	768,059
Social Recreation	120,610	-	-	120,610	116,611
Total program services	10,956,758	-	-	10,956,758	10,173,489
Supporting services:					
Administration	1,352,757	-	-	1,352,757	1,262,540
Fund development	28,806	-	-	28,806	27,201
Total supporting services	1,381,563	-	-	1,381,563	1,289,741
Total expenses	12,338,321	-	-	12,338,321	11,463,230
Changes in net assets	(312,629)	269,287	-	(43,342)	(281,065)
Net assets, beginning of year	26,506	514,976	86,400	627,882	908,947
Net assets, end of year	\$ (286,123)	\$ 784,263	\$ 86,400	\$ 584,540	\$ 627,882

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

**FUTURES EXPLORED, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2018  
(with summarized comparative totals for June 30, 2017)

	Program Services							
	Garden	ALIVE	VTE	Lafayette	Film and Media	Business Enterprises	Supported Employment	Social Recreation
Personnel	\$ 1,802,921	\$ 1,449,965	\$ 1,456,297	\$ 839,264	\$ 749,909	\$ 73,759	\$ 660,340	\$ 30,426
Community contract	170,225	288,660	395,983	97,363	46,145	250,767	163,754	204
Occupancy	421,328	206,608	108,483	250,610	270,763	152,828	9,495	2,787
Communications	25,546	14,907	29,857	10,553	21,914	27,024	5,194	459
Outside services	4,341	577	1,721	124	2,953	52,510	1,590	363
Travel, conferences and training	21,447	11,414	102,162	15,641	23,820	4,905	18,276	8,995
Program	45,692	31,371	9,682	11,351	470,814	3,488	1,807	77,376
Total	<u>\$ 2,491,500</u>	<u>\$ 2,003,502</u>	<u>\$ 2,104,185</u>	<u>\$ 1,224,906</u>	<u>\$ 1,586,318</u>	<u>\$ 565,281</u>	<u>\$ 860,456</u>	<u>\$ 120,610</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, 2018  
(with summarized comparative totals for June 30, 2017)

	Total	Supporting Services		Total	Total	(For Comparative Purposes Only)
	Program Services	Administration	Fund Development	Supporting Services		
Personnel	\$ 7,062,881	\$ 781,171	\$ 12,596	\$ 793,767	\$ 7,856,648	\$ 7,576,150
Community contract	1,413,101	22,452	-	22,452	1,435,553	1,279,189
Occupancy	1,422,902	171,188	-	171,188	1,594,090	1,435,327
Communications	135,454	73,526	9,068	82,594	218,048	157,476
Outside services	64,179	212,854	7,192	220,046	284,225	221,229
Travel, conferences and training	206,660	62,971	(50)	62,921	269,581	242,323
Program	651,581	28,595	-	28,595	680,176	551,536
Total	\$ 10,956,758	\$ 1,352,757	\$ 28,806	\$ 1,381,563	\$ 12,338,321	\$ 11,463,230

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



## FUTURES EXPLORED, INC.

### STATEMENT OF CASH FLOWS

For the year ended June 30, 2018  
(with summarized comparative totals for June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ (43,342)	\$ (281,065)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	202,924	170,046
Gain on sale of fixed asset	-	(1,560)
Change in operating assets and liabilities:		
Accounts receivable	(20,672)	(109,449)
Unconditional promise to give receivable	(130,000)	361,000
Prepaid expenses	(3,883)	(4,798)
Deposits and other assets	114,816	(31,966)
Accounts payable	13,802	(122,371)
Accrued expenses	36,691	93,610
Deferred revenue	(20,222)	3,039
Deferred rent	59,960	49,080
Net cash provided by operating activities	210,074	125,566
Cash flows from investing activities:		
Acquisition of fixed assets	(205,408)	(17,611)
Proceeds from sale of fixed assets	-	1,560
Purchases of investments	(765)	(1,861)
Net cash (used in) investing activities	(206,173)	(17,912)
Cash flows from financing activities:		
Cash overdraft	(44,304)	79,582
Net (repayments) borrowings on line of credit	(322,727)	6,490
Borrowings on long-term debt	1,758,896	50,000
Principal payments on long-term debt and capital leases	(1,397,846)	(251,951)
Net cash (used in) financing activities	(5,981)	(115,879)
Net decrease in cash and cash equivalents	(2,080)	(8,225)
Cash and cash equivalents, beginning of year	20,786	29,011
Cash and cash equivalents, end of year	\$ 18,706	\$ 20,786

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, 2018  
(with summarized comparative totals for June 30, 2017)

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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.”

	2018	(For Comparative Purposes Only) 2017
2. The following cash payments were made during the year for:		
Interest	\$ 85,548	\$ 85,558

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

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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**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 (“U.S. GAAP”).

***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, 2018

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**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, 2018, 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.

**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, as well as 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.

Due to enactment of Assembly Bill (AB) X2-1, starting July 1, 2016 the Organization received a rate increase of 6.95% for service fees from the Regional Center for the purpose of enhancing wages and benefits for staff who spend at least 75 percent of their time providing direct services to consumers. Service providers who received the rate increase were required by statute to complete a survey by October 1, 2017 on how the rate increase was used. If the survey was not completed by this date, the providers would forfeit the rate increase. The Organization has completed the survey as of June 30, 2018.

Continued

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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**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, 2018. 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 as of June 30, 2018.

***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 \$1,000 are recorded at cost. Donated property and equipment are recorded at fair market value. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	10-30 years
Building and leasehold improvements	5-25 years
Furniture and equipment	3-5 years
Vehicles	3-5 years

***Deferred Revenue***

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

***Endowment***

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 10.

Continued

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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**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 as of June 30, 2018.

**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, 2018

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**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 \$37,345 as of June 30, 2018. 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 that 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, 2018

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**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 10% of total expenses for the year ended June 30, 2018.

***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, 2018. 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, 2018

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

***Recent Accounting Pronouncement***

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (958). This statement includes updates that improve the usefulness of financial statements or reduce complexities for preparers. Some of the updates include requiring all nonprofits to present expenses by function and nature; replacing traditional three classes of net assets with only two classes (those with donor-imposed restrictions and those without); and reaffirmation of existing methods of presenting operating cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact of adoption on its financial statements.

***Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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 unrestricted net assets of approximately \$292,000 as of June 30, 2018. The Organization depends on funding from the Regional Center. The ability to continue anticipates that government and other donor funding will increase and continue for a period of one year or more.

***Reclassification***

Certain reclassification have been made to the prior year’s financial position and statement of cash flows in order to conform to the current year presentation.

**2. Unconditional Promise to Give Receivable**

Unconditional promise to give receivable consists of the following as of June 30, 2018:

	Building Community Connections and Employment Opportunities for Individuals with Intellectual/Development Disabilities (“I/DD”)			State of California Department of Transportation	Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play	Total
	Employment Training and Support	Community Transition Staffing	Media Campaign Staff			
Receivable in less than one year	\$ 34,506	\$ 23,500	\$ 70,994	\$ 120,000	\$ 240,000	\$ 489,000

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**FUTURES EXPLORED, INC.**  
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**3. Conditional Promises to Give**

In 2017, the Organization entered into an agreement to receive three donated vans from the Department of Transportation. As of June 30, 2018, the Organization has ordered two of the three vans.

In May 2017, the Organization received a grant towards the purchase of Automated External Defibrillators (“AEDs”). The Organization will be reimbursed by the grantor when the units are purchased and the Organization has requested reimbursement. The Organization has purchased some and has received partial reimbursement of the grant as of June 30, 2018. The remaining balance under the grant is expected to be received subsequent to June 30, 2018.

**4. Line of Credit**

The Organization has one line of credit agreement with Bank of the West. Under the agreement, the Organization has available a \$200,000 (\$400,000 prior to August 2017) line of credit with a maturity date of October 2022 with interest at prime rate plus 1.10% to 1.50% currently (5.35% to 5.75%) and a minimum interest rate of 4%. The line is secured by a Deed of Trust, Assignment of Rents, and a Commercial Security agreements covering substantially all assets of the Organization. The Organization had borrowings outstanding of \$200,000 as of June 30, 2018.

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. The reserve line of credit had an outstanding balance of \$19,463 as of June 30, 2018.

**5. Long-Term Debt**

A summary of long-term debt as of June 30, 2018 is as follows:

Bank of the West, payable in monthly installments of \$9,863 including interest at 5.09% per annum, secured by a Deed of Trust, and Assignment of Rents, due August 2032.	\$ 1,187,403
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.	274,727
Social Venture Fund, payable in monthly interest only installments of 4% per annum, unsecured, due December 2019.	98,000
Bank of the West, payable in monthly installments of \$1,030 including interest at prime plus 1.5% (currently 6.50%, with a floor of 4.00%), secured by a commercial security agreement, due July 2020.	24,483
	1,584,613
Less current portion	(124,685)
	\$ 1,459,928

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**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

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**5. Long-Term Debt, continued**

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

<u>Year Ending June 30,</u>		
2019	\$	192,876
2020		290,876
2021		181,543
2022		180,513
2023		159,796
Thereafter		1,084,976
		<u>2,090,580</u>
Less amount representing interest		<u>(505,967)</u>
	\$	<u>1,584,613</u>

**6. 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>
2019	\$ 580,736	\$ (22,930)	\$ 557,806
2020	578,581	(40,151)	538,430
2021	335,377	(23,238)	312,139
2022	269,207	(24,432)	244,775
2023	278,003	(33,227)	244,776
2024 and thereafter	320,896	(43,123)	277,773
	<u>\$ 2,362,800</u>	<u>\$ (187,101)</u>	<u>\$ 2,175,699</u>

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**FUTURES EXPLORED, INC.**  
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**7. Lease Commitments**

*Operating*

The Organization leases various facilities under noncancelable, operating leases with expiration dates through October 2025. Additionally, the Organization leases vehicles under operating leases which expire through 2023.

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>	Real Property Leases	Vehicle Leases	Total
2019	\$ 618,771	\$ 180,293	\$ 799,064
2020	647,162	149,455	796,617
2021	407,065	120,511	527,576
2022	334,001	98,962	432,963
2023	355,811	49,322	405,133
Thereafter	424,464	-	424,464
	<u>\$ 2,787,274</u>	<u>\$ 598,543</u>	<u>\$ 3,385,817</u>

Net rent expense under the real property leases was \$891,253 and rent expense under the vehicle leases was \$148,124 for the year ended June 30, 2018.

**8. 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% of the overall revenue for the year ended June 30, 2018. The Organization had approximately 88% of accounts receivable from Regional Center funding as of June 30, 2018.

For the year ended June 30, 2018, the Organization also had one funding source that provided support of \$605,000, which represents 76% of total contribution income.

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**9. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Time restricted:

State of California Department of Transportation	\$	120,000
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Purpose restricted:

Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play		454,995
Building Community Connections and Employment Opportunities for Individual with I/DD		159,652
Adult education		40,025
Scholarship fund		4,155
Memorial fund		3,135
Hire Able		2,301
Total temporarily restricted net assets	\$	<u>784,263</u>

Temporary restricted net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors are as follows during the fiscal year ended June 30, 2018:

Building Community Connections and Employment Opportunities for Individuals with I/DD	\$	293,284
Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play		150,005
Adult education		27,475
HireAble		19,699
	\$	<u>490,463</u>

**10. Endowment**

Endowment net asset composition by type of fund is as follows as of June 30, 2018:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ (37,345)	\$ 86,400	\$ 49,055

Changes in endowment net assets as of June 30, 2018 is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, as of June 30, 2017	\$ (37,574)	\$ 86,400	\$ 48,826
Investment income	-	-	-
Net appreciation in fair value	229	-	229
Endowment net assets, as of June 30, 2018	<u>\$ (37,345)</u>	<u>\$ 86,400</u>	<u>\$ 49,055</u>

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**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**10. Endowment**, continued

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, 2018.

The following table summarizes the Organization’s financial assets measured at fair value on a recurring basis for June 30, 2018 as follows:

	Assets at Fair Value			Total
	(Level 1)	(Level 2)	(Level 3)	
Money market	\$ 12,248	\$ -	\$ -	\$ 12,248
Mutual fund	11,498	-	-	11,498
Common stock	3,202	-	-	3,202
	\$ 26,948	\$ -	\$ -	\$ 26,948

All assets have been measured at fair value. There were no changes in the valuation methodologies used as of June 30, 2018.

**11. Subsequent Events**

The Organization evaluated subsequent events for recognition and disclosure through April 17, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in such financial statements.