Futures Explored, Inc.

Financial Statements

June 30, 2020

BPM

FUTURES EXPLORED, INC.

TABLE OF CONTENTS

BPM

10 Almaden Boulevard, Suite 1000, San Jose, CA 95113
Phone 408-961-6300 | **Fax** 408-961-6324 | bpm@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, 2020, 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, 2020, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BPM LLP

San Jose, California
March 31, 2021

FUTURES EXPLORED, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

ASSETS

Current assets:		
Cash and cash equivalents	$	1,406,022
Accounts receivable, net of allowance for doubtful accounts of $6,122		874,828
Prepaid expenses		18,726
Total current assets		2,299,576
Property and equipment, net:		
Land and building		932,750
Building and leasehold improvements		1,090,448
Furniture and equipment		215,779
Vehicles		426,077
		2,665,054
Less: accumulated depreciation		(1,302,776)
Net property and equipment		1,362,278
Other assets:		
Investments, at fair value		18,939
Deposits and other assets		141,644
Escrow and loan fees, net		6,062
Total other assets		166,645
Total assets	$	3,828,499

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities:		
Accounts payable	$	243,625
Accrued expenses		610,441
Deferred revenue		30,519
Current portion of accrued payroll taxes		603,208
Current portion of Paycheck Protection Program loan		71,079
Current portion of long-term debt		527,473
Total current liabilities		2,086,345
Deferred rent		143,444
Accrued payroll taxes, less current portion		231,898
Paycheck Protection Program loan, less current portion		1,334,660
Long-term debt, less current portion		99,395
Total long-term liabilities		1,809,397
Total liabilities		3,895,742
Contingency (Note 12)		
Net assets (deficit):		
Without donor restriction		(254,367)
With donor restriction		187,124
Total net assets (deficit)		(67,243)
Total liabilities and net assets (deficit)	$	3,828,499

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

FUTURES EXPLORED, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenue and other support:			
Regional Center (State of California)	$ 9,446,502	$ -	$ 9,446,502
Department of Rehabilitation (State of California)	208,128	-	208,128
Community revenue	471,431	-	471,431
Contribution income	81,633	10,000	91,633
Investment income	1,195	1,093	2,288
Other income	18,794	-	18,794
Total revenue and other support	10,227,683	11,093	10,238,776
Restrictions satisfied by payments	370,393	(370,393)	-
Total revenue and other support with restrictions satisfied by payments	10,598,076	(359,300)	10,238,776
Expenses:			
Program services:			
Community Support	3,731,461	-	3,731,461
Film and Media	1,903,994	-	1,903,994
Education Support	1,448,962	-	1,448,962
Personal Wellness Support	1,206,933	-	1,206,933
Employment Support	832,302	-	832,302
Business Enterprises	127,368	-	127,368
Total program services	9,251,020	-	9,251,020
Supporting services:			
Administration	1,601,194	-	1,601,194
Fund development	21,082	-	21,082
Total supporting services	1,622,276	-	1,622,276
Total expenses	10,873,296	-	10,873,296
Changes in net assets from operations	(275,220)	(359,300)	(634,520)
Non-operating changes:			
Gain (loss) on sale of property and equipment	1,049,246	-	1,049,246
Total non-operating changes	1,049,246	-	1,049,246
Changes in net assets	774,026	(359,300)	414,726
Net assets (deficit), beginning of year	(1,028,393)	546,424	(481,969)
Net assets (deficit), end of year	$ (254,367)	$ 187,124	$ (67,243)

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	Program Services						
	Community Support	Film and Media	Education Support	Personal Wellness Support	Employment Support	Business Enterprises	Total Program Services
Personnel	$ 2,803,603	$ 1,312,111	$ 1,158,411	$ 950,435	$ 535,506	$ 39,285	$ 6,799,351
Community contract	42,147	15,696	50,710	22,623	206,425	16,988	354,589
Occupancy	627,563	276,951	106,420	139,353	929	59,003	1,210,219
Communications	62,130	29,071	27,594	18,051	6,207	407	143,460
Outside services	31,925	200,237	14,579	23,670	1,963	5,830	278,204
Travel, conferences and training	39,351	41,204	40,246	5,069	28,787	436	155,093
Other	124,742	28,724	51,002	47,732	52,485	5,419	310,104
Total	$ 3,731,461	$ 1,903,994	$ 1,448,962	$ 1,206,933	$ 832,302	$ 127,368	$ 9,251,020

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED

For the year ended June 30, 2020

	Supporting Services			
	Administration	Fund Development	Total Supporting Services	Total of Program Services and Supporting Services
Personnel	$ 764,969	$ 5,827	$ 770,796	$ 7,570,147
Community contract	10,073	-	10,073	364,662
Occupancy	269,565	-	269,565	1,479,784
Communications	49,919	89	50,008	193,468
Outside services	423,700	2,325	426,025	704,229
Travel, conferences and training	24,070	6	24,076	179,169
Other	58,898	12,835	71,733	381,837
Total	$ 1,601,194	$ 21,082	$ 1,622,276	$ 10,873,296

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

FUTURES EXPLORED, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Cash flows from operating activities:		
Change in net assets	$	414,726
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Allowance for doubtful accounts		(4,073)
Depreciation and amortization		197,962
Investment income		(2,096)
(Gain) loss on disposal of property and equipment		(1,049,246)
Change in operating assets and liabilities:		
Accounts receivable		190,528
Unconditional promise to give receivable		-
Prepaid expenses		7,173
Deposits and other assets		1,748
Accounts payable		(760,343)
Accrued expenses		7,265
Accrued payroll taxes		573,774
Deferred revenue		(2,779)
Deferred rent		(38,619)
Net cash (used in) provided by operating activities		(463,980)
Cash flows from investing activities:		
Proceeds from sale of property and equipment		1,700,057
Acquisition of property and equipment		(89,911)
Net cash provided by (used in) investing activities		1,610,146
Cash flows from financing activities:		
Net draws (repayments) on line of credit		282
Proceeds from Paycheck Protection Program loan		1,405,739
Borrowings on long-term debt		292,138
Principal payments on long-term debt		(1,423,345)
Net cash provided by (used in) financing activities		274,814
Net increase in cash and cash equivalents		1,420,980
Cash, cash overdraft, and cash equivalents, beginning of year		(14,958)
Cash, cash overdraft and cash equivalents, end of year	$	1,406,022

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, 2020

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."

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

Interest paid	$ 69,127

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

1. Business Description and Summary of Significant Accounting Policies

Business Description

Futures Explored, Inc. (the "Organization") is a California public benefit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization was incorporated in January 1964 for the purpose of providing life skills and work related training to adults with developmental disabilities in Alameda, Contra Costa, Sacramento, San Joaquin, and Yolo counties. 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 reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor or grantor imposed restrictions.

Net Assets With Donor Restrictions – net assets subject to donor or grantor imposed restrictions. The Organization receives contributions, at times, that fall within this net asset category. These net assets have time or purpose restrictions that are stipulated by the donor.

Net assets with donor restrictions represent the portion of net assets of which use is limited by donor-imposed stipulations. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities and changes in net assets.

Nature of Activities

Futures Explored, Inc. offers six programs to meet its mission of "dignity through work and community participation."

Community Support ALIVE: ALIVE, Futures Explored, and Go Group (formerly ALIVE, Futures Explored Day Program, and Social Recreation)
Designed around participant choice, the Community Support programs support individuals to be engaged and contributing members in their communities and provide opportunities for the development of personal empowerment, individual creativity, and relationship building.

Continued

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

Nature of Activities, continued

Film and Media: Practical Film and Media Studio, Inclusion Film Camp
Designed to provide working knowledge of film production and then build upon those skills with continuing studio participation. The curriculum moves beyond classroom instruction and offers the individual real-world practical experience. By combining film history and theory with the "studio that teaches" experience, the goal is to prepare individuals to make entertaining, commercially viable and purposeful films. Students in the program can gain experience through work with Futures Films and/or through the Paid Internship Program.

Education Support: VTE, Futures Explored, and Tailored Day Services (formerly VTE)
The Education Support programs support individuals to attend post-secondary education. Direct Support Professionals provide assistance with registration, campus navigation, organization, time management, accessing campus supports, and social and recreations opportunities. This service can be utilized for support at any college.

Personal Wellness Support: GARDEN and In-Home (formerly GARDEN)
The Personal Wellness Support programs are designed for individuals requiring total care support who may also have medical needs. Participants are supported to engage in a variety of activities, including sensory and stimulation activities and community activities based on individual desires and needs.

Employment Support: VTE, Futures Explored, ETP, and Tailored Day Services (formerly Supported Employment and VTE)
The Employment Support programs help people to explore, train, obtain, and maintain competitive integrated employment in the field of their choice. Individuals may choose and customize their day services in job exploration, job development, volunteer jobs, paid jobs, college, social skills, micro-enterprise, and health and safety, and increase their ability to lead integrated and inclusive lives.

Business Enterprises
Futures Films is a production company that provides professional video services across Northern California. Futures Films is an inclusive business, and hires many crew members who are graduates of the Film & Media Studio programs. Futures Films works with clients to provide high-quality video services at competitive prices. The Artist's Den is an art gallery and studio, located in downtown Concord, where guidance is given to studio artists as a way to acquire new skills and generate income using creative exploration. The Den provides a means of self-expression and empowerment in a supportive environment where artists feel comfortable to try new techniques and interests. 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. Huckleberry Kitchen was closed in October 2019. 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. The eWaste program was closed in July 2019. The Nifty Thrift program had four thrift stores that were all closed during the year. The thrift stores provided the ability to generate community funding and the opportunity to provide a vocational setting and proactive support to individuals.

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.

Continued

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, 2020. The Organization receives fees from the Department of Rehabilitation and five Regional Centers, 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 an allowance for uncollectible accounts of $6,122 was deemed necessary as of June 30, 2020.

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.

Property and Equipment, Net

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 events are received in advance. Revenue is recognized when the event occurs. Deferred revenue was $30,519 as of June 30, 2020.

Deferred Rent

For the Organization's operating leases, the Organization recognizes rent expenses on a straight-line basis over the terms of the leases, as required by ASC 840, *Accounting for Leases*. Accordingly, the Organization records the difference between cash rent payments and the recognition of rent expenses as a deferred rent liability in the statement of financial position.

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 11.

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 is from investment earnings and those amounts are released from restriction when appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

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 net assets with donor restrictions were $32,999 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of the restricted contributions.

Continued

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

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.

Contributions

Contributions including unconditional promises to give are recorded as net assets without donor restriction or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction 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. The Organization closed all thrift stores during the year ended June 30, 2020.

Continued

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

Minimum Wage

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.

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 expenses are approximately 15% of total expenses for the year ended June 30, 2020.

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, 2020. 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.

Change in Accounting Principles

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, ASU 2018-08 clarifies when each party directly receives commensurate value in the transaction, and how to deal with third-party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities, ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018 for contributions received, and after December 15, 2019 for contributions made with early adoption permitted. The Organization has adopted ASU 2018-08 as a resource recipient using the modified prospective method for the year ended June 30, 2020 and it did not have a material impact on the financial statements.

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

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which converges the FASB and the International Accounting Standards Board standards on revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU 2014-09 provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Organization is currently evaluating the impact of the adoption of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. Additionally, in November 2019, the FASB issued ASU 2019-10, which amends the effective date of the standard to fiscal years beginning after December 15, 2020. The Organization is in the process of evaluating the impact of ASU 2016-02 on its financial statements.

In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*: *Effective Dates for Certain Entities*, which effectively delayed the adoption date to an effective date for private entities for annual periods beginning after December 15, 2019 and 2021, respectively.

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.

2. Liquidity and Availability

The Organization's financial assets available for general expenditures within one year of the statement of financial position date are as follows as of June 30, 2020:

Cash and cash equivalents	$ 1,406,022
Investments, at fair value	18,939
Financial assets available to meet general expenditures within one year	$ 1,424,961

2. Liquidity and Availability, continued

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The accompanying financial statements have been prepared in accordance with U.S. GAAP. For the year ended June 30, 2020, the Organization had current assets in excess of current liabilities of $213,231. Management is working to mitigate this condition by developing strategies to increase revenues, reduce expenses, and improve cash flows. The ability to strengthen the Organization's liquidity will depend upon successful implementation of management's plans.

3. Line of Credit

The Organization had a line of credit agreement with Bank of the West. Under the agreement, the Organization had available a $200,000 line of credit with a maturity date of October 2022, with interest at prime rate plus 1.10% and a minimum interest rate of 4%. The line was secured by a Deed of Trust, Assignment of Rents, and a Commercial Security agreements covering substantially all assets of the Organization. The line of credit agreement was paid in full and terminated on November 25, 2019.

The Organization has available two unsecured Reserve Line of Credit agreements with Bank of the West, whereby borrowing limits are established by the lender; terms of the agreement call for interest at prime plus 9% or 12.25% as of June 30, 2020. The Organization has a reserve available of $15,000 and $20,000 connected to the Organization's payroll and operating bank accounts, respectively. The agreement can be cancelled at any time by either party.

4. Accrued Payroll Taxes

A summary of accrued payroll taxes is as follows as of June 30, 2020:

Department of Treasury - Internal Revenue Service	$	673,530
Employment Development Department ("EDD")		161,576
		835,106
Less: current portion		(603,208)
	$	231,898

On May 11, 2020, the Organization entered into an installment agreement with the Department of Treasury – Internal Revenue Service for $673,530 in order to pay past due federal payroll taxes from 2019. The terms of the installment agreement provide for monthly minimum payments of $5,100 starting July 16, 2020. Subsequent to year-end, the Organization has made payments of $395,732 in addition to the monthly minimum payment. The current portion of the accrued payroll taxes payable to the Department of Treasury is $441,632 as of June 30, 2020.

The accrued payroll taxes due to the EDD for past due state payroll taxes from 2019 are expected to be paid in full within the next year. Subsequent to year-end, the Organization has made payments of $149,723.

5. Note Payable – Paycheck Protection Program

On June 19, 2020, the Organization entered into a loan in the amount of $1,405,739 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in the amounts of up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for ten months after the end of the covered period.

Maturity of the PPP over the next two years is as follows:

For the year ending June 30:		
2021	$	71,079
2022		1,334,660
	$	1,405,739

6. Long-Term Debt

A summary of long-term debt is as follows as of June 30, 2020:

SDC Capital, loan of $286,000 with interest at 11.49%. Principle and interest due November 2020. Loan was paid in full subsequent to year end.	$	286,000
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.		157,570
Related party (three notes), payable in monthly interest only installments of 4% until June 30, 2020 and then increased to 18% on July 1, 2020. Notes were due September 2019 through October 2019 or on demand. The Organization is in discussions with the lenders.		182,188
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.		1,110
		626,868
Less: current portion		(527,473)
	$	99,395

Continued

6. Long-Term Debt, continued

As of June 30, 2020, the aggregate maturities of long-term debt for the next three years are as follows:

Year ending June 30:		
2021	$	531,454
2022		62,152
2023		41,435
		635,041
Less: amount representing interest		(8,173)
	$	626,868

7. Deferred Rent

The Organization leases facilities in Antioch, Brentwood, Concord, McClellan, Sacramento and Stockton, 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 2026. The minimum rental commitment (excluding variable common area expenses) and net rent expense under these leases are as follows:

Year ending June 30:	Minimum Lease Payment	(Amortization) of Deferred Rent	Net Lease Rent
2021	$ 431,412	$ (21,386)	$ 410,026
2022	369,980	(29,115)	340,865
2023	383,468	(42,603)	340,865
2024	263,085	(33,039)	230,046
2025	112,171	(15,930)	96,241
2026	8,909	(1,371)	7,538
	$ 1,569,025	$ (143,444)	$ 1,425,581

Continued

8. Lease Commitments

Operating

The Organization leases various facilities under non-cancelable operating leases with expiration dates through June 2026. Additionally, the Organization leases vehicles under operating leases which expire through 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.

Year ending June 30:	Real Property Leases	Vehicle Leases	Total
2021	$ 656,608	$ 183,046	$ 839,654
2022	505,121	159,231	664,352
2023	479,432	142,786	622,218
2024	364,450	93,146	457,596
2025	193,985	32,603	226,588
Thereafter	17,309	-	17,309
	$ 2,216,905	$ 610,812	$ 2,827,717

For the year ended June 30, 2020, net rent expense under the real property leases was $872,929 and rent expense under the vehicle leases was $230,798.

9. 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 96% of the overall revenue for the year ended June 30, 2020. The Organization had approximately 68% of accounts receivable from Regional Center funding as of June 30, 2020.

For the year ended June 30, 2020, the Organization also had one funding source that provided support of $23,562, which represents 26% of total contribution income.

10. Net Assets With Donor Restriction

Net assets with donor restriction were available for the following purposes as of June 30, 2020:

Donor restricted endowment	$	53,401
Purpose restricted:		
Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play		98,728
Adult education		17,705
Go Group		5,000
Futures Film Festival		5,000
Scholarship fund		4,155
Memorial fund		3,135
Total net assets with donor restriction	$	187,124

Net assets with donor restrictions released from donor restrictions by incurring expenses satisfying the purpose specified by donors were as follows during the year ended June 30, 2020:

Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play	$	303,331
Building Community Connections and Employment Opportunities for Individuals with I/DD		55,700
HireAble		2,301
Adult education		9,000
Donor restricted endowment		61
	$	370,393

11. Endowment

Endowment net asset composition by type of fund was as follows as of June 30, 2020:

	Under-Water (Deficiencies)	Corpus	Total Net Endowment Assets
Donor-restricted endowment funds	$ (32,999)	$ 86,400	$ 53,401

11. **Endowment**, continued

Changes in endowment net assets as of June 30, 2020 were as follows:

	Under-Water (Deficiencies)	Corpus	Total Net Endowment Assets
Endowment net assets, as of July 1, 2019	$ (34,031)	$ 86,400	$ 52,369
Amount appropriated for expenditure	(61)	-	(61)
Investment income	1,093	-	1,093
Endowment net assets, as of June 30, 2020	$ (32,999)	$ 86,400	$ 53,401

The amount classified as with donor restrictions represents the amount of the endowment funds that must be retained in perpetuity in accordance with explicit donor stipulations.

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2020, as follows:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market	$ 10,257	$ -	$ -	$ 10,257
Mutual fund	13,554	-	-	13,554
Equities	5,385	-	-	5,385
	$ 29,196	$ -	$ -	$ 29,196

All assets have been measured at fair value. There were no changes in the valuation methodologies used as of June 30, 2020.

12. **Contingency**

During the year ended June 30, 2020, COVID-19 became a global pandemic and has resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility for nonprofit organizations. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations.

13. **Subsequent Events**

In September 2020, the Organization received $231,037 of grant funds as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") Provider Relief Fund. The funds are to be used to cover lost revenue attributable to COVD-19 or health related expenses purchased to prevent, prepare for, or respond to coronavirus.

13. Subsequent Events, continued

On October 29, 2020, the Organization entered into an Economic Injury Disaster 30 year loan agreement in the amount of $150,000 with the U.S. Small Business Administration ("SBA"). The loan will be repaid beginning twelve months from the date of the note in monthly principal and interest payments of $641. The interest rate on the loan is 2.75% per annum.

The Organization has made subsequent payments of $395,732 to the Department of Treasury and $149,723 to the EDD (Note 4). Additionally, the Organization paid off the long-term debt balance payable of $286,000 to SCD Capital (Note 6).

The Organization evaluated subsequent events for recognition and disclosure through March 31, 2021, the date which these financial statements were available to be issued. Management concluded that, other than above, no material subsequent events have occurred since June 30, 2020 that require recognition or disclosure in such financial statements.