

FUTURES EXPLORED, INC.

FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative information for June 30, 2020)



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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BPM LLP

San Jose, California
August 16, 2022

FUTURES EXPLORED, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

(with summarized comparative information for June 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,365,657	\$ 1,406,022
Accounts receivable, net of allowance for doubtful accounts of \$23,299 and \$6,122, respectively	967,213	874,828
Prepaid expenses	53,145	18,726
Total current assets	2,386,015	2,299,576
Property and equipment, net:		
Land and building	932,750	932,750
Building and leasehold improvements	1,090,448	1,090,448
Furniture and equipment	215,779	215,779
Vehicles	287,469	426,077
	2,526,446	2,665,054
Less: accumulated depreciation	(1,401,584)	(1,302,776)
Net property and equipment	1,124,862	1,362,278
Other assets:		
Investments, at fair value	22,367	18,939
Deposits and other assets	66,315	141,644
Escrow and loan fees, net	3,610	6,062
Total other assets	92,292	166,645
Total assets	\$ 3,603,169	\$ 3,828,499
LIABILITIES AND NET ASSETS (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 88,349	\$ 243,625
Accrued expenses	535,582	610,441
Deferred revenue	-	30,519
Current portion of accrued payroll taxes	139,995	603,208
Current portion of Paycheck Protection Program loan	1,405,739	71,079
Current portion of long-term debt	249,175	527,473
Total current liabilities	2,418,840	2,086,345
Deferred rent	125,848	143,444
Accrued payroll taxes, less current portion	217,377	231,898
Paycheck Protection Program loan, less current portion	-	1,334,660
Long-term debt, less current portion	192,027	99,395
Total long-term liabilities	535,252	1,809,397
Total liabilities	2,954,092	3,895,742
Commitments and Contingencies (Note 8 and Note 12)		
Net assets (deficit):		
Without donor restriction	291,812	(254,367)
With donor restriction	357,265	187,124
Total net assets (deficit)	649,077	(67,243)
Total liabilities and net assets (deficit)	\$ 3,603,169	\$ 3,828,499

FUTURES EXPLORED, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

(with summarized comparative information for June 30, 2020)

	2021			2020 Total
	Without Donor Restriction	With Donor Restriction	Total	
Revenue and other support:				
Regional Center (State of California)	\$ 9,571,853	\$ -	\$ 9,571,853	\$ 9,446,502
Department of Rehabilitation (State of California)	7,029	-	7,029	208,128
Community revenue	166,045	-	166,045	471,431
Contribution income	44,769	231,087	275,856	91,633
Investment income	1,226	2,834	4,060	2,288
Other income	58,269	-	58,269	18,794
Total revenue and other support	9,849,191	233,921	10,083,112	10,238,776
Restrictions satisfied by payments	63,780	(63,780)	-	-
Total revenue and other support with restrictions satisfied by payments	9,912,971	170,141	10,083,112	10,238,776
Expenses:				
Program services:				
Community Support	1,565,458	-	1,565,458	3,731,461
Film and Media	1,845,491	-	1,845,491	1,903,994
Education Support	-	-	-	1,448,962
Personal Wellness Support	2,635,357	-	2,635,357	1,206,933
Employment Support	1,262,436	-	1,262,436	832,302
Business Enterprises	161,364	-	161,364	127,368
Total program services	7,470,106	-	7,470,106	9,251,020
Supporting services:				
Administration	1,822,859	-	1,822,859	1,601,194
Fund development	16,595	-	16,595	21,082
Total supporting services	1,839,454	-	1,839,454	1,622,276
Total expenses	9,309,560	-	9,309,560	10,873,296
Changes in net assets from operations	603,411	170,141	773,552	(634,520)
Non-operating changes:				
Gain (loss) on sale of property and equipment	(57,232)	-	(57,232)	1,049,246
Total non-operating changes	(57,232)	-	(57,232)	1,049,246
Changes in net assets	546,179	170,141	716,320	414,726
Net assets (deficit), beginning of year	(254,367)	187,124	(67,243)	(481,969)
Net assets (deficit), end of year	\$ 291,812	\$ 357,265	\$ 649,077	\$ (67,243)

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

(with summarized comparative information for June 30, 2020)

	Program Services					
	Community Connections	Film and Media	Personal Wellness Support	Employment Support	Business Enterprises	Total Program Services
Personnel	\$ 1,424,192	\$ 1,403,560	\$ 2,102,346	\$ 1,097,821	\$ 45,040	\$ 6,072,959
Community contract	9,251	14,558	22,705	13,257	4,502	64,273
Occupancy	80,015	256,647	321,752	97,847	102,265	858,526
Communications	32,995	64,081	57,662	31,635	5,598	191,971
Outside services	3,407	87,036	9,995	2,254	3,300	105,992
Travel, conferences and training	3,917	4,785	16,014	15,173	305	40,194
Other	11,681	14,824	104,883	4,449	354	136,191
Total	\$ 1,565,458	\$ 1,845,491	\$ 2,635,357	\$ 1,262,436	\$ 161,364	\$ 7,470,106

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED

For the year ended June 30, 2021

(with summarized comparative information for June 30, 2020)

	Supporting Services		Total Supporting Services	2021 Total of Program Services and Supporting Services	2020 Total
	Administration	Fund Development			
Personnel	\$ 1,002,874	\$ 11,396	\$ 1,014,270	\$ 7,087,229	\$ 7,570,147
Community contract	3,460	-	3,460	67,733	364,662
Occupancy	289,525	16	289,541	1,148,067	1,479,784
Communications	103,015	579	103,594	295,565	193,468
Outside services	356,836	4,471	361,307	467,299	704,229
Travel, conferences and training	21,745	6	21,751	61,945	179,169
Other	45,404	127	45,531	181,722	381,837
Total	\$ 1,822,859	\$ 16,595	\$ 1,839,454	\$ 9,309,560	\$ 10,873,296

FUTURES EXPLORED, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

(with summarized comparative information for June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 716,320	\$ 414,726
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Allowance for doubtful accounts	17,177	(4,073)
Depreciation and amortization	180,184	197,962
Investment income	(3,428)	(2,096)
Loss (gain) on disposal of property and equipment	57,232	(1,049,246)
Change in operating assets and liabilities:		
Accounts receivable	(109,562)	190,528
Prepaid expenses	(34,419)	7,173
Deposits and other assets	77,781	1,748
Accounts payable	(155,276)	(760,343)
Accrued expenses	(552,593)	7,265
Accrued payroll taxes	-	573,774
Deferred revenue	(30,519)	(2,779)
Deferred rent	(17,596)	(38,619)
Net cash provided by (used in) operating activities	145,301	(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 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	159,619	292,138
Principal payments on long-term debt	(345,285)	(1,423,345)
Net cash (used in) provided by financing activities	(185,666)	274,814
Net (decrease) increase in cash and cash equivalents	(40,365)	1,420,980
Cash, cash overdraft, and cash equivalents, beginning of year	1,406,022	(14,958)
Cash, cash overdraft and cash equivalents, end of year	\$ 1,365,657	\$ 1,406,022

Supplemental Disclosure of Cash Flow Information

- Accounting Policy - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”

	2021	2020
2. The following cash payments were made during the year for:		
Interest paid	\$ 36,753	\$ 69,127

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 a number of programs within our four program competencies: Community Connections, Film and Media, Personal Wellness, and Employment. Our goal in each of these programs is to provide our participants with the support and tools to achieve “dignity through work and community participation.”

Community Connections: Go Group, LIFE, Connections, Tailored Day Service-Education

Designed around participant choice, the Community Connections 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. The Education Support program 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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Nature of Activities, continued

Film and Media: 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.

Personal Wellness: GARDEN Brentwood, GARDEN Tri-Valley, In Home, ALIVE East, Futures ALIVE

The Personal Wellness programs are designed for individuals requiring physical care and supervision who may also have medical support 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: Supported Employment-Individual Placement, Tailored Day Service-Employment, Employment Training Program

The Employment Support programs help people achieve competitive, integrated employment in the job of their choosing. Career exploration, training in technical and soft skills, job development, and job coaching are all available through these programs. Support is offered in achieving volunteer employment, paid internships, micro-enterprise, and competitive employment in order for participants to 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 Artist’s Den provides a means of self-expression and empowerment in a supportive environment where artists feel comfortable to try new techniques and interests.

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.

Risks and Uncertainties

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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021. 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 \$23,299 was deemed necessary as of June 30, 2021.

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. The Organization had no deferred revenue as of June 30, 2021.

Deferred Rent

For the Organization's operating leases, the Organization recognizes rent expenses on a straight-line basis over the terms of the 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.

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 10.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$30,226 as of June 30, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of the restricted contributions.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 20% of total expenses for the year ended June 30, 2021.

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, 2021. 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

On July 1, 2020, the Organization adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09") using the modified retrospective approach. Under this method, the guidance is applied only to the most current period presented in the financial statements. ASU 2014-09 outlines a single comprehensive revenue recognition model for revenue arising from contracts with customers and superseded most of the previous revenue recognition guidance, including industry-specific guidance. Under ASU 2014-09, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 had no significant impact to the Organization's net assets as of July 1, 2020, and no material impact to the Organization's revenue recognition policies as of and for the year ended June 30, 2021.

Recent Accounting Pronouncements

In September 2020, Financial Accounting Standards Board ("FASB") issued ASU No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07") to increase the transparency of contributed nonfinancial assets for not-for-profit entities. ASU 2020-07 requires not-for-profit entities to change their financial statement presentation and disclosure of contributed nonfinancial assets. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of ASU 2020-07 on its financial statements.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Recent Accounting Pronouncements, continued

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). The objective of ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. In addition, ASU 2016-02 will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. ASU 2016-02 will be effective for fiscal years beginning after December 31, 2022, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of ASU 2016-02 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.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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, 2021:

Cash and cash equivalents	\$ 1,365,657
Investments, at fair value	<u>22,367</u>
Total financial assets	1,388,024
Less: amounts not available to be used within one year:	
Restricted by donor with time or purpose restrictions	<u>(172,242)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,215,782</u>

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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. Line of Credit

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, 2021. The Organization has overdraft protection 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. There was no outstanding balance as of June 30, 2021.

4. Accrued Payroll Taxes

A summary of accrued payroll taxes is as follows as of June 30, 2021:

Department of Treasury - Internal Revenue Service	\$ 278,577
Employment Development Department ("EDD")	78,795
	<u>357,372</u>
Less: current portion	(139,995)
	<u>\$ 217,377</u>

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. 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 \$61,200 as of June 30, 2021.

The accrued payroll taxes due to the EDD are expected to be paid in full within the next year and that it is deemed that the amount owed of \$78,795 is current.

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. Subsequent to year end, the Organization was informed that the full PPP loan amount of \$1,405,739 and interest was forgiven on February 3, 2022. The full amount was noted as current as of June 30, 2021.

FUTURES EXPLORED, INC.
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6. Long-Term Debt

A summary of long-term debt is as follows as of June 30, 2021:

Small Business Administration (SBA), loan of \$150,000 payable in monthly installments of \$641 including interest at 2.75%, secured by a Security Agreement, due October 2050. The loan balance includes accrued interest of \$2,577 as of June 30, 2021.	\$	152,577
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.		99,395
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. A settlement was reached and the notes were paid subsequent to year end. (Note 12).		189,230
		<u>441,202</u>
Less: current portion		<u>(249,175)</u>
	\$	<u><u>192,027</u></u>

As of June 30, 2021, the aggregate maturities of long-term debt for the next five years are as follows:

Year ending June 30:

2022	\$	256,510
2023		48,879
2024		7,692
2025		7,692
2026		7,692
Thereafter		190,972
		<u>519,437</u>
Less: amount representing interest		<u>(78,235)</u>
	\$	<u><u>441,202</u></u>

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
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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
2022	\$ 464,596	\$ (27,021)	\$ 437,575
2023	450,559	(43,210)	407,349
2024	332,188	(35,658)	296,530
2025	159,152	(18,588)	140,564
2026	8,909	(1,371)	7,538
	<u>\$ 1,415,404</u>	<u>\$ (125,848)</u>	<u>\$ 1,289,556</u>

8. Leases

Operating Leases

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
2022	\$ 466,685	\$ 92,056	\$ 558,741
2023	449,127	57,784	506,911
2024	331,449	17,238	348,687
2025	158,535	-	158,535
2026	89,089	-	89,089
	<u>\$ 1,494,885</u>	<u>\$ 167,078</u>	<u>\$ 1,661,963</u>

For the year ended June 30, 2021, net rent expense under the real property leases was \$717,497 and rent expense under the vehicle leases was \$101,644.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
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9. Net Assets With Donor Restriction

Net assets with donor restriction were available for the following purposes as of June 30, 2021:

Donor restricted endowment	\$ 56,174
Purpose restricted:	
CARES Act grant	185,023
Stabilize Services for Individuals with Significant Deficiencies to Live, Work and Play	98,728
Go Group	5,000
Futures Film Festival	5,000
Scholarship fund	4,205
Memorial fund	3,135
Total net assets with donor restriction	<u>\$ 357,265</u>

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, 2021:

CARES Act grant	\$ 46,014
Adult education	17,705
Donor restricted endowment	61
	<u>\$ 63,780</u>

10. Endowment

Endowment net asset composition by type of fund was as follows as of June 30, 2021:

	Under-Water (Deficiencies)	Corpus	Total Net Endowment Assets
Donor-restricted endowment funds	<u>\$ (30,226)</u>	<u>\$ 86,400</u>	<u>\$ 56,174</u>

Changes in endowment net assets as of June 30, 2021 were as follows:

	Under-Water (Deficiencies)	Corpus	Total Net Endowment Assets
Endowment net assets, as of July 1, 2020	\$ (32,999)	\$ 86,400	\$ 53,401
Amount appropriated for expenditure	(61)	-	(61)
Investment income	2,834	-	2,834
Endowment net assets, as of June 30, 2021	<u>\$ (30,226)</u>	<u>\$ 86,400</u>	<u>\$ 56,174</u>

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.

FUTURES EXPLORED, INC.
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10. Endowment, continued

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis as of June 30, 2021, as follows:

	Assets at Fair Value			
	(Level 1)	(Level 2)	(Level 3)	Total
Balanced and cash mutual funds	\$ 15,988	\$ -	\$ -	\$ 15,988
Equities	6,379	-	-	6,379
	\$ 22,367	\$ -	\$ -	\$ 22,367

All assets have been measured at fair value. There were no changes in the valuation methodologies used as of June 30, 2021.

11. 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 95% of the overall revenue for the year ended June 30, 2021. The Organization had approximately 68% of accounts receivable from Regional Center funding as of June 30, 2021.

For the year ended June 30, 2021, the Organization also had one funding source that provided support of \$231,037, which represents 84% of total contribution income.

12. Commitments and Contingencies

Litigation

The Organization is involved in certain legal actions in the ordinary course of business. In the opinion of management, the outcome of these matters, individually or in the aggregate, would not have a material effect on the Organization's financial statements as of June 30, 2021.

13. Subsequent Events

In September 2021, the Organization entered into a 62-month facility lease agreement for a facility in Concord, California. The agreement provides for annual escalating rent payments starting at monthly payments of \$7,130 for the first twelve months.

In October 2021, the Organization entered into a settlement agreement for the related party notes payable (see Note 6). The settlement agreement provides that the Organization pay \$180,000 to settle the notes payable. The Organization waives any entitlement to the difference between the balance owed on the related party notes payable and the settlement payment. Payment was made on October 25, 2021.

In October 2021, the Organization entered into an 84-month facility lease agreement for a facility in Antioch, California. The agreement provides for annual escalating rent payments starting at monthly payments of \$2,714 for the first twelve months.

FUTURES EXPLORED, INC.
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13. Subsequent Events, continued

In November 2021, the Organization entered into a lease termination agreement for a facility in Antioch, California. The lease termination agreement terminates the lease as of the date of the agreement and required the Organization to pay a \$85,000 lease termination payment, transfer assets valued at \$6,000 to the landlord, and forfeit the security deposit of \$2,500.

In February 2022, the Organization received forgiveness of the PPP loan (see Note 5).

In June 2022, the Organization entered into a 63-month facility lease agreement for a facility in in Antioch, California. The agreement provides for annual escalating rent payments starting at monthly payments of \$4,860 for the first twelve months commencing in October 2022.

The Organization evaluated subsequent events for recognition and disclosure through August 16, 2022, 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, 2021 that require recognition or disclosure in such financial statements.