

**FUTURES EXPLORED, INC.**

**REPORT ON AUDITS OF  
FINANCIAL STATEMENTS**

**For the Years Ended June 30, 2009 and 2008**

# FUTURES EXPLORED, INC.

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*Building your future*

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Futures Explored, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Futures Explored, Inc.'s 2008 financial statements and, in our report dated December 3, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Burr, Pilger & Mayer*

San Jose, California  
September 30, 2009

*Member of The Leading Edge Alliance*

**FUTURES EXPLORED, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2009 and 2008

ASSETS

	2009	2008
Current Assets:		
Cash	\$ 49,862	\$ 266,267
Accounts receivable	524,556	458,114
Unconditional promises to give receivable	350,000	300,000
Prepays	68,519	28,275
Total current assets	992,937	1,052,656
Land and building	1,572,529	1,572,529
Furniture and equipment	308,335	285,062
Vehicles	325,596	318,412
Building and leasehold improvements	1,215,500	765,778
Construction in progress	10,483	335,134
	3,432,443	3,276,915
Less accumulated depreciation	(1,123,819)	(957,727)
	2,308,624	2,319,188
Unconditional promises to give receivable long-term	50,000	-
Other Assets:		
Investments	8,013	44,412
Deposits	27,299	33,719
Escrow and loan fees, net	38,482	41,684
	73,794	119,815
Total assets	\$ 3,425,355	\$ 3,491,659
Current Liabilities:		
Line of credit	622,980	693,345
Accounts payable	47,426	56,402
Accrued expenses	225,086	243,744
Deferred revenue	32,507	13,480
Current portion long-term debt	93,183	93,950
Total current liabilities	1,021,182	1,100,921
Long-term debt, less current portion	1,316,706	1,386,848
Net Assets:		
Unrestricted	597,205	613,753
Temporarily restricted	403,862	303,737
Permanently restricted	86,400	86,400
	1,087,467	1,003,890
Total liabilities and net assets	\$ 3,425,355	\$ 3,491,659

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

**FUTURES EXPLORED, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Years Ended June 30, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	(For comparative purposes only) Total 2008
Revenues:					
Regional Center	\$ 5,166,818	\$ -	\$ -	\$ 5,166,818	\$ 5,012,803
Department of Rehabilitation	84,187	-	-	84,187	97,512
Community revenue	616,318	-	-	616,318	584,509
Contribution income	138,696	150,125	-	288,821	453,712
Investment (loss)	(6,625)	-	-	(6,625)	(10,035)
Miscellaneous income	119,094	-	-	119,094	47,900
<b>Total revenues</b>	<b>6,118,488</b>	<b>150,125</b>	<b>-</b>	<b>6,268,613</b>	<b>6,186,401</b>
Net assets released from restriction	50,000	(50,000)	-	-	-
<b>Total Support and Revenue</b>	<b>6,168,488</b>	<b>100,125</b>	<b>-</b>	<b>6,268,613</b>	<b>6,186,401</b>
Expenses:					
Program Services:					
Lafayette	1,086,626	-	-	1,086,626	1,141,602
Garden	1,360,029	-	-	1,360,029	1,451,317
ALIVE	1,714,156	-	-	1,714,156	1,758,163
Supported Employment	410,952	-	-	410,952	359,905
Social Recreation	102,932	-	-	102,932	100,865
Nifty Thrift & Huckleberry	324,414	-	-	324,414	240,724
VTE	603,585	-	-	603,585	615,174
<b>Total program services</b>	<b>5,602,694</b>	<b>-</b>	<b>-</b>	<b>5,602,694</b>	<b>5,667,750</b>
Supporting Services:					
Administration	556,494	-	-	556,494	593,942
Fund Development	25,848	-	-	25,848	21,083
<b>Total supporting services</b>	<b>582,342</b>	<b>-</b>	<b>-</b>	<b>582,342</b>	<b>615,025</b>
<b>Total expenses</b>	<b>6,185,036</b>	<b>-</b>	<b>-</b>	<b>6,185,036</b>	<b>6,282,775</b>
Changes in net assets	(16,548)	100,125	-	83,577	(96,374)
Net assets, beginning of year	613,753	303,737	86,400	1,003,890	1,100,264
Net assets, end of year	<u>\$ 597,205</u>	<u>\$ 403,862</u>	<u>\$ 86,400</u>	<u>\$ 1,087,467</u>	<u>\$ 1,003,890</u>

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

**FUTURES EXPLORED, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2009

	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Total 2009	(For comparative purposes only) 2008
	Lafayette	Garden	ALLIVE	Supported Employment	Social Recreation	Nifty Thrift & Huckleberry		VTE	Administration			
Personnel Expenses	\$ 799,146	\$ 1,008,795	\$ 1,322,617	\$ 373,935	\$ 76,240	\$ 115,371	\$ 383,085	\$ 416,213	\$ 11,640	\$ 427,853	\$ 4,507,042	\$ 4,557,766
Community Contract Expenses	118,420	18,848	129,189	1,047	-	56,287	167,073	-	-	-	490,864	427,608
Occupancy Expenses	145,993	297,144	199,866	14,899	7,748	133,644	16,754	37,705	-	37,705	853,751	933,838
Communications	4,760	15,519	18,268	2,174	1,650	6,021	6,877	32,874	-	32,874	88,123	105,305
Outside Services	1,956	-	128	-	10,535	11,931	-	55,351	14,208	69,559	94,109	81,949
Travel, Conferences and Training	4,297	3,582	8,576	18,889	2,830	50	23,816	14,353	-	14,353	76,395	94,934
Program Expenses	12,054	16,141	35,512	8	3,949	1,110	5,980	-	-	-	74,754	81,375
<b>Total</b>	<b>\$ 1,086,626</b>	<b>\$ 1,360,029</b>	<b>\$ 1,714,156</b>	<b>\$ 410,952</b>	<b>\$ 102,932</b>	<b>\$ 324,414</b>	<b>\$ 603,585</b>	<b>\$ 556,494</b>	<b>\$ 25,848</b>	<b>\$ 582,342</b>	<b>\$ 6,185,036</b>	<b>\$ 6,282,775</b>

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

**FUTURES EXPLORED, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 83,577	\$ (96,374)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	166,092	161,177
Loss on disposal of fixed assets	3,025	-
Loss on investments	6,838	23,115
Dividends and interest reinvested	(439)	(13,287)
(Increase) decrease in operating assets:		
Accounts receivable	(66,442)	(5,691)
Unconditional promises to give receivable	(100,000)	(300,000)
Prepays	(40,244)	(16,601)
Deposits	6,420	2,894
Escrow and loan fees	3,202	(5,286)
Increase (decrease) in operating liabilities:		
Accounts payable	(8,976)	29,177
Accrued expenses	(18,658)	47,283
Deferred revenue	19,027	6,927
Total adjustments	(30,155)	(70,292)
Net cash (used in) provided by operating activities	53,422	(166,666)
Cash flows from investing activities:		
Acquisition of fixed assets	(137,092)	(427,238)
Proceeds from sale of investments	30,000	117,053
Net cash (used in) investing activities	(107,092)	(310,185)
Cash flows from financing activities:		
Gross borrowings on line of credit	51,635	2,935,074
Repayments on line of credit	(122,000)	(2,438,430)
Principal payments on long-term debt	(92,370)	(74,177)
Gross borrowings on long-term debt	-	254,503
Net cash (used in) provided by financing activities	(162,735)	676,970
Net (decrease) increase in cash	(216,405)	200,119
Cash, beginning of year	266,267	66,148
Cash, end of year	\$ 49,862	\$ 266,267

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

**FUTURES EXPLORED, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2009 and 2008

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 equivalent."
2. The following cash payments were made during the period for:

	2009	2008
Interest	77,431	90,679

3. Schedule of non-cash investing transactions:

Fixed asset acquisitions	\$ (158,553)	\$ (830,184)
Less financing of acquisitions	21,461	403,000
	\$ (137,092)	\$ (427,184)
Gross repayment of long-term debt	\$ (92,370)	\$ (513,375)
Less amount refinanced	-	439,198
	\$ (92,370)	\$ (74,177)
Gross repayment of line of credit, Wells Fargo Bank	\$ -	\$ (2,935,074)
Less amount refinanced	-	496,644
	\$ -	\$ (2,438,430)
Gross repayment of equipment line of credit, Wells Fargo Bank	\$ -	\$ (60,000)
Less amount refinanced	-	60,000
	\$ -	\$ -

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



# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

### 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 23701d 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.

#### Nature of Activities

Futures Explored, Inc. currently offers seven services 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.

- **Supported Employment**

The Supported Employment program offers employment support to individuals who have chosen employment as their primary goal. Employment supports vary based on need from Job Placement, training and support and long-term supports on both an individual and group basis.

- **ALIVE**

The ALIVE (Actively Living and Involved in a Variety of Endeavors) program offers supports to encourage individuals to be active in their community, develop skills to be more independent and able 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.

- **Garden**

The Garden program offers supports and activities to individuals with significant personal care, cognitive and physical disabilities, who often have some long-term medical conditions that need additional supports. The services focus on developing choices, sensory stimulation and involvement with others.

- **Futures & Friendships (Social Recreation)**

The Futures & Friendships (Social Recreation) 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.

# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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

- **Vocational Training & Education (VTE)**

Vocation Training & Education (VTE) program offers supported employment and community activities in Yolo and Sacramento Counties.

- **Huckleberry To-Go Catering**

Huckleberry to-go is a full-service catering kitchen located in Lafayette, providing business meeting breakfast and lunch services, as well as individual job catering to our community. It is used as an employment training ground for individuals interested in employment in the food industry.

#### **Basis of Presentation**

The financial statements are prepared using the accrual basis of accounting and are in accordance with Statements of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made, and No. 117, Financial Statements of Not-for-Profit Organizations. Accordingly, the classification of the Organization's net assets and its revenues and expenditures is based on the existence or absence of donor-imposed restrictions. The provisions of these standards require amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in the Statement of Financial Position and the change in each of those classes of net assets be presented in the Statement of Activities.

Permanently restricted net assets represent a portion of funds that are not expendable, except for the interest earned on these funds. Unrestricted net assets represent the portion of expendable funds that are available for support at the Organization's operations. 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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

#### **Concentration of Credit Risk**

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

# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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

#### Accounts Receivable

The Organization utilizes the allowance method for recognizing bad debts. The allowance is based on experience in prior years and management analysis of specific accounts. Management has determined that no allowance for doubtful accounts is required at the financial statement date.

#### Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Unrealized gains and losses are included in the change in net assets. The Organization's investments are in mutual funds which have readily determinable fair value.

#### Fixed Assets

Purchase of property, equipment or improvements costing more than \$500 are recorded at cost, and donated property and equipment at fair market value. Depreciation is computed using the straight-line method over the assets estimated useful life. Total fixed assets recorded under capital lease amount to \$21,760 and \$17,500 for both June 30, 2009 and 2008, respectively. The Organization has recorded \$1,439 and \$16,490 in accumulated depreciation on these assets as of June 30, 2009 and 2008, respectively.

At fiscal year end, the Organization had several improvement projects in process, the projects are scheduled to be completed in 2010. The estimated cost to complete the improvements is approximately \$690,000.

#### Endowments

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of California enacted UPMIFA effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization has adopted FSP FAS 117-1 for the year ending June 30, 2009.

The Organization's endowment includes donor-restricted endowment funds, and as required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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

#### Interpretation of Relevant Law

The Organization's Board has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA. The Organization does not have any temporarily restricted donor-restricted endowment funds at June 30, 2009.

#### 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
- (7) The investment policies of the Organization

#### Investment Policy, Strategies, and Objectives

The Organization has adopted investment and spending policies for endowment assets that attempts 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 three percent annually. Actual returns in any given year may vary from this amount.

# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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

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; or describe as appropriate.

#### **Revenue Recognition**

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as exchange transactions and program fees are recognized as revenue in the period in which the service is provided.

Due to the significant budget deficit, the State of California has reduced the payments made through Regional Centers by 3% starting on February 1, 2009. This resulted in a reduction in the Organization's revenue of \$62,675 for the fiscal year ending June 30, 2009. The 3% payment reduction will continue into the next fiscal year and is slated to end on June 30, 2010.

#### **Contributions**

Contributions are reported in accordance with SFAS No. 116. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

The costs of providing the Organization's programs have been summarized on a functional basis in these financial statements. Based on management's estimates, costs have been allocated between programs and supporting services as they relate to those functions.

#### **Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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

The Organization uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined that no allowance for uncollectible, unconditional promises to give is deemed necessary at June 30, 2009.

#### **Deferred Revenue**

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

#### **Income Taxes**

No provision has been made for income taxes as the Organization is exempt under Internal Revenue Code Section 501(c)(3) and comparable laws of the State of California. The Organization is not classified as a private foundation.

#### **Thrift Store**

The Organization operates a thrift store that sells 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.

#### **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 on the basis of periodic time and expense studies. 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.

#### **Reclassification**

Certain reclassifications have been made to the June 30, 2008 financial statement presentation in order to conform to the June 20, 2009 presentation.

## FUTURES EXPLORED, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

#### 2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at June 30, 2009 and 2008 are summarized as follows:

	2009	2008
Foundations	\$ 400,000	\$ 300,000
Receivable in less than one year	\$ 350,000	\$ 300,000
Receivable in one to five years	50,000	-
Total unconditional promises to give	400,000	300,000
Less current portion	(350,000)	(300,000)
Long-term unconditional promises to give	\$ 50,000	\$ -

#### 3. Investments

Investments at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Mutual funds	\$ 8,013	\$ 44,412
Total dividend and interest income	\$ 439	\$ 13,287
Total unrealized (loss)	\$ (1,240)	\$ (3,530)
Total realized (loss)	\$ (5,385)	\$ (19,585)

#### 4. Notes Payable

The Organization had a credit line agreement with Wells Fargo Bank. Under this agreement, the Organization has available a \$250,000 line of credit due October 2008 with interest at prime plus .5% (currently 5.50%). The line is secured by a commercial security agreement. The Organization did not have outstanding borrowings on the line at June 30, 2008.

The Organization had an equipment line of credit with Wells Fargo Bank. Under this agreement, the Organization had available a \$90,000 line of credit. In the fiscal year June 30, 2009, the borrowings converted to a term loan and the Organization paid the loan in full.

The Organization has a line of credit with Heritage Bank. Under this agreement, the Organization has available a \$500,000 line of credit due October 2009 with interest at prime plus .5% (currently 3.75%). The line is secured by a commercial security agreement covering substantially all assets of the Organization. The Organization had outstanding borrowings on the line of \$374,644 and \$496,644 at June 30, 2009 and 2008, respectively.

## FUTURES EXPLORED, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

#### 4. Notes Payable, continued

The Organization has a construction line of credit with Heritage Bank. Under this agreement, the Organization has available a \$250,000 line of credit due June 2010 with interest at prime plus .5% (currently 3.75%). The line is secured by a Deed of Trust, Assignment of Rents and a Commercial Security Agreement covering substantially all assets of the Organization. The Organization has outstanding borrowings on the line of \$248,336 and \$196,701 at June 30, 2009 and 2008, respectively.

#### 5. Long-Term Debt

Long-term debt at June 30, 2009 and June 30, 2008 consist of the following:

	2009	2008
Wells Fargo Bank, payable in monthly payments of \$4,433, including interest of 7.38%, with a final payment of \$483,016, secured by a Deed of Trust, Assignment of Rents and a Commercial Security Agreement, due October 2016	\$ 576,264	\$ 584,848
CHAFFA (Help II Programs), two loans, payable in monthly installments of \$2,783 and \$2,396 including interest of 3% secured by Deeds of Trusts, due February 2023	697,130	736,783
Heritage Bank, payable in monthly installments of \$3,581 including interest of 6.75%, secured by a vehicle, due June 2012	115,985	150,000
U.S. Bancorp, two leases, payable in monthly installments of \$303 and \$134 including interest at 15.85% and 20.55%, secured by equipment, paid in full during the fiscal year	-	5,396
U.S. Bancorp, two leases, payable in monthly installments of \$210 and \$195, including implied interest at 5% secured by equipment, due through March 2014	20,510	-
Ford Credit, due in monthly installments of \$302 including interest of 7.99%, secured by a vehicle, paid in full during the fiscal year	-	3,771
	1,409,889	1,480,798
Less current portion	(93,183)	(93,950)
	\$ 1,316,706	\$ 1,386,848



# FUTURES EXPLORED, INC.

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

### 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>			
2010	\$	163,177	
2011		163,177	
2012		162,809	
2013		120,202	
2014 and thereafter		1,251,499	
		1,860,864	
Less amount representing interest		(450,975)	
	\$	1,409,889	

### 6. Lease Commitments

The Organization leases various facilities under non-cancelable operating leases with expiration dates ranging from 2010 to 2014.

The following is a schedule of the aggregate future minimum rental payments under the facility leases:

<u>Year Ending June 30,</u>			
2009	\$	285,393	
2010		277,111	
2011		131,404	
2012		27,160	
	\$	721,068	

Total rent expense for facility leases amounted to approximately \$407,000 at June 30, 2009 and \$414,000 at June 30, 2008.

In 2008, the Organization leased a facility from family members of the Executive Director. Under the terms of this agreement, the lease contained an option to purchase the facility. In 2008, the Organization exercised its option to purchase the facility for approximately \$478,000. Total payments of \$19,200 were made under this lease to related parties during the year and are included in rent expense at June 30, 2008.

**FUTURES EXPLORED, INC.**

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

**6. Lease Commitments, continued**

During 2009, the Organization subleased office space in two of its facilities. The following minimum payments to be received by the Organization are as follows:

<u>Year Ending June 30,</u>		
2010	\$	19,536
2011		6,636
		\$ 26,172
		\$ 26,172

**7. Significant Funding Source**

The Organization had two funding sources that generated approximately 82% and 81% of the overall revenue for the years ended June 30, 2009 and 2008, respectively. The Organization had approximately 90% and 92% of accounts receivable from these sources as of June 30, 2009 and 2008, respectively.

**8. Net Assets**

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Lafayette Renovation	\$ 400,000	\$ 300,000
Memorial Fund	3,135	3,135
GARDEN Tri-Valley	487	487
Scholarship Fund	240	115
Total temporarily restricted net assets	\$ 403,862	\$ 303,737

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2009
Purpose restriction accomplished:	
Lafayette Renovation	\$ 50,000
Total restrictions released	\$ 50,000

The Organization has received various gifts which have been designated as permanently restricted. These amounts are classified as part of investments.

**FUTURES EXPLORED, INC.**

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2009 and 2008

**9. Endowment**

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<u>2009</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 86,400	\$ 86,400
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<u>2008</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 86,400	\$ 86,400

Changes in endowment net assets as of June 30, 2009, are as follows:

	Permanently Restricted	Total Net Endowment Assets
<u>2009</u>		
Endowment net assets, beginning of year	\$ 86,400	\$ 86,400
Investment income	449	449
Amounts appropriated for expenditure	(449)	(449)
Endowment net assets, end of year	\$ 86,400	\$ 86,400
	Permanently Restricted	Total Net Endowment Assets
<u>2008</u>		
Endowment net assets, beginning of year	\$ 86,400	\$ 86,400
Investment income	1,438	1,438
Amounts appropriated for expenditure	(1,438)	(1,438)
Endowment net assets, end of year	\$ 86,400	\$ 86,400

## FUTURES EXPLORED, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

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#### 10. Fair Value Measurement

On July 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurement*, (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value to measure assets and liabilities, and expands disclosures about fair value measurements. Fair value is defined under SFAS 157 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. SFAS 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007, except for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, for which application has been deferred for one year by the issuance of FASB Staff Position 157-2.

SFAS 157 includes a fair value hierarchy, of which the first two are considered observable and the last unobservable, that is intended to increase the consistency and comparability in fair value measurements and related disclosures. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity’s pricing based upon their own market assumptions.

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: instrument valuations are obtained from readily-available pricing sources for comparable instruments.
- Level 3: instruments valuations are obtained without observable market value and require a high level of judgment to determine the fair value.

## FUTURES EXPLORED, INC.

### NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2009 and 2008

#### 10. Fair Value Measurement, continued

The following table summarizes the Organization's financial assets and liabilities measured at fair value on a recurring basis in accordance with SFAS 157 as of June 30, 2009:

	Balance as of June 30, 2009		Quoted Prices in Active Markets of Identical Assets (Level 1)
Assets:			
Money Market	\$ 11,990	\$	11,990
Mutual Fund	8,013		8,013
	\$ 20,003	\$	20,003

As of June 30, 2009, the Organization did not have any Level 2 or Level 3 assets or liabilities.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, ("SFAS 159"), which provides organization's an option to report selected financial assets and liabilities at fair value. SFAS 159 requires organization's to provide information helping financial statement users to understand the effect of an organization's choice to use fair value on its earnings, as well as to display the fair value of the assets and liabilities an organization has chosen to use fair value for on the face of the statement of financial position. SFAS 159 was effective for fiscal years beginning after November 15, 2007. The Organization adopted SFAS 159 in 2008 and did not elect the fair value option for any of its financial assets or liabilities.