FUTURES EXPLORED, INC.

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2012
(with summarized comparative totals for June 30, 2011)

FUTURES EXPLORED, INC.

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BPM
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Futures Explored, Inc. (a nonprofit organization; the "Organization") as of June 30, 2012, 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 the Organization's 2011 financial statements and, in our report dated October 28, 2011, 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 provides 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 the Organization as of June 30, 2012, 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, Inc.

San Jose, California
October 29, 2012

FUTURES EXPLORED, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
Current Assets:		
Cash and cash equivalents	$ 13,318	$ 76,484
Accounts receivable	749,192	875,724
Prepaids	43,856	53,003
Total current assets	806,366	1,005,211
Land and building	1,572,529	1,572,529
Furniture and equipment	379,769	374,580
Vehicles	342,519	329,512
Building and leasehold improvements	1,627,851	1,235,880
Construction in progress	8,157	187,965
	3,930,825	3,700,466
Less accumulated depreciation	(1,746,204)	(1,551,971)
	2,184,621	2,148,495
Long-term unconditional promises to give receivable	-	16,243
Other Assets:		
Investments	6,706	16,751
Deposits	40,356	33,900
Escrow and loan fees, net	28,853	32,067
	75,915	82,718
Total assets	$ 3,066,902	$ 3,252,667

LIABILITIES AND NET ASSETS

	2012	2011
Current Liabilities:		
Line of credit	$ 190,000	$ 100,000
Accounts payable	61,227	137,634
Accrued expenses	298,234	293,183
Deferred revenue	35,391	27,219
Current portion of long-term debt	206,074	165,304
Total current liabilities	790,926	723,340
Long-term debt, less current portion	1,315,507	1,391,291
Total liabilities	2,106,433	2,114,631
Net Assets:		
Unrestricted	844,929	846,057
Temporarily restricted	29,140	205,579
Permanently restricted	86,400	86,400
	960,469	1,138,036
Total liabilities and net assets	$ 3,066,902	$ 3,252,667

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

FUTURES EXPLORED, INC.

STATEMENT OF ACTIVITIES

for the year ended June 30, 2012
(with Summarized Financial Information
for the year ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	(For comparative purposes only) Total 2011
Revenue and other support:					
Regional Center	$ 7,192,246	$ -	$ -	$ 7,192,246	$ 6,362,230
Department of Rehabilitation	48,534	-	-	48,534	167,652
Community revenue	1,108,720	-	-	1,108,720	949,261
Contribution income	104,915	25,555	-	130,470	197,294
Investment gain	35	-	-	35	2,600
Miscellaneous income	80,842	-	-	80,842	117,754
Total revenue and other support	8,535,292	25,555	-	8,560,847	7,796,791
Net assets released from restriction	201,994	(201,994)	-	-	-
Total revenue and other support	8,737,286	(176,439)	-	8,560,847	7,796,791
Expenses:					
Program Services:					
Garden	2,125,016	-	-	2,125,016	1,852,986
ALIVE	2,037,888	-	-	2,037,888	1,916,703
VTE	1,805,772	-	-	1,805,772	1,274,772
Lafayette	1,134,251	-	-	1,134,251	1,049,236
Business Enterprises	471,246	-	-	471,246	434,369
Supported Employment	417,429	-	-	417,429	434,965
Social Recreation	106,052	-	-	106,052	31,850
Total program services	8,097,654	-	-	8,097,654	6,994,881
Supporting Services:					
Administration	610,372	-	-	610,372	585,128
Fund Development	30,388	-	-	30,388	31,417
Total supporting services	640,760	-	-	640,760	616,545
Total expenses	8,738,414	-	-	8,738,414	7,611,426
Change in estimate of prior year contribution	-	-	-	-	(100,000)
Total expenses and change in estimate of prior year contribution	8,738,414	-	-	8,738,414	7,711,426
Changes in net assets	(1,128)	(176,439)	-	(177,567)	85,365
Net assets, beginning of year	846,057	205,579	86,400	1,138,036	1,052,671
Net assets, end of year	$ 844,929	$ 29,140	$ 86,400	$ 960,469	$ 1,138,036

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

FUTURES EXPLORED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2012
(with Summarized Financial Information
for the year ended June 30, 2011)

	Program Services							Total	Supporting Services		Total		(For comparative
					Business	Supported	Social	Program		Fund	Supporting	Total	purposes only)
	Garden	ALIVE	VTE	Lafayette	Enterprises	Employment	Recreation	Services	Administration	Development	Services	2012	2011
Personnel Expenses	$ 1,526,221	$ 1,469,808	$ 1,147,323	$ 802,306	$ 161,459	$ 308,315	$ 20,254	$ 5,435,686	$ 408,957	$ 11,123	$ 420,080	$ 5,855,766	$ 5,219,875
Community Contract Expenses	43,624	225,158	556,905	141,484	137,722	71,856	-	1,176,749	449	-	449	1,177,198	859,921
Occupancy Expenses	458,175	258,490	25,702	157,761	139,544	15,586	18,339	1,073,597	50,382	-	50,382	1,123,979	1,070,513
Communications	34,229	29,063	16,262	13,370	11,903	1,973	1,614	108,414	38,416	2,354	40,770	149,184	132,698
Outside Services	6,229	4,358	6,298	1,098	18,619	1,508	60,118	98,228	97,146	16,859	114,005	212,233	119,464
Travel, Conferences and Training	37,243	12,958	46,931	4,504	494	17,572	5,565	125,267	14,243	52	14,295	139,562	105,007
Program Expenses	19,295	38,053	6,351	13,728	1,505	619	162	79,713	779	-	779	80,492	103,948
Total	$ 2,125,016	$ 2,037,888	$ 1,805,772	$ 1,134,251	$ 471,246	$ 417,429	$ 106,052	$ 8,097,654	$ 610,372	$ 30,388	$ 640,760	$ 8,738,414	$ 7,611,426

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

FUTURES EXPLORED, INC.
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Changes in net assets	$ (177,567)	$ 85,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	227,613	221,375
Loss (gain) on investments	174	(2,138)
Dividends and interest reinvested	(209)	(462)
(Increase) decrease in operating assets:		
Accounts receivable	126,532	(303,213)
Unconditional promises to give receivable	16,243	333,757
Prepaids	9,147	(37,230)
Deposits	(6,456)	(4,800)
Escrow and loan fees	3,214	3,214
Increase (decrease) in operating liabilities:		
Accounts payable	(76,407)	117,212
Accrued expenses	5,051	44,061
Deferred revenue	8,172	26,427
Total adjustments	313,074	398,203
Net cash provided by operating activities	135,507	483,568
Cash flows from investing activities:		
Acquisition of fixed assets	(234,716)	(215,186)
Proceeds from the sale of investments	10,000	-
Purchase of investments	-	(2,500)
Net cash (used in) investing activities	(224,716)	(217,686)
Cash flows from financing activities:		
Gross borrowings on line of credit	3,362,904	3,525,000
Repayments on line of credit	(3,272,904)	(3,575,000)
Borrowings on long-term debt	125,000	-
Principal payments on long-term debt	(188,957)	(171,219)
Net cash provided by (used in) financing activities	26,043	(221,219)
Net (decrease) increase in cash	(63,166)	44,663
Cash and cash equivalents, beginning of year	76,484	31,821
Cash and cash equivalents, end of year	$ 13,318	$ 76,484

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

FUTURES EXPLORED, INC.
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2012 and 2011

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 period for:

	2012	2011
Interest	$ 72,636	$ 93,608

3. Schedule of non-cash transactions:

	2012	2011
Fixed asset acquisitions	$ (263,739)	$ (215,186)
Financing of fixed asset acquisitions	29,023	-
	$ (234,716)	$ (215,186)

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. 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.

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.

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.

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.

Social Recreation
The Futures & Friendships-Afternoon Club program is a service that works with individuals to support their desire to develop social networks and enhanced independence to access their social and recreational needs outside of work and/or day activities. In 2011, the State of California during its budget process suspended Social Recreation services as a program option, unless it provides "day care" for adults who are living with their parents and both parents are working. The Inclusion Film Camp program is provided as an Out-of-Home respite activity for individuals with developmental disabilities, including Autism and Asperger's Syndrome between the ages of 10 and 25. It is a two week camp that uses film as a means to increase positive social interactions for individuals with disabilities.

Business Enterprises
The Nifty Thrift program runs four thrift stores. The thrift stores provide the ability to generate community funding and the opportunity to provide a vocational setting and proactive support to individuals. Huckleberry 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. 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.

Continued

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

Nature of Activities, continued

Vocational Training & Education (VTE)
Vocation Training & Education (VTE) program offers a variety of employment, community college, school to work transition and community inclusion activities in Yolo and Sacramento Counties.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities in accordance with three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets.

Permanently restricted net assets represent a portion of funds that are not expendable, except for the interest earned on these funds. Unrestricted net assets represent the portion of expendable funds that are available for support of 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, 2011, from which the summarized information was derived.

Concentration of Credit Risk

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

Accounts Receivable and Allowance for Uncollectable Accounts

Accounts receivable are stated at unpaid balances. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on prior years' experience and management analysis of specific accounts. Management has determined that no allowance for uncollectable accounts is deemed necessary at June 30, 2012 and 2011.

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.

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 required as of the financial statement date.

Continued

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

Investments

The Organization carries investments in marketable equity securities with readily determinable fair values at fair value. Unrealized gains and losses are included in the statement of activities.

Fixed Assets

All acquisitions of property, equipment or improvements in excess of $500 are recorded at cost. Donated property and equipment are carried at fair value at the date of the donation. Depreciation is computed using the straight-line method over the assets estimated useful life. Total fixed assets recorded under capital lease amount to $53,233 and $21,760 for June 30, 2012 and 2011, respectively. The Organization has recorded $20,362 and $7,205 in accumulated depreciation on these assets as of June 30, 2012 and 2011, respectively.

At fiscal year end, the Organization had an improvement project in process, which is scheduled to be completed in June 2013. The total estimated cost of the improvements is approximately $86,000.

Deferred Revenue

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

Endowments

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Organization's donor-restricted endowment funds and whether or not the Organization is subject to UPMIFA are described below and in Note 9.

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, 2012.

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

Endowments, *continued*

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 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 unrestricted net assets were $41,562 and $41,587 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

Fair Value Measurement–Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Continued

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

Fair Value Measurement–Definition and Hierarchy, *continued*

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1–quoted prices in active markets for identical investments or liabilities
- Level 2–other significant observable inputs (including quoted prices for similar instruments, interest rates, credit risk, etc.).
- Level 3–significant unobservable inputs (including the Organization's own assumptions in determining fair value instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Revenue Recognition

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

Due to the significant budget deficit, the State of California has reduced the payments made through Regional Centers by 4.25% starting on July 1, 2010 through June 30, 2012. This resulted in a reduction in the Organization's revenue of $288,696 and $258,266 for the fiscal year ending June 30, 2012 and 2011, respectively. The 4.25% payment reduction was effective until June 30, 2012. Effective July, 1, 2012 the State changed the payment reduction from 4.25% to 1.25% for the fiscal year 2012-2013 with the new 1.25% payment reduction slated to end June 30, 2013.

Contributions

Contributions including unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported in the Statement of Activities as net assets released from restrictions.

Income Taxes and Uncertainty in Income Taxes

No provision has been made for income taxes as the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and state income taxes under Section 23701(d) of the California Revenue Taxation Code.

The Organization reviews and assesses tax positions taken or expected to be taken against the more-likely-than-not recognition threshold and measurement attributes for financial statement recognition.

The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Organization, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization.

Continued

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

Income Taxes and Uncertainty in Income Taxes, *continued*

The Organization applied this guidance to all tax positions for which the statute of limitations remained open (fiscal years ended since June 30, 2008) and determined there were no material unrecognized tax benefits as of that date. There have been no related tax penalties or interest, which would be classified as tax expense in the statement of activities.

Thrift Stores

The Organization operates thrift stores 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.

eWaste

The Organization receives donations of eWaste. Revenue from donated eWaste is recorded when the donations are transferred to ECS Refining and payment, per pound of eWaste, is received.

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.

The Organization's administration expenses are 7% and 8% of total expenses for the years ended June 30, 2012 and 2011, respectively.

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.

2. Unconditional Promises to Give Receivable

Unconditional promises to give receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
Foundations	$ -	$ 16,243
Receivable in less than one year	$ -	$ -
Receivable in one to five years	-	16,243
Total unconditional promises to give	-	16,243
Less current portion	-	-
Long-term unconditional promises to give	$ -	$ 16,243

Unconditional promises to give receivable at June 30, 2011 were collected in full during the current fiscal year. The Organization received no unconditional promises to give during the year ended June 30, 2012.

Continued

3. Investments

Investments at June 30, 2012 and 2011 consist of a mutual fund recorded at fair value (Level 1):

	2012	2011
Mutual fund	$ 6,706	$ 16,751

The following schedule summarizes the investment return for the years ended June 30, 2012 and 2011:

	2012	2011
Dividend income	$ 209	$ 462
Unrealized (loss) gain	(174)	2,138
Total investment gain	$ 35	$ 2,600

4. Line of Credit

The Organization has a line of credit agreement with Heritage Bank. Under this agreement, the Organization has available a $300,000 line of credit due November 2012 with interest at the prime rate plus 0.5% and a minimum rate of 5.5% (currently 5.5%). The line is secured by a Deed of Trust, Assignment of Rents and three Commercial Security Agreements covering substantially all assets of the Organization. The Organization had outstanding borrowings of $190,000 and $100,000 at June 30, 2012 and 2011, respectively.

5. Long-Term Debt

Long-term debt at June 30, 2012 and June 30, 2011 consists of the following:

	2012	2011
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	$ 541,244	$ 558,313
CHAFFA (Help II Program), payable in monthly installments of $5,179 including interest of 3%, secured by a Deed of Trust, due February 2023	571,537	615,943
Heritage Bank, payable in monthly principal payments of $9,250 plus interest of 6.75%, secured by a Deed of Trust, Assignment of Rents and a Commercial Security Agreement, due October 2014	259,000	370,000
Heritage Bank, payable in monthly principal payments of $2,083 plus interest of 6.75%, secured by a Deed of Trust, Assignments of Rents and a Commercial Security Agreement, due February 2017	116,667	-
U.S. Bancorp, three capital leases in 2012 and two capital leases in 2011, payable in monthly installments ranging from $455 to $195, including imputed interest at 15% secured by equipment, due through March 2014	33,133	12,339
	1,521,581	1,556,595
Less current portion	(206,074)	(165,304)
	$ 1,315,507	$ 1,391,291

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

Year Ending June 30,	
2013	$ 286,849
2014	274,904
2015	189,102
2016	149,023
2017	569,222
2018 and thereafter	355,678
	1,824,778
Less amount representing interest	(303,197)
	$ 1,521,581

Continued

6. Lease Commitments

The Organization leases various facilities under noncancelable operating leases with expiration dates ranging from 2013 to 2016.

Future minimum lease payments are as follows:

Year Ending June 30,		
2013	$	503,020
2014		393,328
2015		128,181
2016		76,768
	$	1,101,297

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:

Year Ending June 30,		
2013	$	9,600
2014		9,600
2015		9,600
2016		2,000
	$	30,800

Net rent expense for operating leases amounted to approximately $593,000 and $557,000 at June 30, 2012 and 2011, respectively.

7. Significant Funding Source

The Organization had Regional Center funding (the pass through agent for the State of California and federal support for individuals with developmental disabilities) that generated approximately 84% and 83% of the overall revenue for the years ended June 30, 2012 and 2011, respectively. The Organization had approximately 82% and 83% of accounts receivable from Regional Center funding as of June 30, 2012 and 2011, respectively.

8. Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011 as follows:

	2012	2011
Lafayette Renovation	$ -	$ 195,257
eWaste	12,250	-
Film Camp	10,000	6,000
Memorial Fund	3,135	3,135
Scholarship Fund	3,755	700
GARDEN Tri-Valley	-	487
Total temporarily restricted net assets	$ 29,140	$ 205,579

8. Net Assets, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2012
Lafayette Renovation	$ 195,257
Film Camp	6,000
GARDEN Tri-Valley	487
eWaste	250
Total restrictions released	$ 201,994

9. Endowment

Endowment net asset composition by type of fund is as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
2012			
Donor-restricted endowment funds	$ (41,552)	$ 86,400	$ 44,848
2011			
Donor-restricted endowment funds	$ (41,587)	$ 86,400	$ 44,813

Changes in endowment net assets as of June 30, 2012 and 2011 are as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2010	$ (44,187)	$ 86,400	$ 42,213
Investment income	462	-	462
Net appreciation in fair value	2,138	-	2,138
Endowment net assets, June 30, 2011	(41,587)	86,400	44,813
Investment income	209	-	209
Net (depreciation) in fair value	(174)	-	(174)
Endowment net assets, at June 30, 2012	$ (41,552)	$ 86,400	$ 44,848

The amount classified as permanently restricted represents the amount of the endowment funds that must be retained permanently in accordance with explicit donor stipulations. The Organization received no permanently restricted contributions for the fiscal years ended June 30, 2012 and 2011.

Continued

10. Fair Value Measurement

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis:

	Assets at Fair Value as of June 30, 2012 (Level 1)	Total
Money Market	$ 21,097	$ 21,097
Mutual Fund	6,706	6,706
	$ 27,803	$ 27,803

	Assets at Fair Value as of June 30, 2011 (Level 1)	Total
Money Market	$ 26,369	$ 26,369
Mutual Fund	16,751	16,751
	$ 43,120	$ 43,120

As of June 30, 2012 and 2011, the Organization did not have any Level 2 or Level 3 assets or liabilities.

11. Change in Estimate

In fiscal year 2008, the Organization received a multi-phase grant, based on estimated construction costs, of $400,000 in support of the upgrade, renovation and expansion of the Lafayette, California facility. The grant was considered unconditional and was recorded as temporarily restricted contribution income in the Statement of Activities at June 30, 2008. During fiscal year 2009, the Phase 1 contribution of $100,000 was received as stated in the grant agreement. During fiscal year 2011, the Organization received notification from the grantor that the Phase II contribution of $300,000 would be reduced to $200,000 as the revised construction budget was substantially less than the original budget. The Organization has recorded the reduction of the unconditional promise to give as a change in estimate of $100,000 in the Statement of Activities at June 30, 2011.

12. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 29, 2012, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2012 that require recognition or disclosure in such financial statements.