

**FUTURES EXPLORED, INC.
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
JUNE 30, 2013**

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INTRODUCTORY SECTION

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FUTURES EXPLORED, INC.
Financial Statements
For the Year Ended June 30, 2013

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FUTURES EXPLORED, INC.

BOARD OF DIRECTORS

JUNE 30, 2013

Robert Bass, President
Stephen J. Platter, Vice President
Dan Denis, Treasurer
Carole Kay Lynn, Secretary
Timothy B. Walker
Rosemary Almand
Andy Gamboa
Will Sanford, Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Futures Explored, Inc. (a nonprofit organization; the Organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 Organization'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 Organization'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 respective financial position of Futures Explored, Inc. as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Futures Explored, Inc.'s 2012 financial statements, which were audited by other auditors, whose unqualified opinion is dated October 29, 2012.

Mage & Associates

Pleasant Hill, California
September 9, 2013

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FUTURES EXPLORED, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2B)	\$79,265	\$13,318
Accounts receivable (Note 2E)	733,919	749,192
Prepays	144,081	43,856
Total Current Assets	957,265	806,366
Non Current Assets:		
Capital assets (Note 4)		
Capital assets not being depreciated		
Land	508,000	508,000
Construction in progress	8,347	8,157
Total capital assets not being depreciated	516,347	516,157
Capital assets being depreciated		
Building	1,064,529	1,064,529
Furniture and equipment	395,942	379,769
Vehicles	315,710	342,519
Building and leasehold improvements	1,642,491	1,627,851
Less: accumulated depreciation	(1,904,898)	(1,746,204)
Total capital assets being depreciated, net	1,513,774	1,668,464
Total capital assets, net	2,030,121	2,184,621
Other assets:		
Investments (Note 3)	7,523	6,706
Deposits	88,662	40,356
Escrow and loan fees, net	25,639	28,853
Total other assets	121,824	75,915
Total Assets	\$3,109,210	\$3,066,902
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of credit (Note 5)	\$250,000	\$190,000
Accounts payable	133,956	61,227
Accrued expenses	351,090	298,234
Deferred revenue (Note 2G)	33,236	35,391
Current portion of long-term debt (Note 6)	206,074	206,074
Total Current Liabilities	974,356	790,926
Non Current Liabilities:		
Security deposit payable	775	
Deferred rent (Note 2H)	14,989	
Long-term debt, less current portion (Note 6)	1,110,002	1,315,507
Total Non Current Liabilities	1,125,766	1,315,507
Total Liabilities	2,100,122	2,106,433
NET ASSETS (Note 2A)		
Unrestricted	887,536	844,929
Temporarily restricted (Note 8)	35,152	29,140
Permanently restricted (Note 9)	86,400	86,400
Total Net Assets	1,009,088	960,469
	\$3,109,210	\$3,066,902

See accompanying notes to financial statements

FUTURES EXPLORED, INC.
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2013	2012
SUPPORT AND REVENUE					
Regional Center	\$7,787,780			\$7,787,780	\$7,192,246
Department of Rehabilitation	80,555			80,555	48,534
Community revenue	1,471,665			1,471,665	1,108,720
Contribution income	111,933	\$30,345		142,278	130,470
Investment gain	1,134			1,134	35
Gain on sale of asset	7,600			7,600	
Miscellaneous income	103,500			103,500	80,842
Net assets released from restrictions (Note 8)	24,333	(24,333)			
Total Support and Revenue	9,588,500	6,012		9,594,512	8,560,847
EXPENSES					
Program services:					
GARDEN	2,191,225			2,191,225	2,125,016
ALIVE	2,033,058			2,033,058	2,037,888
Vocational Training & Employment	2,113,085			2,113,085	1,805,772
Lafayette	1,240,728			1,240,728	1,134,251
Business Enterprises	552,091			552,091	471,246
Supported Employment	567,256			567,256	417,429
Social Recreation	118,754			118,754	106,052
Total program services	8,816,197			8,816,197	8,097,654
Support services:					
Administration	696,676			696,676	610,372
Fund Development	33,020			33,020	30,388
Total support services	729,696			729,696	640,760
Total Expenses	9,545,893			9,545,893	8,738,414
Changes in net assets	42,607	6,012		48,619	(177,567)
Net assets at beginning of year	844,929	29,140	\$86,400	960,469	1,138,036
Net assets at end of year	<u>\$887,536</u>	<u>\$35,152</u>	<u>\$86,400</u>	<u>\$1,009,088</u>	<u>\$960,469</u>

See accompanying notes to financial statements

FUTURES EXPLORED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2012

	Program Services				
	GARDEN	ALIVE	VTE	Lafayette	Business Enterprises
FUNCTIONAL EXPENSES					
Personnel Expenses	\$1,592,906	\$1,444,531	\$1,214,586	\$863,198	\$222,928
Community contract expenses	43,101	239,939	785,987	141,312	164,940
Occupancy Expenses	455,943	263,930	28,817	201,783	133,854
Communications	30,327	25,274	17,317	14,263	10,234
Outside Services	821	1,077	2,107	37	19,594
Travel, Conferences, and Training	45,104	10,316	56,725	5,791	147
Program Expenses	23,023	47,991	7,546	14,344	394
Total Functional Expenses	\$2,191,225	\$2,033,058	\$2,113,085	\$1,240,728	\$552,091

See accompanying notes to financial statements

<u>Supported Employment</u>	<u>Social Recreation</u>	<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Totals</u>	
			<u>Administration</u>	<u>Fund Development</u>		<u>2013</u>	<u>2012</u>
\$394,701	\$18,701	\$5,751,551	\$442,097	\$11,477	\$453,574	\$6,205,125	\$5,855,766
71,171		1,446,450	4,700		4,700	1,451,150	1,177,198
27,670	18,222	1,130,219	46,429		46,429	1,176,648	1,123,979
7,253	3,200	107,868	55,734	3,151	58,885	166,753	149,184
1,546	830	26,012	126,187	18,392	144,579	170,591	212,233
16,174	10,076	144,333	20,655		20,655	164,988	139,562
48,741	67,725	209,764	874		874	210,638	80,492
<u>\$567,256</u>	<u>\$118,754</u>	<u>\$8,816,197</u>	<u>\$696,676</u>	<u>\$33,020</u>	<u>\$729,696</u>	<u>\$9,545,893</u>	<u>\$8,738,414</u>

FUTURES EXPLORED, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	TOTALS	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	<u>\$48,619</u>	<u>(\$177,567)</u>
Adjustments to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation	185,503	227,613
(Gain) loss on investments	(650)	174
Dividends and interest reinvested	(167)	(209)
Decrease in accounts receivable	15,273	126,532
Decrease in unconditional promises to give receivable		16,243
(Increase) decrease in prepaid expenses	(100,225)	9,147
(Increase) in deposits	(48,306)	(6,456)
Decrease in escrow and loan fees	3,214	3,214
Increase (decrease) in accounts payable	72,729	(76,407)
Increase in accrued expenses	52,856	5,051
(Decrease) increase in deferred revenue	(2,155)	8,172
Increase in security deposits payable	775	
Increase in deferred rent	14,989	
	<u>193,836</u>	<u>313,074</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>242,455</u>	<u>135,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments		10,000
Purchase of capital assets	(31,003)	(234,716)
	<u>(31,003)</u>	<u>(224,716)</u>
Net Cash (Used for) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross borrowings on line of credit	3,060,000	3,362,904
Repayments on line of credit	(3,000,000)	(3,272,904)
Borrowings on long-term debt		125,000
Principal payments on long-term debt	(205,505)	(188,957)
	<u>(145,505)</u>	<u>26,043</u>
Net Cash Provided by (Used for) Financing Activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>65,947</u>	<u>(63,166)</u>
Cash and cash equivalents, beginning of year	<u>13,318</u>	<u>76,484</u>
Cash and cash equivalents, end of year	<u>\$79,265</u>	<u>\$13,318</u>

See accompanying notes to financial statements

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – ORGANIZATION AND PROGRAMS

A. Reporting Entity

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.

B. Programs

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

ALIVE

The ALIVE (Actively Living and Involved in a Variety of Endeavors) program offers support to encourage individuals to be active in their community, develop skills to be more independent and to have the ability to direct their activities. One aspect is the Community College Transition Program that supports individuals wanting to pursue additional academic endeavors after leaving high school.

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 support 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.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – ORGANIZATION AND PROGRAMS (Continued)

Business Enterprises

The Nifty Thrift program runs four thrift stores that 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.

Vocational Training & Employment (VTE)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Financial Statement Presentation*

The financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations. Temporarily restricted net assets consist of assets with time and purpose restrictions imposed by donors. Permanently restricted net assets represent a portion of funds that are not expendable, except for the interest earned on these funds.

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. The Organization considers that all contributions for long-lived assets have implied time restrictions and classifies this support as temporarily restricted until the purpose restriction is met. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

B. *Cash and Cash Equivalents*

For purposes of reporting cash flows, Futures Explored, Inc. considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

C. *Investments*

Investments are measured at fair value in the statement of financial position. Unless donor or law restricts the income or loss, investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increase in unrestricted net assets.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Concentration of Credit Risk

The Federal Deposit Insurance Corporation (“FDIC”) insures account balances at each insured institution. The Foundation maintains deposit accounts with a financial institution and frequently carries balances that exceed FDIC insurance limits. Management believes the Organization is not exposed to any significant credit risk related to cash.

E. Accounts Receivable

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 uncollectible accounts is deemed necessary at June 30, 2013 and 2012.

F. Capital Assets

Capital assets are recorded at cost when purchased or at estimated fair value at the date of receipt, if donated. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. The Organization’s capitalization policy is to capitalize property, equipment or improvements with an original cost in excess of \$500. Depreciation is calculated by using the straight-line method over the assets’ estimated useful lives. Leasehold improvements are amortized over the shorter of the assets’ estimated useful lives or the remaining lease term. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in changes in net assets. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment the carrying value of the long-lived identifiable assets to be held and used in the future, and records an adjustment to the carrying value as applicable.

G. Deferred Revenue

Deferred revenue is recorded when fees for services are received in advance. Revenue is recognized at the time the services are provided. At June 30, 2013 and 2012, respectively, the Organization’s deferred revenue consisted of amounts received for the Inclusion Film Camp Program held in July of the subsequent year.

H. Deferred Rent

During fiscal year 2012-2013, the Organization amended its lease agreement on one of its Livermore facilities. As part of the lease agreement, the Organization received the first six months of rent free. The effect of this savings has been smoothed over the life of the lease.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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. Effective July 1, 2012, the State changed the payment reduction from 4.25% to 1.25% for fiscal year 2012-2013 with the new payment reduction of 1.25% slated to end June 30, 2013. This resulted in a reduction in the Organization's revenue of \$92,797 and \$288,696 for the years ending June 30, 2013 and 2012, respectively. As of July 1, 2013, the State is no longer making reduced payments.

J. Thrift Stores

The Organization operates thrift stores that sell merchandise donated to the Organization. Donated merchandise has not been recorded as inventory as the value at the time of receipt of merchandise cannot be reasonably estimated. Revenue from donated merchandise is recorded when the merchandise is sold.

K. 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.

L. Advertising

Advertising costs, if any, are expensed as incurred.

M. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

The Organization's administration expenses are 7% of total expenses for the years ended June 30, 2013 and 2012, respectively.

N. Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income in the years ended June 30, 2013 and 2012.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

O. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: 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 inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Summarized Comparative Information

The financial statement information for the year ended June 30, 2012, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that fiscal year.

NOTE 3 - INVESTMENTS

At June 30, 2013 and 2012, the Organization's investments consisted of a mutual fund in the amounts of \$7,523 and \$6,706, respectively. The investment is reported at its fair value using level 1 fair value measures (quoted prices in active markets) in the Statement of Financial Position.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital assets balances and activity are summarized below for the years ended June 30:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$508,000			\$508,000
Construction in Progress	8,157	\$190		8,347
Total capital assets not being depreciated	516,157	190		516,347
Capital assets being depreciated:				
Buildings	1,064,529			1,064,529
Furniture and equipment	379,769	16,173		395,942
Vehicles	342,519		(\$26,809)	315,710
Building and leasehold improvements	1,627,851	14,640		1,642,491
Total capital assets being depreciated	3,414,668	30,813	(26,809)	3,418,672
Less accumulated depreciation	(1,746,204)	(\$185,503)	\$26,809	(1,904,898)
Total capital assets, being depreciated, net	1,668,464			1,513,774
Capital assets, net	\$2,184,621			\$2,030,121

NOTE 5 – 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 12, 2013 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 \$250,000 and \$190,000 at June 30, 2013 and 2012, respectively.

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 6 – LONG-TERM DEBT

Long-term debt balances and activity are summarized below for the years ended June 30:

	<u>Balance at June 30, 2012</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
Wells Fargo Bank, payable 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	\$13,110	\$528,134
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	45,748	525,789
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	111,000	148,000
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	25,001	91,666
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	10,646	22,487
	1,521,581	<u>\$205,505</u>	1,316,076
Less current portion	<u>(206,074)</u>		<u>(206,074)</u>
	<u>\$1,315,507</u>		<u>\$1,110,002</u>

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

<u>For the Year Ending June 30</u>	
2014	\$274,904
2015	189,108
2016	149,023
2017	569,222
2018 and thereafter	355,678
	<u>1,537,935</u>
Less: amount representing interest	<u>(221,859)</u>
	<u>\$1,316,076</u>

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7– LEASE COMMITMENTS

The Organization leases several facilities under non-cancellable operating leases with expiration dates ranging from 2013 to 2016. Future minimum payments are as follows:

<u>Year Ending June 30:</u>	
2014	\$393,328
2015	128,181
2016	<u>76,768</u>
	<u><u>\$598,277</u></u>

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>	
2014	\$9,600
2015	9,600
2016	<u>9,600</u>
	<u><u>\$28,800</u></u>

Net rent expense for operating leases amounted to approximately \$660,000 and \$593,000 at June 30, 2013 and 2012, respectively.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, the Organization’s total temporarily restricted funds consisted of the following purpose restricted net assets:

	<u>2013</u>	<u>2012</u>
eWaste	\$22,917	\$12,250
Film Camp	5,195	10,000
Memorial Fund	3,135	3,135
Scholarship Fund	<u>3,905</u>	<u>3,755</u>
	<u><u>\$35,152</u></u>	<u><u>\$29,140</u></u>

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 8 – TEMPORARILY RESTRICTED 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:

	2013	2012
Lafayette Renovation		\$195,257
eWaste	\$14,333	250
Film Camp	10,000	6,000
GARDEN Tri-Valley		487
	\$24,333	\$201,994

NOTE 9 – ENDOWMENT

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements.

A. 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 classified 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, 2013.

B. 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

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 – ENDOWMENT (Continued)

C. 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.

D. 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 \$40,418 and \$41,562 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

E. Net Asset Composition and Fiscal Year Activities

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

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
<u>2013</u>			
Donor-restricted endowment funds	<u>(\$40,418)</u>	<u>\$86,400</u>	<u>\$45,982</u>
<u>2012</u>			
Donor-restricted endowment funds	<u>(\$41,552)</u>	<u>\$86,400</u>	<u>\$44,848</u>

FUTURES EXPLORED, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 9 – ENDOWMENT (Continued)

Changes in endowment net assets as of June 30, 2013 are as follows:

	Unrestricted (Deficiencies)	Permanently Restricted	Total Net Endowment Assets
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, June 30, 2012	(41,552)	86,400	44,848
Investment income	167		167
Net appreciation in fair value	967		967
Endowment net assets, June 30, 2013	(\$40,418)	\$86,400	\$45,982

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, 2013 and 2012.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 7, 2013, the date on which the financial statements were available to be issued. Management concluded that the following subsequent events have occurred since June 30, 2013 require disclosure:

On September 26, 2013, the Organization negotiated a new variable rate \$400,000 line of credit with Bank of the West, and paid off and terminated its line of credit with Heritage Bank. The new line of credit has an initial interest rate of 4.350% and matures on October 10, 2018.

On September 26, 2013, the Organization negotiated a loan with Bank of the West in the amount of \$850,000, and used the proceeds to pay off its one loan with Wells Fargo Bank and its two loans with Heritage Bank. The new loan bears a fixed interest rate of 5.620%, is payable monthly commencing October 26, 2013, and matures on September 26, 2028.

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