

**FUTURES EXPLORED, INC.  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

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**INTRODUCTORY SECTION**

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**FUTURES EXPLORED, INC.**  
**Financial Statements**  
**For the Year Ended June 30, 2014**

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**FUTURES EXPLORED, INC.**

**BOARD OF DIRECTORS**

**JUNE 30, 2014**

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. (the Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2014, 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***

We have previously audited the Organization's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maze & Associates*

Pleasant Hill, California  
November 6, 2014

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FUTURES EXPLORED, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2014  
WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2013

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash (overdraft) and cash equivalents (Note 2B)	(\$5,607)	\$79,265
Accounts receivable (Note 2E)	861,708	733,919
Prepays	127,900	144,081
Total Current Assets	984,001	957,265
Non Current Assets:		
Capital assets (Note 4):		
Capital assets not being depreciated		
Land	508,000	508,000
Construction in progress	8,347	8,347
Total capital assets not being depreciated	516,347	516,347
Capital assets being depreciated		
Building	1,064,529	1,064,529
Furniture and equipment	433,994	395,942
Vehicles	323,374	315,710
Building and leasehold improvements	1,649,683	1,642,491
Less: accumulated depreciation	(2,081,197)	(1,904,898)
Total capital assets being depreciated, net	1,390,383	1,513,774
Total capital assets, net	1,906,730	2,030,121
Other assets:		
Investments (Note 3)	8,760	7,523
Deposits	89,131	88,662
Escrow and loan fees, net	73,921	25,639
Total other assets	171,812	121,824
Total Non Current Assets	2,078,542	2,151,945
Total Assets	\$3,062,543	\$3,109,210
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Line of credit (Note 5)	\$450,000	\$250,000
Accounts payable	42,129	133,956
Accrued expenses (Note 2N)	359,502	351,090
Deferred revenue (Note 2G)	25,945	33,236
Current portion of long-term debt (Note 6)	75,634	206,074
Total Current Liabilities	953,210	974,356
Non Current Liabilities:		
Security deposit payable		775
Deferred rent (Note 2H)	21,133	14,989
Long-term debt, less current portion (Note 6)	1,420,130	1,110,002
Total Non Current Liabilities	1,441,263	1,125,766
Total Liabilities	2,394,473	2,100,122
NET ASSETS (Note 2A)		
Unrestricted	574,630	887,536
Temporarily restricted (Note 8)	7,040	35,152
Permanently restricted (Note 9)	86,400	86,400
Total Net Assets	668,070	1,009,088
	\$3,062,543	\$3,109,210

See accompanying notes to financial statements

FUTURES EXPLORED, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2014	2013
<b>SUPPORT AND REVENUE</b>					
Regional Center	\$8,596,795			\$8,596,795	\$7,787,780
Department of Rehabilitation	63,562			63,562	80,555
Community revenue	1,220,568			1,220,568	1,471,665
Contribution income	145,697			145,697	142,278
Investment gain	999			999	1,134
Gain on sale of asset	232			232	7,600
Miscellaneous income	43,431			43,431	103,500
Net assets released from restrictions (Note 8)	28,112	(\$28,112)			
<b>Total Support and Revenue</b>	<b>10,099,396</b>	<b>(28,112)</b>		<b>10,071,284</b>	<b>9,594,512</b>
<b>EXPENSES</b>					
Program services:					
GARDEN	2,415,170			2,415,170	2,191,225
ALIVE	2,126,864			2,126,864	2,033,058
Vocational Training & Employment	2,399,463			2,399,463	2,113,085
Lafayette	1,260,820			1,260,820	1,240,728
Business Enterprises	526,422			526,422	552,091
Supported Employment	825,098			825,098	567,256
Social Recreation	123,789			123,789	118,754
<b>Total Program Services</b>	<b>9,677,626</b>			<b>9,677,626</b>	<b>8,816,197</b>
Support services:					
Administration	698,050			698,050	696,676
Fund Development	36,626			36,626	33,020
<b>Total Support Services</b>	<b>734,676</b>			<b>734,676</b>	<b>729,696</b>
<b>Total Expenses</b>	<b>10,412,302</b>			<b>10,412,302</b>	<b>9,545,893</b>
Changes in net assets	(312,906)	(28,112)		(341,018)	48,619
Net assets at beginning of year	887,536	35,152	\$86,400	1,009,088	960,469
Net assets at end of year	\$574,630	\$7,040	\$86,400	\$668,070	\$1,009,088

See accompanying notes to financial statements

FUTURES EXPLORED, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				
	GARDEN	ALIVE	VTE	Lafayette	Business Enterprises
<b>FUNCTIONAL EXPENSES</b>					
Personnel expenses	\$1,757,999	\$1,498,025	\$1,379,320	\$847,759	\$176,834
Community contract expenses	54,993	252,561	665,664	162,552	200,639
Occupancy expenses	469,363	264,922	90,745	202,647	129,207
Communications	33,336	24,351	23,569	14,919	10,266
Outside services	753	2,537	6,908	2,778	7,982
Travel, conferences, and training	50,811	14,489	63,593	7,793	
Program expenses	47,915	69,979	169,664	22,372	1,494
Total Functional Expenses	\$2,415,170	\$2,126,864	\$2,399,463	\$1,260,820	\$526,422

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>2014</u>	<u>2013</u>
\$537,981	\$23,391	\$6,221,309	\$424,348	\$9,574	\$433,922	\$6,655,231	\$6,205,125
78,916	3,839	1,419,164	8,954		8,954	1,428,118	1,451,150
48,097	18,478	1,223,459	76,753		76,753	1,300,212	1,176,648
9,237	965	116,643	46,259	5,575	51,834	168,477	166,753
1,496	545	22,999	114,243	19,601	133,844	156,843	170,591
19,224	6,536	162,446	24,111	1,533	25,644	188,090	164,988
130,147	70,035	511,606	3,382	343	3,725	515,331	210,638
<u>\$825,098</u>	<u>\$123,789</u>	<u>\$9,677,626</u>	<u>\$698,050</u>	<u>\$36,626</u>	<u>\$734,676</u>	<u>\$10,412,302</u>	<u>\$9,545,893</u>

FUTURES EXPLORED, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	TOTALS	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	(\$341,018)	\$48,619
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	176,299	185,503
(Gain) on investments	(1,047)	(650)
Dividends and interest reinvested	(190)	(167)
(Increase) decrease in accounts receivable	(127,789)	15,273
Decrease (increase) in prepaid expenses	16,181	(100,225)
(Increase) in deposits	(469)	(48,306)
(Increase) decrease in escrow and loan fees	(48,282)	3,214
(Decrease) increase in accounts payable	(91,827)	72,729
Increase in accrued expenses	8,412	52,856
(Decrease) in deferred revenue	(7,291)	(2,155)
(Decrease) increase in security deposits payable	(775)	775
Increase in deferred rent	6,144	14,989
	(70,634)	193,836
Total Adjustments		
Net Cash (Used for) Provided by Operating Activities	(411,652)	242,455
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(52,908)	(31,003)
Net Cash (Used for) Investing Activities	(52,908)	(31,003)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross borrowings on line of credit	1,821,607	3,060,000
Repayments on line of credit	(1,621,607)	(3,000,000)
Borrowings on long-term debt	1,034,674	
Principal payments on long-term debt	(854,986)	(205,505)
Net Cash Provided by (Used for) Financing Activities	379,688	(145,505)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(84,872)	65,947
Cash and cash equivalents, beginning of year	79,265	13,318
Cash (overdraft) and cash equivalents, end of year	(\$5,607)	\$79,265

See accompanying notes to financial statements



**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**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.

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 1 – ORGANIZATION AND PROGRAMS (Continued)**

**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.

**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. As of June 30, 2014, the Organization’s total cash and cash equivalents balance was an overdraft of \$5,607. At June 30, 2014, there were \$171,840 in outstanding checks drawn against the Organization’s bank accounts. The balance of available funds in all of the Organization’s cash and cash equivalents accounts at June 30, 2014 was \$166,233.

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2014 and 2013.

**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, 2014 and 2013, 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, 2014**

**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.

***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, 2014 and 2013, respectively.

***N. Accrued Expenses***

Accrued expenses are comprised of accrued wages, accrued taxes, accrued employee benefits, and accrued vacation. Vacation is accrued as earned and sick leave is not accrued since it does not vest. All accrued vacation is considered to be a current liability. At June, 30 2014, the Center had an accrued expense balance of \$359,502.

***O. 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, 2014 and 2013.

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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.

**P. *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.

**Q. *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.

**R. *Summarized Comparative Information***

The financial statement information for the year ended June 30, 2013, 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, 2014 and 2013, respectively, the Organization's investments consisted of a mutual fund in the amounts of \$8,760 and \$7,523. 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, 2014**

**NOTE 4 – CAPITAL ASSETS**

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

	Balance June 30, 2013	Additions	Balance June 30, 2014
Capital assets not being depreciated:			
Land	\$508,000		\$508,000
Construction in progress	8,347		8,347
Total capital assets not being depreciated	<u>516,347</u>		<u>516,347</u>
Capital assets being depreciated:			
Buildings	1,064,529		1,064,529
Furniture and equipment	395,942	\$38,052	433,994
Vehicles	315,710	7,664	323,374
Building and leasehold improvements	1,642,491	7,192	1,649,683
Total capital assets being depreciated	<u>3,418,672</u>	<u>52,908</u>	<u>3,471,580</u>
Less accumulated depreciation	<u>(1,904,898)</u>	<u>(\$176,299)</u>	<u>(2,081,197)</u>
Total capital assets, being depreciated, net	<u>1,513,774</u>		<u>1,390,383</u>
Capital assets, net	<u>\$2,030,121</u>		<u>\$1,906,730</u>

**NOTE 5 – LINE OF CREDIT**

The Organization has three line of credit agreements with Bank of the West. Under these agreements, the Organization has a total of limit of \$545,000. Interest on the lines of credit is calculated using the Bank of the West prime rate plus 1.1% and a minimum rate of 4.0%. 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 \$450,000 and \$250,000 at June 30, 2014 and 2013, respectively.

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 6 – LONG-TERM DEBT**

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

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Wells Fargo Bank, due October 2016, refinanced September 30, 2013	\$528,134		(\$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	525,789		(48,611)	\$477,178
Heritage Bank, due October 2014, refinanced September 30, 2013	148,000		(148,000)	
Heritage Bank, due February 2017, refinanced September 30, 2013	91,666		(91,666)	
Bank of the West, payable in monthly installments of \$6,921 including interest of 5.62% fixed, secured by a Deed of Trust and Assignment of Rents, due September 2028		\$850,000	(28,707)	821,293
U.S. Bancorp, one capital lease in 2014, three capital leases in 2012 and two capital leases in 2011, payable in monthly installments ranging from \$231 to \$455, including imputed interest at 15% secured by equipment, due March 2014	22,487	9,674	(9,868)	22,293
Social Venture Funds, two notes payable in monthly interest only payments of \$167 and \$417 based on a 4% annual fixed interest rate, non-secured, due October 15, 2014 and November 1, 2014, respectively.		175,000		175,000
	1,316,076	<u>\$1,034,674</u>	<u>(\$854,986)</u>	1,495,764
Less current portion	<u>(206,074)</u>			<u>(75,634)</u>
	<u>\$1,110,002</u>			<u>\$1,420,130</u>

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

For the Year Ending June 30	
2015	\$320,208
2016	145,208
2017	145,208
2018	145,208
2019	145,208
Thereafter	<u>991,810</u>
	1,892,850
Less: amount representing interest	<u>(397,086)</u>
	<u>\$1,495,764</u>

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**NOTE 7- LEASE COMMITMENTS**

The Organization leases several facilities under non-cancellable operating leases with expiration dates ranging from 2015 to 2019. Future minimum payments are as follows:

Year Ending June 30:

2015	\$345,143
2016	147,129
2017	62,118
2018	52,174
2019	8,738
	<u>8,738</u>
	<u>\$615,302</u>

As of June 30, 2014, the Organization had a lease agreement in place to sublease office space in one of its facilities. The following minimum payments to be received by the Organization are as follows:

Year Ending June 30:

2015	\$9,600
2016	2,400
	<u>2,400</u>
	<u>\$12,000</u>

Net rent expense for operating leases amounted to approximately \$765,000 and \$660,000 at June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
eWaste		\$22,917
Film Camp		5,195
Memorial Fund	\$3,135	3,135
Scholarship Fund	3,905	3,905
	<u>3,905</u>	<u>3,905</u>
	<u>\$7,040</u>	<u>\$35,152</u>



**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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:

	2014	2013
eWaste	\$22,917	\$14,333
Film Camp	5,195	10,000
	\$28,112	\$24,333

**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, 2014.

**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, 2014**

**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 \$39,419 and \$40,418 as of June 30, 2014 and 2013, 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>2014</u>			
Donor-restricted endowment funds	<u>(\$39,419)</u>	<u>\$86,400</u>	<u>\$46,981</u>
<u>2013</u>			
Donor-restricted endowment funds	<u>(\$40,418)</u>	<u>\$86,400</u>	<u>\$45,982</u>

**FUTURES EXPLORED, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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, 2012	(\$41,552)	\$86,400	\$44,848
Investment income	167		167
Net (depreciation) in fair value	967		967
Endowment net assets, June 30, 2013	(40,418)	86,400	45,982
Investment income	190		190
Net appreciation in fair value	809		809
Endowment net assets, June 30, 2014	(\$39,419)	\$86,400	\$46,981

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, 2014 and 2013.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 6, 2014, the date on which the financial statements were available to be issued. Management concluded that the following subsequent events have occurred since June 30, 2014 and require disclosure:

**A. *Lease Agreement***

On July 31, 2014, the Organization executed a lease extension for two properties in Lafayette, California. The new lease extension expires July 31, 2015 with monthly payments ranging from \$4,635 to \$6,000. The total rent payments owed over the term of the lease totals \$63,584.

**B. *Supported Employment State Funding Reduction***

Due to the most recent budget deficits, the State of California has reduced the funding made through Regional Centers to the Organization's supported employment programs. For FY 2013-14, there was a 10% rate reduction in place resulting in nearly \$81,600 in reduced revenues. Also, the State required two additional closure days and a change in the billing process which resulted in an additional \$48,000 in reduced revenues. Effective October 31, 2014, due to the reduction in supported employment revenues, the Organization notified the Regional Centers that it would be discontinuing certain supported employment programs.

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