

**Becoming Independent
(A Nonprofit Corporation)**

Financial Statements

Years Ended June 30, 2010 and 2009

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Independent Auditors' Report

To the Board of Directors
Becoming Independent
Santa Rosa, California

We have audited the accompanying statements of financial position of **Becoming Independent** (a nonprofit corporation) (the "Organization") as of June 30, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Becoming Independent** as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Petaluma, California
September 30, 2010

**Becoming Independent
(A Nonprofit Corporation)**

Statements of Financial Position

June 30,	2010	2009
Assets		
Current assets		
Cash	\$ 3,047,059	\$ 2,049,873
Certificates of deposit	100,746	-
Accounts receivable	1,245,855	1,229,150
Other receivables	120,305	171,170
Other assets	68,252	14,177
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Total current assets	4,582,217	3,464,370
Investments	975,727	828,107
Property, equipment and improvements, net	6,015,489	6,035,691
Debt issuance costs	191,759	204,204
Prepaid insurance expense	248,094	262,272
Debt service reserve	491,370	491,429
Assets held in trust	6,598	7,065
Deposits	170,494	137,600
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	\$ 12,681,748	\$ 11,430,738
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Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,215,795	\$ 756,996
Current portion of notes payable	228,368	220,594
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Total current liabilities	1,444,163	977,590
Note payable to individual	5,775	12,375
Notes payable to trust	5,061,250	5,283,333
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Total liabilities	6,511,188	6,273,298
Net assets		
Unrestricted	5,569,976	4,531,585
Temporarily restricted	599,584	624,855
Permanently restricted	1,000	1,000
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Total net assets	6,170,560	5,157,440
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	\$ 12,681,748	\$ 11,430,738
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**Becoming Independent
(A Nonprofit Corporation)**

Statements of Activities and Changes in Net Assets

Years Ended June 30,	2010	2009
Changes in unrestricted net assets		
<i>Support and revenue</i>		
Contributions	\$ 505,670	\$ 370,736
Special event revenue	37,800	36,000
Service fees	12,560,858	13,056,486
Santa Rosa Junior College subsidy	617,786	581,505
Cotati-Rohnert Park Unified School District subsidy	-	15,767
Sonoma Valley Unified School District subsidy	-	81,353
Work activities revenue	659,389	677,713
Investment income (loss)	90,174	(52,322)
Other income	61,110	29,734
Total unrestricted support and revenue	14,532,787	14,796,972
<i>Net assets released from restriction</i>		
Restrictions satisfied by payments	166,924	206,708
Expiration of time restrictions on grant funding	96,166	75,635
Total unrestricted support, revenue and reclassifications	14,795,877	15,079,315
<i>Expenses</i>		
Program services		
Day training and activities	7,951,228	8,374,844
Transportation	901,181	885,240
Independent living skills	3,371,371	3,006,188
Total program services	12,223,780	12,266,272
Supporting services		
Management and general	1,137,792	1,255,384
Costs of direct benefits to donors	61,281	52,624
Fundraising	334,632	253,826
Total supporting services	1,533,705	1,561,834
Total unrestricted expenses	13,757,485	13,828,106
Increase in unrestricted net assets	1,038,392	1,251,209

See accompanying Notes to Financial Statements

**Becoming Independent
(A Nonprofit Corporation)**

Statements of Activities and Changes in Net Assets (continued)

Years Ended June 30,	2010	2009
Changes in temporarily restricted net assets		
Contributions	-	55,600
Grant funding for specific purchases	237,818	94,161
<i>Net assets released from restriction</i>		
Restrictions satisfied by payments	(166,924)	(206,708)
Expiration of time restrictions on grant funding	(96,166)	(75,635)
Decrease in temporarily restricted net assets	(25,272)	(132,582)
Increase in net assets	1,013,120	1,118,627
Net assets at beginning of year	5,157,440	4,038,813
Net assets at end of year	\$ 6,170,560	\$ 5,157,440

**Becoming Independent
(A Nonprofit Corporation)**

Statement of Functional Expenses

Year Ended June 30, 2010

	Program Services				Supporting Services					Total Expenses
	Day Training and Activities	Trans- portation	Independent Living Skills	Program Services Total	Management and General	Costs of Direct Benefits to Donors	Fund-raising	Supporting Services Total		
Salaries, staff	\$ 4,825,093	\$ 443,098	\$ 2,396,722	\$ 7,664,913	\$ 793,076	\$ -	\$ 162,693	\$ 955,769	\$ 8,620,682	
Salaries, clients	409,992	-	-	409,992	-	-	-	-	409,992	
Employee benefits	803,686	75,945	336,367	1,215,998	74,569	-	10,529	85,098	1,301,096	
Payroll taxes/workers comp	488,983	64,828	231,412	785,223	60,433	-	12,358	72,791	858,014	
Subtotal	6,527,754	583,871	2,964,501	10,076,126	928,078	-	185,580	1,113,658	11,189,784	
Professional fees	44,468	3	13,145	57,616	37,379	15,670	30,697	83,746	141,362	
Supplies	160,512	565	20,470	181,547	18,994	-	3,836	22,830	204,377	
Vehicle expenses	178,981	177,434	90	356,505	-	-	65	65	356,570	
Travel and transportation	55,812	448	120,952	177,212	2,341	-	573	2,914	180,126	
Rent	221,639	9,544	37,467	268,650	1,771	22,832	12,355	36,958	305,608	
Insurance	60,964	1,992	25,441	88,397	17,730	-	881	18,611	107,008	
Repairs and maintenance	123,930	1,195	37,436	162,561	10,758	-	1,360	12,118	174,679	
Utilities	75,741	652	34,848	111,241	5,525	-	1,371	6,896	118,137	
Telephone and data	62,731	14,469	29,761	106,961	8,701	-	288	8,989	115,950	
Postage and copying	8,268	124	2,134	10,526	8,786	-	25,932	34,718	45,244	
Training and conference	10,828	304	9,440	20,572	4,300	-	759	5,059	25,631	
Interest	217,232	-	21,451	238,683	33,846	-	886	34,732	273,415	
Event expenses	-	-	-	-	211	22,779	36,498	59,488	59,488	
Marketing	2,001	104	20	2,125	15,809	-	14,848	30,657	32,782	
Other	18,220	41	6,515	24,776	29,551	-	13,942	43,493	68,269	
Subtotal	1,241,327	206,875	359,170	1,807,372	195,702	61,281	144,291	401,274	2,208,646	
Depreciation and amortization	182,147	110,435	47,700	340,282	14,012	-	4,761	18,773	359,055	
	\$ 7,951,228	\$ 901,181	\$ 3,371,371	\$ 12,223,780	\$ 1,137,792	\$ 61,281	\$ 334,632	\$ 1,533,705	\$ 13,757,485	

See accompanying Notes to Financial Statements

**Becoming Independent
(A Nonprofit Corporation)**

Statement of Functional Expenses

Year Ended June 30, 2009

	Program Services				Supporting Services					Total Expenses
	Day Training and Activities	Trans- portation	Independent Living Skills	Program Services Total	Management and General	Costs of Direct Benefits to Donors	Fund-raising	Supporting Services Total		
Salaries, staff	\$ 4,970,082	\$ 431,840	\$ 2,080,513	\$ 7,482,435	\$ 766,929	\$ -	\$ 60,795	\$ 827,724	\$ 8,310,159	
Salaries, clients	438,918	-	-	438,918	-	-	-	-	438,918	
Employee benefits	886,951	77,623	328,647	1,293,221	72,374	-	6,337	78,711	1,371,932	
Payroll taxes/workers comp	556,739	68,347	215,415	840,501	64,500	-	5,109	69,609	910,110	
Subtotal	6,852,690	577,810	2,624,575	10,055,075	903,803	-	72,241	976,044	11,031,119	
Professional fees	52,549	33	18,159	70,741	106,160	18,292	93,147	217,599	288,340	
Supplies	126,881	715	23,936	151,532	25,649	-	2,882	28,531	180,063	
Supplies, work activities	37,715	-	-	37,715	-	-	-	-	37,715	
Vehicle expenses	176,314	189,709	662	366,685	-	-	-	-	366,685	
Travel and transportation	87,426	-	131,831	219,257	1,597	-	241	1,838	221,095	
Rent	204,954	9,112	27,409	241,475	3,642	34,332	32	38,006	279,481	
Insurance	62,608	2,447	22,710	87,765	22,741	-	303	23,044	110,809	
Repairs and maintenance	122,111	579	20,901	143,591	23,596	-	31	23,627	167,218	
Utilities	77,758	620	17,606	95,984	20,993	-	-	20,993	116,977	
Telephone and data	72,099	13,251	37,697	123,047	16,537	-	120	16,657	139,704	
Postage and copying	13,267	57	3,053	16,377	8,812	-	20,541	29,353	45,730	
Training and conference	11,571	1,210	15,827	28,608	5,306	-	579	5,885	34,493	
Interest	227,837	-	22,388	250,225	34,944	-	-	34,944	285,169	
Fundraising	-	-	-	-	-	-	38,110	38,110	38,110	
Marketing	7,466	875	516	8,857	11,959	-	11,091	23,050	31,907	
Other	35,322	355	4,441	40,118	25,475	-	10,647	36,122	76,240	
Subtotal	1,315,878	218,963	347,136	1,881,977	307,411	52,624	177,724	537,759	2,419,736	
Depreciation and amortization	206,276	88,467	34,477	329,220	44,170	-	3,861	48,031	377,251	
	\$ 8,374,844	\$ 885,240	\$ 3,006,188	\$ 12,266,272	\$ 1,255,384	\$ 52,624	\$ 253,826	\$ 1,561,834	\$ 13,828,106	

See accompanying Notes to Financial Statements

**Becoming Independent
(A Nonprofit Corporation)**

Statements of Cash Flows

Years Ended June 30,	2010	2009
Cash flows from operating activities		
Increase in net assets	\$ 1,013,120	\$ 1,118,627
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	359,055	377,251
Net loss (gain) on investments	(74,553)	138,607
Loss on disposal of property and equipment	225	207
Property donated	(4,725)	(22,087)
Changes in assets and liabilities affecting operating activities		
(Increase) decrease in assets:		
Accounts receivable	(16,705)	79,238
Other receivables	29,865	(29,745)
Other assets	(39,897)	27,345
Deposits	(32,894)	24,686
Decrease in liabilities:		
Accounts payable and accrued expenses	458,799	(104,905)
Net cash provided by operating activities	1,692,290	1,609,224
Cash flows from investing activities		
Acquisition of property, equipment and improvements	(321,908)	(212,770)
Payments received on note receivable	21,000	-
Redemption of life insurance policy	-	65,848
Purchases of certificates of deposit	(100,746)	-
Decrease in assets held in trust	526	2,048
Restrictions released on money market funds	162,045	285,001
Purchases of investments	(924,047)	(346,374)
Sale of investments	688,935	306,246
Net cash provided by (used in) investing activities	(474,195)	99,999
Cash flows from financing activities		
Principal payments on notes payable	(220,909)	(183,459)
Net increase in cash	997,186	1,525,764
Cash at beginning of year	2,049,873	524,109
Cash at end of year	\$ 3,047,059	\$ 2,049,873
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 273,415	\$ 285,169

Note A. Summary of Activities and Significant Accounting Policies

Becoming Independent (the "Organization") is a nonprofit corporation designed to promote community inclusion and participation for persons with developmental disabilities. The Organization was incorporated in California and operates programs providing day training services, employment services, independent living services, and transportation services primarily in Sonoma and Napa counties. The Organization grants unsecured credit to customers and third party payers throughout California.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets represent assets that must be permanently maintained in accordance with the stated wishes of the donor.

Contributed services are recognized when the Organization would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable balances.

The Organization uses the allowance method for recognition of losses from uncollectible accounts receivable. At June 30, 2010 and 2009, accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$3,000 and \$11,865, respectively.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents for the purpose of determining cash flows.

Prepaid insurance expense

Prepaid insurance expense consists of the noncurrent portion of the insurance premium paid in connection with the revenue bonds issued by the ABAG Finance Authority. The premium is being expensed over the 25-year term of the debt. The related expense amounted to \$14,177 in both 2010 and 2009.

Note A. Summary of Activities and Significant Accounting Policies (continued)

Financial Instruments

The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. Investments in marketable securities are also reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property, equipment and improvements

Property, equipment and improvements are stated at cost less accumulated depreciation and amortization. Equipment depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 20 years. Buildings and related improvements are depreciated on a straight-line basis over 40 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the useful life of the asset or the term of the lease with any unamortized balance written off to expense if a lease is terminated before the improvement has been fully amortized. Donated property is recorded at its estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires over the useful life of the asset.

Debt issuance costs

Legal fees, accounting fees, and other expenses associated with the issuance of the long-term debt are being amortized on a straight-line basis over the life of the related debt. Debt issuance costs in the amount of \$311,109 are shown net of accumulated amortization in the amount of \$119,349 and \$106,905, as of June 30, 2010 and 2009, respectively. Amortization expense amounted to \$12,444 in each year. Future expected amortization expense in each of the next five fiscal years will amount to \$12,444.

Debt service reserve

Debt service reserve consists of proceeds received from the notes payable which are held by a trustee for future payment of the debt.

Service fees

The majority of the Organization's revenue is derived from reimbursements from a third party for services performed. Service fee revenue is recognized when the service is performed.

Functional expenses

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation.

Note A. Summary of Activities and Significant Accounting Policies (continued)

Income taxes

As a nonprofit corporation, the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. These exemptions are subject to periodic review by the taxing authorities. In the opinion of management, there is no unrelated business income subject to income taxes.

Use of estimates

The preparation of financial statements requires management to make estimates based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenue and expenses. Due to their prospective nature, actual results could differ from those estimates.

Note B. Cash Concentrations

At various times during the year ended June 30, 2010, the Organization had on deposit with its financial institutions amounts in excess of the \$250,000 federally insured deposit limit. At June 30, 2010, the Organization had approximately \$2,450,000 on deposit in excess of the federally insured amount.

Note C. Note Receivable

The Organization sold one of its buildings and the related land for cash and a note in the amount of \$135,000. The note bears interest at 8% per annum, requires monthly interest only payments and is due on demand. The note is secured by the property. The note receivable had a balance due of \$114,000 and \$135,000 as of June 30, 2010 and 2009, respectively and is included in the caption "other receivables" on the statement of financial position.

Note D. Investments

Long-term investments are stated at fair value on a recurring basis and consist primarily of money market, equity and debt mutual funds. All of the Organizations investments fall in Level 1 of the fair value hierarchy and are valued using quoted prices in active markets. Fair values and unrealized appreciation at June 30, 2010 and 2009, are summarized below:

	2010	2009
Unrestricted accounts:		
Bond and note mutual funds	\$ 279,645	\$ 199,002
Equity mutual funds	586,871	357,849
Restricted accounts:		
Money market funds	1,586	271,256
Bond and note mutual funds	107,625	-
	975,727	828,107
Cost	(928,755)	(814,243)
	\$ 46,972	\$ 13,864
Unrealized gain		

Note E. Property, Equipment and Improvements

	2010	2009
Land	\$ 1,657,768	\$ 1,657,768
Land – not used in operations	620,000	620,000
Buildings and improvements	4,158,777	4,148,469
Furniture and equipment	855,747	833,288
Vehicles	1,789,412	1,631,937
Leasehold improvements	110,260	102,276
	9,191,964	8,993,738
Accumulated depreciation and amortization	(3,176,475)	(2,958,047)
	\$ 6,015,489	\$ 6,035,691

Note F. Bank Line of Credit

The Organization has a \$750,000 line of credit with a bank which matures February 1, 2011, and is secured by all chattel paper, accounts and general intangibles of the Organization. The interest rate is the bank's index rate plus 1.0%, and interest is payable monthly. At June 30, 2010 and 2009, there were no borrowings outstanding under this line of credit.

Note G. Notes Payable

Note payable to individual

The Organization made a leasehold improvement to a facility it leases under a five-year operating lease agreement. The improvement was financed by the lessor with a non-interest bearing note. The note requires monthly payments of \$550 through May 2012.

Notes payable to trust

California Health Facilities Financing Authority

The Organization acquired property for use as its corporate offices and an adult day care facility with two notes. The notes were then refinanced by the Organization with a loan from the California Health Facilities Financing Authority (the "Authority"). The proceeds of the new loan were also used to finance the acquisition, installation, and construction of improvements to the Organization's facilities. The Authority made the loan to the Organization through the issuance of insured revenue bonds. The Organization must make monthly installments including interest and insurance to a trust to satisfy the funding requirements of the bond issue. The note bears interest at 5.70%, is secured by real property, and is due February 1, 2021.

Under the terms of the agreement, the Organization is required to comply with certain covenants. The Organization must also maintain a capital replacement fund to provide for future capital expenditures and certain repair and maintenance expenses. Beginning with the year ended June 30, 1997, the Organization must annually reserve \$35,000. The capital replacement amount is to be adjusted annually based on the Consumer Price Index. The actual amount to be reserved may be adjusted if the Organization incurs certain expenses or purchases capital equipment. For the years ended June 30, 2010 and 2009, the Organization was not required to place any funds in the reserve because the Organization had incurred expenses in excess of the amount required.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

Note G. Notes Payable (continued)

ABAG Finance Authority

The Organization acquired real property for use in its day training and activities service program with notes payable. The notes were then refinanced by the Organization with a loan from the ABAG Finance Authority ("ABAG") in 2004. The proceeds of the new loan were also used to finance the acquisition, installation and construction of improvements to the facilities. The ABAG made the loan to the Organization through the issuance of insured revenue bonds. The Organization must make monthly installments including interest to a trust to satisfy the funding requirements of the bond issue. The note bears interest at rates varying from 2.0% to 5.15%, is secured by real property, and is due February 1, 2029.

The following is a summary of the notes at June 30:

	2010	2009
Notes payable to trust	\$ 5,283,018	\$ 5,497,327
Note payable to individual	12,375	18,975
Total notes payable	5,295,393	5,516,302
Current portion	(228,368)	(220,594)
	\$ 5,067,025	\$ 5,295,708

Aggregate annual maturities are as follows:

Year ending June 30,		
2011		\$ 228,368
2012		237,025
2013		244,167
2014		254,167
2015		266,250
Thereafter		4,065,416
		\$ 5,295,393

Note H. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2010	2009
Funding for subsequent periods	\$ 436,353	\$ 294,701
Funding for specific programs	109,711	275,554
Funding for specific purchases	53,519	54,600
	\$ 599,584	\$ 624,855

Note I. Commitments Under Operating Leases

The Organization leases facilities from which it conducts operations. The facilities are leased under noncancelable operating leases expiring over the next ten years and require minimum monthly payments of approximately \$15,500. The following is a schedule of minimum future rental payments required under noncancelable operating leases as of June 30, 2010:

Year ending June 30,	
2011	\$ 178,930
2012	122,883
2013	110,643
2014	115,745
2015	120,634
Thereafter	635,789
	\$ 1,284,625

Note J. Significant Revenue Sources

The Organization received a significant percent of total support and revenue for services rendered to clients from the following sources:

	2010	2009
North Bay Regional Center	84%	86%
Santa Rosa Junior College	4%	4%
State of California Department of Rehabilitation	1%	1%

Accounts receivable includes \$1,149,486 and \$1,143,072 from these sources at June 30, 2010 and 2009, respectively.

Note K. Related Party Transactions

Following a review of local banking alternatives, the Organization contracted with a bank to provide investment management advice and to hold the Organization's investments in trust. One of the Organization's board members is also a board member of the bank. Total investment management fees paid to the bank amounted to approximately \$6,800 and \$6,900 for 2010 and 2009, respectively.

Note L. Deferred Compensation Plan

The Organization offers a deferred compensation IRC section 403(b) plan. All employees are eligible to participate immediately upon becoming employed by the Organization. The Organization does not make matching or other contributions.

Note M. Subsequent Events

In accordance with ASC 855, the Organization evaluated all events subsequent to the balance sheet date of June 30, 2010, through the date of issuance of these financial statements, September 30, 2010. There were no subsequent events that required recognition or additional disclosure in these financial statements.