Becoming Independent

(a California not-for-profit Corporation)

FINANCIAL STATEMENTS
June 30, 2013 and 2012

Together with Independent Auditors' Report

Becoming Independent

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DBM
CERTIFIED PUBLIC ACCOUNTANTS
DILLWOOD BURKEL & MILLAR, LLP

Independent Auditors' Report

To the Board of Directors of
Becoming Independent
Santa Rosa, California

We have audited the accompanying financial statements of Becoming Independent (the "Organization"), which comprise the statement 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 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 entity'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 entity'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 financial position of Becoming Independent as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

The financial statements of Becoming Independent as of and for the year ended June 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on December 4, 2012.

Dillwood Burkel & Miller LLP

Santa Rosa, California
November 5, 2013

Becoming Independent

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,703,848	$ 2,522,790
Certificates of deposit	236,041	235,375
Accounts receivable, net	1,107,047	1,182,120
Prepaid expenses and other current assets	31,478	43,121
TOTAL CURRENT ASSETS	4,078,414	3,983,406
NONCURRENT ASSETS		
Investments	1,487,095	1,332,625
Property, equipment and improvements, net	5,747,565	6,016,639
Debt issuance costs, net	354,925	400,787
Assets limited as to use	462,410	495,397
Note receivable	114,000	114,000
Other noncurrent assets	148,107	208,828
TOTAL NONCURRENT ASSETS	8,314,102	8,568,276
TOTAL ASSETS	$ 12,392,516	$ 12,551,682

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STATEMENTS OF FINANCIAL POSITION, *continued*
AS OF JUNE 30,

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	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 811,162	$ 941,477
Deferred revenue	20,463	26,400
Notes payable, current portion	306,458	243,457
Borrowing premium, current portion	11,845	-
TOTAL CURRENT LIABILITIES	1,149,928	1,211,334
NONCURRENT LIABILITIES		
Notes payable, net of current portion	4,532,916	4,585,834
Borrowing premium, net of current portion	135,560	-
TOTAL NONCURRENT LIABILITIES	4,668,476	4,585,834
TOTAL LIABILITIES	5,818,404	5,797,168
NET ASSETS		
Unrestricted	6,386,548	6,476,811
Temporarily restricted	186,564	276,703
Permanently restricted	1,000	1,000
TOTAL NET ASSETS	6,574,112	6,754,514
TOTAL LIABILITIES AND NET ASSETS	$ 12,392,516	$ 12,551,682

Becoming Independent

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30,

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
Support and revenue		
Service fees	$ 11,775,750	$ 12,106,946
Work activities revenue	678,040	740,030
Santa Rosa Junior College subsidy	602,769	629,481
Contributions and grants	465,319	383,487
Investment income	173,414	30,480
Other income	30,186	32,342
Net assets released from restrictions	106,993	177,260
Total unrestricted support and revenue	13,832,471	14,100,026
Expenses		
Program services		
Day training and activities	7,321,019	7,943,539
Transportation	1,019,097	992,945
Independent living skills	3,479,951	3,473,022
Total program services	11,820,067	12,409,506
Support services		
Management and general	1,415,574	1,299,433
Fundraising	308,489	271,481
Extraordinary loss	378,604	-
Total supporting services	2,102,667	1,570,914
Total unrestricted expenses	13,922,734	13,980,420
CHANGES IN UNRESTRICTED NET ASSETS	(90,263)	119,606

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS, *continued*
FOR THE YEARS ENDED JUNE 30,

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	2013	2012
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	$ 16,854	$ 23,626
Net assets released from restrictions	(106,993)	(177,260)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	(90,139)	(153,634)
DECREASE IN NET ASSETS	(180,402)	(34,028)
NET ASSETS AT BEGINNING OF YEAR	6,754,514	6,788,542
NET ASSETS AT END OF YEAR	6,574,112	6,754,514

Becoming Independent

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES				SUPPORTING SERVICES				
	Day Training and Activities	Trans-portation	Independent Living Skills	Program Services Total	Management and General	Fund-raising	Extra-ordinary Loss	Supporting Services Total	TOTAL EXPENSES
Salaries, staff	$ 4,144,091	$ 460,785	$ 2,262,993	$ 6,867,869	$ 941,385	$ 167,095	$ -	$ 1,108,480	$ 7,976,349
Salaries, clients	402,972	-	-	402,972	-	-	-	-	402,972
Employee benefits	744,663	93,155	388,793	1,226,611	112,621	17,951	-	130,572	1,357,183
Payroll taxes/workers comp	469,570	68,628	257,447	795,645	84,315	14,295	-	98,610	894,255
	5,761,296	622,568	2,909,233	9,293,097	1,138,321	199,341	-	1,337,662	10,630,759
Professional fees	71,745	631	19,156	91,532	124,400	21,369	-	145,769	237,301
Supplies	200,537	3,404	39,138	243,079	33,394	28,397	-	61,791	304,870
Vehicle expenses	236,608	270,529	-	507,137	-	-	-	-	507,137
Travel and transportation	32,165	91	121,571	153,827	3,457	850	-	4,307	158,134
Rent	309,420	11,418	32,508	353,346	-	-	-	-	353,346
Insurance	29,357	-	33,744	63,101	14,482	-	-	14,482	77,583
Repairs and maintenance	167,687	1,591	60,974	230,252	9,917	1,050	-	10,967	241,219
Utilities	77,094	739	43,776	121,609	-	-	-	-	121,609
Telephone and data	44,961	12,458	26,630	84,049	7,807	1,263	-	9,070	93,119
Postage and copying	6,994	25	2,010	9,029	20,115	18,811	-	38,926	47,955
Training and conference	11,068	258	8,647	19,973	5,089	150	-	5,239	25,212
Interest	192,996	-	73,376	266,372	1,238	-	-	1,238	267,610
Marketing	6,429	75	-	6,504	18,648	22,218	-	40,866	47,370
Other	13,725	43	1,502	15,270	34,903	14,473	378,604	427,980	443,250
	1,400,786	301,262	463,032	2,165,080	273,450	108,581	378,604	760,635	2,925,715
Depreciation and amortization	158,937	95,267	107,686	361,890	3,803	567	-	4,370	366,260
TOTAL	$ 7,321,019	$ 1,019,097	$ 3,479,951	$ 11,820,067	$ 1,415,574	$ 308,489	$ 378,604	$ 2,102,667	$ 13,922,734

See accompanying Notes to Financial Statements

Becoming Independent

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Day Training and Activities	Trans- portation	Independent Living Skills	Program Services Total	Manage- ment and General	Fund- raising	Supporting Services Total	**TOTAL EXPENSES**
Salaries, staff	$ 4,508,674	$ 432,975	$ 2,375,752	$ 7,317,401	$ 842,571	$ 157,486	$ 1,000,057	$ 8,317,458
Salaries, clients	434,868	-	-	434,868	-	-	-	434,868
Employee benefits	771,275	90,278	398,024	1,259,577	97,824	16,111	113,935	1,373,512
Payroll taxes/workers comp	527,175	68,450	269,040	864,665	70,282	13,382	83,664	948,329
	6,241,992	591,703	3,042,816	9,876,511	1,010,677	186,979	1,197,656	11,074,167
Professional fees	76,016	-	13,130	89,146	117,004	12,720	129,724	218,870
Supplies	254,727	4,156	28,982	287,865	24,143	22,016	46,159	334,024
Vehicle expenses	238,274	268,744	-	507,018	375	-	375	507,393
Travel and transportation	37,176	14	128,057	165,247	1,264	822	2,086	167,333
Rent	265,075	10,994	38,274	314,343	5,305	1,993	7,298	321,641
Insurance	38,856	-	13,516	52,372	-	992	992	53,364
Repairs and maintenance	224,217	834	41,117	266,168	11,955	1,449	13,404	279,572
Utilities	78,284	568	30,897	109,749	4,885	1,212	6,097	115,846
Telephone and data	57,329	11,402	29,095	97,826	8,497	245	8,742	106,568
Postage and copying	8,067	708	1,119	9,894	16,152	5,723	21,875	31,769
Training and conference	9,244	55	7,397	16,696	3,869	269	4,138	20,834
Interest	204,647	18	39,399	244,064	6,642	1,681	8,323	252,387
Marketing	2,821	1,398	131	4,350	39,888	15,465	55,353	59,703
Other	18,562	146	5,723	24,431	37,815	17,423	55,238	79,669
	1,513,295	299,037	376,837	2,189,169	277,794	82,010	359,804	2,548,973
Depreciation and amortization	188,252	102,205	53,369	343,826	10,962	2,492	13,454	357,280
TOTAL	$ 7,943,539	$ 992,945	$ 3,473,022	$ 12,409,506	$ 1,299,433	$ 271,481	$ 1,570,914	$ 13,980,420

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2013	2012
	Increase (decrease) in Cash and Cash Equivalents	
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (180,402)	$ (34,028)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Extraordinary loss	378,604	-
Depreciation and amortization	366,260	357,280
Amortization of bond premium	(7,194)	-
Net realized and unrealized loss (gain)	(162,758)	1,940
Loss (gain) on disposal of property and equipment	(3,103)	93
Changes in assets and liabilities affecting operating activities		
(Increase) decrease in assets:		
Accounts receivable	75,073	80,149
Prepaid expense and other current assets	11,643	(25,319)
Other receivables	-	79,000
Decrease (increase) in liabilities		
Accounts payable and accrued expenses	(130,315)	(127,615)
Deferred revenue	(5,937)	26,400
Net cash and cash equivalents provided by operating activities	341,871	357,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and improvements	(72,006)	(389,409)
Proceeds received from sale of property and equipment	3,904	990
Purchases of certificates of deposit, net	(666)	(31,486)
Decrease in other noncurrent assets	60,721	2,027
Purchases of investment securities	(285,830)	(176,916)
Proceeds from sale of investment securities	294,118	153,128
Net cash and cash equivalents provided by (used in) investing activities	241	(441,666)

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STATEMENTS OF CASH FLOWS, *continued*
FOR THE YEARS ENDED JUNE 30,

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	2013	2012
	Increase (decrease) in Cash and Cash Equivalents	
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	$ (161,054)	$ (237,652)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVELANTS	181,058	(321,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,522,790	2,844,208
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,703,848	$ 2,522,790
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash flows from noncash financing activities		
Proceeds from 2013 refinancing note payable	$ 4,865,000	$ -
Proceeds from issuing note payable at premium	154,599	-
Proceeds from assets limited to use for debt service related to the retired debt	495,397	-
Final principal payment on the retired debt	(4,693,863)	-
Payments made into debt service reserve funds	(462,410)	-
Payments made towards debt issuance costs	(358,723)	-
	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 274,805	$ 252,388

See accompanying Notes to Financial Statements

Note 1. Nature of Activities

Becoming Independent (the "Organization") is a nonprofit corporation designed to promote community inclusion and participation for people 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.

Note 2. Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Organization's operations.

Temporarily restricted net assets – Net assets consist of unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to recognize revenues as unrestricted if the temporary restrictions are met within the same period.

Permanently restricted net assets – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had $1,000 in permanently restricted net assets as of June 30, 2013 and 2012.

Cash and cash equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year.

Note 2. Significant Accounting Policies, *continued*

Contribution revenues

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization at various events; however, these donated services are not reflected in the financial statements as the services do not require specialized skills.

Service fees and other contract revenues

The Organization provides services and manages client services according to contract agreements entered into with third parties. Service fees and contract revenues are recognized when the services are provided.

Deferred revenue

Deferred revenue has been recorded for event sponsorships and ticket sales received before the Organization's annual fundraising event. The revenue will be recognized when the event occurs in the future period and the related direct benefits are provided to sponsors and event attendees.

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 experience 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, 2013 and 2012, accounts receivable are presented net of an allowance for doubtful accounts in the amount of $3,000.

Note 2. Significant Accounting Policies, *continued*

Property and improvements

Property and improvements are recorded at acquisition cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from 5 to 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. It is the Organization's policy to capitalize all computers, equipment, furniture and fixtures at costs greater than $500.

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value which is both measurable and objective. 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. Expenditures for maintenance and repairs are charged to expense when incurred.

The Organization reviews the carrying value of property and improvements for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2013 and 2012.

Investments

Investments consist primarily of fixed income and equity mutual funds and a trust fund maintained by a community foundation. The Organization records all investments at fair value in the statements of financial position and investment returns (including realized and unrealized gains and losses on investments, interest and dividends, and investment advisory fees) in the statements of activities. 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.

Note 2. Significant Accounting Policies, *continued*

Fair value measurements

The fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.

Level 3:Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques.

Financial instruments with values that are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed fixed income and equity mutual funds.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include the pooled investment funds maintained at an account with a community foundation.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The Organization did not hold any Level 3 assets at June 30, 2013 or 2012.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

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 market rates available for debt instruments with similar maturities.

Note 2. Significant Accounting Policies, *continued*

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.

Assets limited as to use

Assets limited as to use include debt reserve funds, which are being held by a trustee for future payment of the debt.

Functional expense allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Income taxes

The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2013, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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 amounts of revenue, support and expenses. The use of management’s estimates primarily relate to the collectability of accounts receivable, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of activities or changes in net assets.

Note 3. 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 as of June 30, 2013 and 2012, respectively.

Note 4. Investments

Investments stated at fair value, as of June 30 include:

	2013	2012
Fixed income mutual funds	$ 564,546	$ 495,860
Equity mutual funds	873,146	787,006
Pooled investment funds	49,404	49,759
	1,487,096	1,332,625
Costs	(1,276,990)	(1,117,585)
Unrealized gains	$ 210,106	$ 215,040

Investment returns are comprised of the following for the years ended June 30:

	2013	2012
Interest and dividends	$ 10,656	$ 11,822
Realized gains	72,776	10,615
Unrealized gains	89,982	8,043
	$ 173,414	$ 30,480

Dividend and interest income earned is reported net of investment advisory and trustee fees, which totaled approximately $8,000 for both years ended June 30, 2013 and 2012.

As described above, the Organization invests in various investment securities. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

The investments held by the financial intuition are also subject to be pledged to secure borrowings against a line of credit agreement with the same financial institution as described in Note 8.

Note 5. Fair Value Measurement

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 564,546	$ -	$ -	$ 564,546
Equity	873,146	-	-	873,146
Pooled investment funds	-	49,404	-	49,404
	$1,437,692	$ 49,404	$ -	$1,487,096

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 495,860	$ -	$ -	$ 495,860
Equity	787,006	-	-	787,006
Pooled investment funds	-	49,759	-	49,759
	$1,282,866	$ 49,759	$ -	$1,332,625

Note 6. Property and Improvements

Property and improvements consisted the following at June 30:

	2013	**2012**
Buildings and improvements	$ 4,692,936	$ 4,674,589
Furniture and equipment	916,549	916,793
Vehicles	1,864,010	1,849,684
Leasehold improvements	123,777	123,777
Depreciable assets	7,597,272	7,564,843
Accumulated depreciation	(4,127,475)	(3,825,972)
	3,469,797	3,738,871
Land	1,657,768	1,657,768
Land – not used in operation	620,000	620,000
	$ 5,747,565	$ 6,016,639

Depreciation amounted to $340,279 and $344,836 for the years ended June 30, 2013 and 2012, respectively.

Note 7. Debt Issuance Costs

Debt issuance costs are reported net of accumulated amortization. The unamortized debt issuance costs at June 30, 2012 were related to the notes payable that were refinanced during April 2013. The unamortized amount was written off during the refinance (Note 10). The unamortized debt issuance costs presented at June 30, 2013 were costs related to the note payable to California Health Facilities Financing Authority entered into by the Organization on April 30, 2013.

Accumulated amortization totaled $3,796 and $144,236 at June 30, 2013 and 2012, respectively. Amortization expense totaled $25,981 and $26,623 for the years ended June 30, 2013 and 2012, respectively.

Future amortization of debt issuance costs for the years ending June 30 is as follows:

2014	$ 22,776
2015	22,776
2016	22,776
2017	22,776
2018	22,776
Thereafter	241,045
	$ 354,925

Note 8. Line of Credit

The Organization has a $1,000,000 line of credit with a commercial bank which matures December 1, 2013. Borrowings against the line are secured by investments held at the same commercial bank, but subordinated to the note payable discussed in Note 10. Borrowings against the line bear interest rate at bank's interest rate plus 1.0% at June 30, 2013. Interest is payable monthly. There were no borrowings against the line as of June 30, 2013 and 2012.

Note 9. Notes Payable to Trust Prior to 2013

Prior to the refinancing transaction of 2013 (Note 10), the Organization had the following two notes payable as of June 30, 2012:

Note payable to California Health Facilities Financing Authority (the "Authority"); bear interest at 5.70% per annum; semi-annual principal and interest payment due on February 1 and August 1 each year; secured by real property, due February 1, 2021.	$ 828,041
Notes payable to ABAG Finance Authority ("ABAG"); bear variable interest ranging from 2.0% to 5.15% per annum; semi-annual principal and interest payment due on February 1 and August 1 each year; secured by real property, due February 1, 2029.	4,001,250
	$ 4,829,291

Under the terms of the agreement with the Authority, the Organization was required to comply with certain covenants, and maintain a capital replacement fund to provide for future capital expenditures and certain repair and maintenance expenses. The Organization was not required to place any funds in such reserve at June 30, 2012.

The notes payable to ABAG required the Organization make monthly installment payments to a trust to satisfy the funding requirements of the bond issued in connection with the notes. As of June 30, 2012, a total of $495,397 was maintained by the third-party trustee.

As of April 30, 2013, both notes payable were paid off in a refinancing transaction (Note 10). In connection with the refinancing transaction, unamortized issuance costs related to the above two notes in the amount of $378,604 were written off as an extraordinary loss.

Note 10. Note Payable to Trust, 2013

On April 30, 2013, Becoming Independent entered into a note payable agreement with California Health Facilities Financing Authority through the issuance of Insured Refunding Revenue Bonds (the "Bonds"). In connections with the refinancing, Bonds in the amount of $4,865,000 were issued at a premium of $154,599. The proceeds from the borrowing were used to pay off the remaining balance of the notes payable described in Note 9, as well as to make a contribution to a debt service reserve fund maintained by a third-party trustee.

The true interest cost of the note payable is 3.03% per annum. Principal and interest are payable semiannually on February 1 and August 1 of each year, commencing August 1, 2013, with the final payment due on February 1, 2029.

Note 10. Note Payable to Trust, 2013, *continued*

According to the borrowing agreement, the Organization is required to maintain a debt service reserve account with a third-party trustee. The amount maintained in the account is reported as Assets Limited As to Use on the Statements of Financial Position. The borrowing agreement also requires the Organization to make monthly installment payments including interest to a bank account maintained by a third-party trustee to satisfy the funding requirements of the bond issued in connection with the note. As of June 30, 2013, $25,625 was held by the trustee to be applied to the principal payment, and $20,849 was held to be applied to the related interest payment.

Future principal and interest payments due to the debt service reserve fund are as follows for the years ending June 30:

	Principal	Interest	Total
2014	$ 306,458	$ 168,003	$ 474,461
2015	307,083	153,562	460,645
2016	314,167	144,350	458,517
2017	322,083	134,925	457,008
2018	331,250	125,262	456,512
Thereafter	3,258,334	671,552	3,929,886
Total	$ 4,839,375	$ 1,397,654	$ 6,237,029

The borrowing premium is to be amortized over the term of the debt using the effective interest rate method. During the year ended June 30, 2013, borrowing premium in the amount of $7,194 was amortized to interest expense. Unamortized borrowing premium amounted to $147,405 as of June 30, 2013.

Future amortization of borrowing premium for the years ending June 30 is as follows:

2014	$ 11,845
2015	7,568
2016	8,650
2017	9,807
2018	10,948
Thereafter	98,587
	$ 147,405

In addition to making monthly installment payments to the trustee to satisfy the funding requirements of the debt, the borrowing agreement also requires that the Organization maintain certain financial covenants. As of June 30, 2013, management believes the Organization was in compliance with such covenants.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	2013	2012
Funding for subsequent periods	$ 169,385	$ 247,576
Funding for specific programs	16,854	22,802
Funding for specific purchases	325	6,325
	$ 186,564	$ 276,703

Net assets released from restrictions during the years ended June 30 include the following:

	2013	2012
Restrictions satisfied by payments	$ 28,801	$ 86,198
Expiration of time restrictions on grant funding	78,192	91,062
	$ 106,993	$ 177,260

Note 12. Commitments Under Operating Leases

The Organization leases facilities from which it conducts operations. The facilities are leased under noncancelable operating leases expiring through April 2020 and require minimum monthly payments of approximately $19,000 as of June 30, 2013.

The following is a schedule of minimum payments required under noncancelable operating leases as of June 30, 2013 for future years ending June 30:

2014	$ 233,818
2015	218,114
2016	224,941
2017	169,708
2018	130,528
Thereafter	249,728
	$ 1,226,837

Note 13. Concentration

Significant Revenue Sources

A significant portion of the Organization's total support and revenue is from services rendered to clients from the following sources for the years ended June 30:

	2013	**2012**
North Bay Regional Center	85%	86%
Santa Rosa Junior College	4%	5%
State of California Department of Rehabilitation	1%	1%

Accounts receivable includes $1,007,042 and $1,066,524 from these sources at June 30, 2013 and 2012, respectively.

The service contracts with these agencies are renewed periodically, ranging from every year to every five years.

Cash

At various times during the year ended June 30, 2013, the Organization had deposit amounts with a financial institution in excess of the $250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At June 30, 2013, the Organization had approximately $2,100,000 on deposit in excess of the FDIC insured amount.

Note 14. Deferred Compensation Plan

The Organization has a 401(k) Plan available to employees. Employees may contribute between 1% and 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Organization does not match employee contributions.

Note 15. Subsequent events

The Organization evaluated subsequent events from July 1, 2013 through November 5, 2013, the date which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.