Becoming Independent

(a California not-for-profit Corporation)

FINANCIAL STATEMENTS
For the Years Ended June 30, 2014 and 2013

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 financial position of Becoming Independent (the "Organization") as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 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 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
November 6, 2014

Becoming Independent

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,638,744	$ 2,703,848
Certificates of deposit	-	236,041
Assets limited as to use	462,495	462,410
Accounts receivable, net	1,246,567	1,107,047
Short-term note receivable	114,000	-
Prepaid expenses and other current assets	48,436	31,478
TOTAL CURRENT ASSETS	4,510,242	4,540,824
NONCURRENT ASSETS		
Investments	1,689,489	1,487,095
Property, equipment and improvements, net	6,176,444	5,747,565
Debt issuance costs, net	332,149	354,925
Note receivable	-	114,000
Other noncurrent assets	160,848	148,107
TOTAL NONCURRENT ASSETS	8,358,930	7,851,692
TOTAL ASSETS	$ 12,869,172	$ 12,392,516

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STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

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	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,066,434	$ 811,162
Deferred revenue	-	20,463
Notes payable, current portion	307,083	306,458
Borrowing premium, current portion	7,568	11,845
TOTAL CURRENT LIABILITIES	1,381,085	1,149,928
NONCURRENT LIABILITIES		
Notes payable, net of current portion	4,225,833	4,532,916
Borrowing premium, net of current portion	127,992	135,560
TOTAL NONCURRENT LIABILITIES	4,353,825	4,668,476
TOTAL LIABILITIES	5,734,910	5,818,404
NET ASSETS		
Unrestricted	6,537,688	6,386,548
Temporarily restricted	595,574	186,564
Permanently restricted	1,000	1,000
TOTAL NET ASSETS	7,134,262	6,574,112
TOTAL LIABILITIES AND NET ASSETS	$ 12,869,172	$ 12,392,516

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Support and revenue				
Service fees	$ 11,698,720	$ -	$ -	$ 11,698,720
Work activities revenue	697,611	-	-	697,611
Santa Rosa Junior College subsidy	585,112	-	-	585,112
Contributions and grants	677,477	495,082	-	1,172,559
Investment income	228,293	-	-	228,293
Other income	32,223	-	-	32,223
Net assets released from restrictions	86,072	(86,072)	-	-
Total support and revenue	14,005,508	409,010	-	14,414,518
Expenses				
Program services				
Day training and activities	7,361,573	-	-	7,361,573
Transportation	1,080,444	-	-	1,080,444
Independent living skills	3,554,982	-	-	3,554,982
Total program services	11,996,999	-	-	11,996,999
Support services				
Management and general	1,560,387	-	-	1,560,387
Fundraising	296,982	-	-	296,982
Total supporting services	1,857,369	-	-	1,857,369
Total expenses	13,854,368	-	-	13,854,368
CHANGES IN NET ASSETS	151,140	409,010	-	560,150
NET ASSETS AT BEGINNING OF YEAR	6,386,548	186,564	1,000	6,574,112
NET ASSETS AT END OF YEAR	$ 6,537,688	$ 595,574	$ 1,000	$ 7,134,262

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Support and revenue				
Service fees	$ 11,775,750	$ -	$ -	$ 11,775,750
Work activities revenue	678,040	-	-	678,040
Santa Rosa Junior College subsidy	602,769	-	-	602,769
Contributions and grants	465,319	16,854	-	482,173
Investment income	173,414	-	-	173,414
Other income	30,186	-	-	30,186
Net assets released from restrictions	106,993	(106,993)	-	-
Total support and revenue	13,832,471	(90,139)	-	13,742,332
Expenses				
Program services				
Day training and activities	7,321,019	-	-	7,321,019
Transportation	1,019,097	-	-	1,019,097
Independent living skills	3,479,951	-	-	3,479,951
Total program services	11,820,067	-	-	11,820,067
Support services				
Management and general	1,415,574	-	-	1,415,574
Fundraising	308,489	-	-	308,489
Extraordinary loss	378,604	-	-	378,604
Total supporting services	2,102,667	-	-	2,102,667
Total expenses	13,922,734	-	-	13,922,734
CHANGES IN NET ASSETS	(90,263)	(90,139)	-	(180,402)
NET ASSETS AT BEGINNING OF YEAR	6,476,811	276,703	1,000	6,754,514
NET ASSETS AT END OF YEAR	$ 6,386,548	$ 186,564	$ 1,000	$ 6,574,112

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Day Training and Activities	Trans- portation	Independent Living Skills	Program Services Total	Management and General	Fund- raising	Supporting Services Total	**TOTAL EXPENSES**
Salaries, staff	$ 4,236,395	$ 454,252	$ 2,318,830	$ 7,009,477	$ 982,728	$ 177,080	$ 1,159,808	$ 8,169,285
Salaries, clients	395,226	108	-	395,334	-	-	-	395,334
Employee benefits	713,829	83,804	391,219	1,188,852	103,747	22,554	126,301	1,315,153
Payroll taxes/workers comp	529,471	70,143	323,164	922,778	90,547	16,836	107,383	1,030,161
	5,874,921	608,307	3,033,213	9,516,441	1,177,022	216,470	1,393,492	10,909,933
Professional fees	69,117	1,374	19,449	89,940	166,271	21,730	188,001	277,941
Supplies	240,626	7,874	55,743	304,243	48,754	5,039	53,793	358,036
Vehicle expenses	167,268	288,300	294	455,862	13	-	13	455,875
Travel and transportation	44,444	247	115,594	160,285	4,870	812	5,682	165,967
Rent	275,711	10,340	27,844	313,895	7,818	-	7,818	321,713
Insurance	60,234	-	35,090	95,324	27,407	-	27,407	122,731
Repairs and maintenance	178,253	17,417	65,897	261,567	6,905	1,346	8,251	269,818
Utilities	84,376	249	42,882	127,507	-	-	-	127,507
Telephone and data	46,057	10,842	26,983	83,882	5,883	1,763	7,646	91,528
Postage and copying	1,231	10	908	2,149	18,286	10,153	28,439	30,588
Training and conference	5,797	17	5,936	11,750	17,691	304	17,995	29,745
Interest	107,905	-	48,241	156,146	1,190	-	1,190	157,336
Marketing	7,736	4,309	14	12,059	36,958	27,128	64,086	76,145
Other	10,077	923	1,070	12,070	40,593	11,414	52,007	64,077
	1,298,832	341,902	445,945	2,086,679	382,639	79,689	462,328	2,549,007
Depreciation and amortization	187,820	130,235	75,824	393,879	726	823	1,549	395,428
TOTAL	$ 7,361,573	$ 1,080,444	$ 3,554,982	$ 11,996,999	$ 1,560,387	$ 296,982	$ 1,857,369	$ 13,854,368

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	2014	2013
	Increase (decrease) in cash and cash equivalents	
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 560,150	$ (180,402)
Adjustments to reconcile changes in net assets		
to net cash flows from operating activities:		
Extraordinary loss	-	378,604
Depreciation and amortization	395,428	366,260
Amortization of bond premium	(11,845)	(7,194)
Net realized and unrealized gain	(179,798)	(162,758)
Gain on disposal of property and equipment	(7,026)	(3,103)
(Increase) decrease in operating assets:		
Accounts receivable	(139,520)	75,073
Prepaid expenses and other current assets	(16,958)	11,643
Decrease (increase) in operating liabilities:		
Accounts payable and accrued expenses	255,272	(130,315)
Deferred revenue	(20,463)	(5,937)
Net cash and cash equivalents provided by operating activities	835,240	341,871
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and improvements	(801,531)	(72,006)
Proceeds received from sale of property and equipment	7,026	3,904
Purchases of certificates of deposit, net	-	(666)
Increase in assets limited as to use	(85)	-
(Increase) decrease in other noncurrent assets	(12,741)	60,721
Purchases of investment securities	(169,074)	(285,830)
Proceeds from sale of investment securities	382,519	294,118
Net cash and cash equivalents provided by (used in) investing activities	(593,886)	241

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See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS,
For the years ended June 30, 2014 and 2013

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	2014	2013
	Increase (decrease) in cash and cash equivalents	
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	$ (306,458)	$ (161,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVELANTS	(65,104)	181,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,703,848	2,522,790
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,638,744	$ 2,703,848
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	$ 169,181	$ 274,805

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, 2014 and 2013.

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, 2014 and 2013, 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 $1,000.

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, 2014 and 2013.

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, 2014 or 2013.

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, 2014, 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 relates to the collectability of accounts receivable, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

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, 2014 and 2013, respectively.

Note 4. Investments

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

	2014		2013	
	Fair Value	***Costs***	***Fair Value***	***Costs***
Fixed income mutual funds	$ 647,852	$ 636,705	$ 564,545	$ 561,237
Equity mutual funds	990,033	666,674	873,146	665,754
Pooled investment funds	51,604	50,000	49,404	50,000
Total	$1,689,489	$ 1,353,379	$ 1,487,095	$ 1,276,991

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

	2014	2013
Interest and dividends	$ 48,715	$ 10,656
Realized gains	53,285	72,776
Unrealized gains	126,513	89,982
	$ 228,293	$ 173,414

Dividend and interest income earned is reported net of investment advisory and trustee fees, which totaled approximately $9,000 and $8,000 for the years ended June 30, 2014 and 2013.

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 institution 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, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 647,852	$ -	$ -	$ 647,852
Equity	990,033	-	-	990,033
Pooled investment funds	-	51,604	-	51,604
	$1,637,885	$ 51,604	$ -	$1,689,489

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

Note 6. Property and Improvements

Property and improvements consisted the following at June 30:

	2014	**2013**
Buildings and improvements	$ 4,932,617	$ 4,692,936
Furniture and equipment	974,647	916,549
Vehicles	2,044,302	1,864,010
Leasehold improvements	123,777	123,777
Depreciable assets	8,075,343	7,597,272
Accumulated depreciation	(4,190,047)	(4,127,475)
	3,885,296	3,469,797
Land	2,277,768	2,277,768
Construction in progress	13,380	-
	$ 6,176,444	$ 5,747,565

Depreciation amounted to $372,652 and $340,279 for the years ended June 30, 2014 and 2013, respectively.

Note 7. Debt Issuance Costs

Debt issuance costs are reported net of accumulated amortization. The unamortized debt issuance costs were related to the note payable to California Health Facilities Financing Authority entered into by the Organization on April 30, 2013.

Accumulated amortization totaled $26,572 and $3,796 at June 30, 2014 and 2013, respectively. Amortization expense totaled $22,776 and $25,981 for the years ended June 30, 2014 and 2013, respectively. Amortization expense for the year ended June 30, 2013 also included the write off of the remaining debt issuance costs associated with a series of previously issued notes payable, which were refinanced in 2013.

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

2015	$ 22,776
2016	22,776
2017	22,776
2018	22,776
2019	22,776
Thereafter	218,269
	$ 332,149

Note 8. Line of Credit

The Organization has a $1,000,000 line of credit with a commercial bank which matures on December 1, 2014. Borrowings against the line are secured by investments held at the same commercial bank, but subordinated to the note payable discussed in Note 9. Borrowings against the line bear interest rate at bank's interest rate plus 1.0% at June 30, 2014. Interest is payable monthly. There were no borrowings against the line as of June 30, 2014 and 2013.

Note 9. Note Payable to Trust

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 refinance the outstanding long-term debt balance carried by the Organization.

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 9. Note Payable to Trust, *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, 2014, $462,495 was held by the trustee to be applied to the principal and related interest payments.

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

	Principal	Interest	Total
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
2019	344,167	115,325	459,492
Thereafter	2,914,167	556,228	3,470,395
Total	$ 4,532,917	$ 1,229,652	$ 5,762,569

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, 2014 and 2013, borrowing premium in the amount of $11,845 and $7,194 was amortized to interest expense, respectively. Unamortized borrowing premium amounted to $135,560 and $147,405 as of June 30, 2014 and 2013, respectively.

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

2015	$ 7,568
2016	8,650
2017	9,807
2018	10,948
2019	12,236
Thereafter	86,351
	$ 135,560

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, 2014, management believes the Organization was in compliance with such covenants.

Note 10. Temporarily Restricted Net Assets

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

	2014	2013
Funding for subsequent periods	$ 540,451	$ 169,385
Funding for specific programs	28,156	16,854
Funding for specific purposes	26,967	325
	$ 595,574	$ 186,564

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

	2014	2013
Restrictions satisfied by payments	$ 13,782	$ 28,801
Expiration of time restrictions on grant funding	72,290	78,192
	$ 86,072	$ 106,993

Note 11. 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 $25,000 as of June 30, 2014.

The following is a schedule of minimum payments required under noncancelable operating leases as of June 30, 2014 for future years ending June 30:

2015	$ 292,596
2016	298,124
2017	239,183
2018	191,094
2019	135,060
Thereafter	135,060
	$ 1,291,117

Rental expense under noncancelable operating lease agreements totaled $298,079 and $227,848 for the years ended June 30, 2014 and 2013, respectively.

Note 12. 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:

	2014	2013
North Bay Regional Center	80%	85%
Santa Rosa Junior College	4%	4%
State of California Department of Rehabilitation	1%	1%

Accounts receivable includes $1,094,122 and $1,007,042 from these sources at June 30, 2014 and 2013, 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, 2014, 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, 2014, the Organization had approximately $2,440,000 on deposit in excess of the FDIC insured amount.

Note 13. 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 14. Subsequent events

The Organization evaluated subsequent events from July 1, 2014 through November 6, 2014, 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.