

Becoming Independent
(a California Not-for-Profit Corporation)

Financial Statements
For the Years Ended June 30, 2021 and 2020

Together with Independent Auditors' Report

Becoming Independent

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Independent Auditors' Report

To the Board of Directors
Becoming Independent
Santa Rosa, California

Opinion

We have audited the financial statements of Becoming Independent, which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Becoming Independent as of June 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Becoming Independent and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Becoming Independent's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Becoming Independent's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Becoming Independent's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Dillwood Burkell & Millar, LLP

Santa Rosa, California
November 4, 2021

Becoming Independent

Statements of Financial Position

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 9,472,844	\$ 5,223,677
Accounts receivable, net	1,160,415	1,107,704
Restricted cash and cash equivalents	-	617,410
Prepaid expenses and other current assets	156,696	270,031
Total current assets	10,789,955	7,218,822
Noncurrent assets		
Investments	2,498,999	1,895,456
Property, equipment and improvements, net	4,144,139	4,993,303
Other noncurrent assets	14,340	13,256
Total noncurrent assets	6,657,478	6,902,015
Total assets	<u>\$ 17,447,433</u>	<u>\$ 14,120,837</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,412,739	\$ 1,432,558
Notes payable, current portion, net	-	336,391
Borrowing premium, current portion	-	14,535
Total current liabilities	1,412,739	1,783,484
Noncurrent liabilities		
Government forgivable note payable	-	2,071,204
Notes payable, noncurrent portion, net	-	2,178,116
Borrowing premium, noncurrent portion	-	58,314
Total noncurrent liabilities	-	4,307,634
Total liabilities	1,412,739	6,091,118
Net assets		
Without donor restrictions	15,692,078	7,880,036
With donor restrictions	342,616	149,683
Total net assets	16,034,694	8,029,719
Total liabilities and net assets	<u>\$ 17,447,433</u>	<u>\$ 14,120,837</u>

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Service fees	\$ 12,518,981	\$ -	\$ 12,518,981
Work activities revenue	443,219	-	443,219
Contributions and grants	219,257	909,939	1,129,196
Santa Rosa Junior College subsidy	527,948	-	527,948
Government grant	2,075,006	-	2,075,006
Investment income	429,873	-	429,873
Gain on sale of assets, net	1,604,349	-	1,604,349
Other income	7,777	-	7,777
Net assets released from restrictions	717,006	(717,006)	-
Total support and revenue	18,543,416	192,933	18,736,349
Expenses			
Program services			
Day training and activities	4,600,266	-	4,600,266
Transportation	425,028	-	425,028
Independent living skills	4,416,573	-	4,416,573
Total program services	9,441,867	-	9,441,867
Support services			
Management and general	903,618	-	903,618
Fundraising	385,889	-	385,889
Total supporting services	1,289,507	-	1,289,507
Total expenses	10,731,374	-	10,731,374
Changes in net assets	7,812,042	192,933	8,004,975
Net assets at beginning of year	7,880,036	149,683	8,029,719
Net assets at end of year	\$ 15,692,078	\$ 342,616	\$ 16,034,694

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Service fees	\$ 12,274,962	\$ -	\$ 12,274,962
Work activities revenue	865,033	-	865,033
Contributions and grants	391,449	259,145	650,594
Santa Rosa Junior College subsidy	509,614	-	509,614
Investment income	81,932	-	81,932
Gain on sale of assets	2,132	-	2,132
Net assets released from restrictions	304,108	(304,108)	-
Total support and revenue	14,429,230	(44,963)	14,384,267
Expenses			
Program services			
Day training and activities	8,193,354	-	8,193,354
Transportation	756,940	-	756,940
Independent living skills	3,313,664	-	3,313,664
Total program services	12,263,958	-	12,263,958
Support services			
Management and general	1,192,888	-	1,192,888
Fundraising	475,572	-	475,572
Total supporting services	1,668,460	-	1,668,460
Total expenses	13,932,418	-	13,932,418
Changes in net assets	496,812	(44,963)	451,849
Net assets at beginning of year	7,383,224	194,646	7,577,870
Net assets at end of year	\$ 7,880,036	\$ 149,683	\$ 8,029,719

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services				Support Services			Total Expenses
	Day Training and Activities	Transportation	Independent Living Skills	Program Services Total	Management and General	Fundraising	Support Services Total	
Salaries, staff	\$ 2,876,516	\$ 215,952	\$ 3,298,731	\$ 6,391,199	\$ 634,087	\$ 204,277	\$ 838,364	\$ 7,229,563
Salaries, clients	117,804	-	-	117,804	-	-	-	117,804
Employee benefits	430,475	34,953	288,281	753,709	49,662	20,050	69,712	823,421
Payroll taxes	286,633	20,114	313,107	619,854	51,450	17,899	69,349	689,203
	<u>3,711,428</u>	<u>271,019</u>	<u>3,900,119</u>	<u>7,882,566</u>	<u>735,199</u>	<u>242,226</u>	<u>977,425</u>	<u>8,859,991</u>
Supplies	143,280	10,713	58,540	212,533	37,804	19,255	57,059	269,592
Professional fees	111,236	10,536	24,185	145,957	26,731	35,390	62,121	208,078
Telephone and data	62,335	3,925	70,825	137,085	7,797	3,236	11,033	148,118
Vehicle expenses	86,820	46,542	-	133,362	-	-	-	133,362
Insurance	64,327	5,986	30,958	101,271	5,363	2,298	7,661	108,932
Repairs and maintenance	48,951	3,039	41,503	93,493	7,936	2,034	9,970	103,463
Travel and transportation	19,789	30	79,099	98,918	41	41	82	99,000
Utilities	42,493	2,580	44,305	89,378	4,516	1,935	6,451	95,829
Marketing	18,919	1,705	7,951	28,575	9,314	45,538	54,852	83,427
Rent	41,253	191	11,026	52,470	11,291	1,934	13,225	65,695
Interest	34,667	2,872	14,851	52,390	2,573	1,103	3,676	56,066
Other	13,680	233	5,037	18,950	24,126	4,883	29,009	47,959
Training and conference	12,871	195	9,531	22,597	15,390	804	16,194	38,791
Postage and copying	2,200	113	1,863	4,176	4,032	20,282	24,314	28,490
	<u>702,821</u>	<u>88,660</u>	<u>399,674</u>	<u>1,191,155</u>	<u>156,914</u>	<u>138,733</u>	<u>295,647</u>	<u>1,486,802</u>
Depreciation and amortization	186,017	65,349	116,780	368,146	11,505	4,930	16,435	384,581
Total	<u>\$ 4,600,266</u>	<u>\$ 425,028</u>	<u>\$ 4,416,573</u>	<u>\$ 9,441,867</u>	<u>\$ 903,618</u>	<u>\$ 385,889</u>	<u>\$ 1,289,507</u>	<u>\$ 10,731,374</u>

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services				Support Services			Total Expenses
	Day Training and Activities	Transportation	Independent Living Skills	Program Services Total	Management and General	Fundraising	Support Services Total	
Salaries, staff	\$ 4,800,943	\$ 327,112	\$ 2,472,758	\$ 7,600,813	\$ 715,069	\$ 267,958	\$ 983,027	\$ 8,583,840
Salaries, clients	340,450	-	-	340,450	-	-	-	340,450
Employee benefits	582,194	60,356	301,864	944,414	61,714	27,585	89,299	1,033,713
Payroll taxes	545,815	39,992	240,822	826,629	68,466	26,621	95,087	921,716
	<u>6,269,402</u>	<u>427,460</u>	<u>3,015,444</u>	<u>9,712,306</u>	<u>845,249</u>	<u>322,164</u>	<u>1,167,413</u>	<u>10,879,719</u>
Supplies	350,737	5,097	47,790	403,624	49,018	13,086	62,104	465,728
Vehicle expenses	249,045	9,512	40,294	298,851	116,875	29,205	146,080	444,931
Professional fees	213,283	129,713	564	343,560	10	6	16	343,576
Repairs and maintenance	101,454	5,935	27,854	135,243	17,803	12,370	30,173	165,416
Marketing	136,843	54	7,964	144,861	2,311	3,610	5,921	150,782
Travel and transportation	59,240	792	77,923	137,955	302	350	652	138,607
Utilities	31,939	614	2,849	35,402	33,310	63,963	97,273	132,675
Insurance	91,072	3,918	17,105	112,095	9,411	2,858	12,269	124,364
Rent	96,188	2,647	12,288	111,123	5,861	1,701	7,562	118,685
Interest	77,956	2,040	9,474	89,470	4,518	1,312	5,830	95,300
Training and conference	67,722	1,314	15,856	84,892	6,919	2,085	9,004	93,896
Telephone and data	46,146	521	2,418	49,085	17,378	1,203	18,581	67,666
Other	46,148	826	2,003	48,977	8,450	6,790	15,240	64,217
Postage and copying	3,448	1	4	3,453	5,603	9,072	14,675	18,128
	<u>1,571,221</u>	<u>162,984</u>	<u>264,386</u>	<u>1,998,591</u>	<u>277,769</u>	<u>147,611</u>	<u>425,380</u>	<u>2,423,971</u>
Depreciation and amortization	352,731	166,496	33,834	553,061	69,870	5,797	75,667	628,728
Total	<u>\$ 8,193,354</u>	<u>\$ 756,940</u>	<u>\$ 3,313,664</u>	<u>\$ 12,263,958</u>	<u>\$ 1,192,888</u>	<u>\$ 475,572</u>	<u>\$ 1,668,460</u>	<u>\$ 13,932,418</u>

See accompanying Notes to Financial Statements.

Becoming Independent

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Increase in net assets	\$ 8,004,975	\$ 451,849
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	369,397	605,953
Amortization of bond issuance costs	15,184	22,776
Amortization of bond premium	-	(13,502)
Net realized and unrealized gain	(381,639)	(10,420)
Government loan forgiveness	(2,071,204)	-
Gains from property sales	(1,604,349)	-
(Increase) decrease in operating assets:		
Accounts receivable	(52,711)	84,871
Prepaid expenses and other current assets	113,335	(96,550)
Pledges receivable	-	88,841
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>(19,819)</u>	<u>526,090</u>
Net cash and cash equivalents provided by operating activities	4,373,169	1,659,908
Cash flows from investing activities		
Proceeds from sale of property	2,673,796	-
Proceeds from sale of investment securities	964,365	870,299
Purchases of investment securities	(1,186,269)	(785,737)
Acquisition of property, equipment and improvements	(482,220)	(64,614)
Increase in other noncurrent assets	<u>(1,084)</u>	<u>(3,265)</u>
Net cash and cash equivalents provided by investing activities	1,968,588	16,683
Cash flows from financing activities		
Principal payments on notes payable	(2,710,000)	(350,000)
Proceeds from government note payable	<u>-</u>	<u>2,071,204</u>
Net cash and cash equivalents provided by (used in) financing activities	<u>(2,710,000)</u>	<u>1,721,204</u>
Net increase in cash and cash equivalents	3,631,757	3,397,795
Cash and cash equivalents at beginning of year	<u>5,841,087</u>	<u>2,443,292</u>
Cash and cash equivalents at end of year	<u><u>\$ 9,472,844</u></u>	<u><u>\$ 5,841,087</u></u>

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See accompanying Notes to Financial Statements.

Becoming Independent

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

continued from previous page

	<u>2021</u>	<u>2020</u>
Unrestricted cash and cash equivalents	\$ 9,472,844	\$ 5,223,677
Restricted cash and cash equivalents	<u>-</u>	<u>617,410</u>
Cash and cash equivalents at end of year	<u>\$ 9,472,844</u>	<u>\$ 5,841,087</u>
Supplemental cash flow information		
Cash paid for interest	\$ 97,259	\$ 113,177
Non-cash investing and financing activities		
Write off debt issuance costs	\$ 180,309	\$ -
Write off of bond premium	\$ 72,849	\$ -

See accompanying Notes to Financial Statements.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1. Nature of Activities

Becoming Independent (the "Organization" or "BI") is a California not-for-profit corporation that helps people with developmental disabilities live meaningful and productive lives. BI is a community benefit organization serving Sonoma, Napa and Solano counties with a purpose of elevating human abilities for the mutual benefit of the community. Each year thousands of individuals are welcomed with opportunities to be productive and engaged community members through three strategic initiatives: education, supported living, and employment.

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:

Without donor restrictions – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Organization's operations.

With donor restrictions – 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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.

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.

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 uncollectable accounts receivable. At both June 30, 2021 and 2020, accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$1,500.

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 3 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 \$2,500.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Property and Improvements, *continued*

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 until the donated assets are purchased and placed in service. Upon the assets being placed in service, the restrictions are considered met and funds are released to unrestricted support. 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, 2021 and 2020.

Restricted Cash and Cash Equivalents

As of June 30, 2020, BI had restricted cash and cash equivalents presented on its Statement of Financial Position. Restricted cash and cash equivalents represented debt reserve funds, which were being held by a trustee for future debt service payments. The Organization had no restricted cash and cash equivalents at June 30, 2021.

Investments

Investments consist primarily of marketable securities, fixed income, equity and bond mutual funds, while additional smaller investments are in certificates of deposit. 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 and Changes in Net Assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions 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.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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: Valuations are based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Valuations are 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.

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.

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.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies, *continued*

Income Taxes, *continued*

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2021, 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. Exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

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.

Pronouncements Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for fiscal year beginning July 1, 2022 for BI. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirement about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 is effective for the Organization beginning July 1, 2021. The Organization is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 3. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the balance sheet date, as of June 30,

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,472,844	\$ 5,841,087
Accounts receivable	<u>1,160,415</u>	<u>1,107,704</u>
Total financial assets at year end	10,633,259	6,948,791
Less those unavailable for general expenditures within one year due to:		
Debt service reserve	-	(617,410)
Donor restricted funds	(342,616)	(149,683)
Current maturities of notes payable with borrowing premium	<u>-</u>	<u>(349,893)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,290,643</u>	<u>\$ 5,831,805</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4. Investments

Investments are the Organization's only financial assets that are measured at fair value on a recurring basis. All investments held by BI are considered Level 1 financial assets. As of June 30, investments include the following:

	<u>2021</u>		<u>2020</u>	
	<i>Fair Value</i>	<i>Costs</i>	<i>Fair Value</i>	<i>Costs</i>
Fixed income mutual funds	\$ 228,889	\$ 228,087	\$ 143,974	\$ 139,164
Equity mutual funds	1,126,260	833,957	762,329	669,129
Bond mutual funds	544,997	514,639	452,625	434,838
Marketable securities	566,730	421,608	504,035	416,190
Certificates of deposit	<u>32,123</u>	<u>30,000</u>	<u>32,493</u>	<u>30,000</u>
Total	<u>\$ 2,498,999</u>	<u>\$ 2,028,291</u>	<u>\$ 1,895,456</u>	<u>\$ 1,689,321</u>

Becoming Independent

Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

Note 4. Investments, *continued*

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 48,234	\$ 23,042
Realized gains (losses)	133,819	(13,896)
Unrealized gains	247,820	72,786
	<u>\$ 429,873</u>	<u>\$ 81,932</u>

The Organization incurred investment advisory and trustee fees, which totaled approximately \$17,116 and \$15,431 respectively, for the years ended June 30, 2021 and 2020. Such fees are reported as other expenses in the Statements of Functional Expenses.

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.

Note 5. Property and Improvements

Property and improvements consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 3,625,801	\$ 5,334,728
Vehicles	1,763,960	1,857,198
Furniture and equipment	630,469	533,575
Leasehold improvements	33,250	117,083
Depreciable assets	6,053,480	7,842,584
Accumulated depreciation	<u>(4,092,026)</u>	<u>(5,127,049)</u>
	1,961,454	2,715,535
Construction in progress	247,685	-
Land	1,935,000	2,277,768
	<u>\$ 4,144,139</u>	<u>\$ 4,993,303</u>

Depreciation amounted to \$369,397 and \$605,953 for the years ended June 30, 2021 and 2020, respectively.

Becoming Independent

Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

Note 6. Government Forgivable Note Payable

In April 2020, the Organization applied for and received a Paycheck Protection Program (“PPP”) loan through the Small Business Administration in relation to the coronavirus pandemic (See Note 13). The Organization received \$2,071,204, bearing interest of 1%. The loan was to mature two years from its issuance. As of June 30, 2021, the Organization met the SBA’s terms of forgiveness, and the entire loan amount was reclassified on the Organization’s Statement of Activities and Changes in Net Assets as income from Government grants.

Note 7. Net Asset with Donor Restrictions

As of June 30, 2021 and 2020, the net assets with donor restriction consisted assets for specific purposes in the amounts of \$342,616 and \$149,683, respectively, and both years were included in investments on the Statements of Financial Position.

Net assets released from program restrictions amounted to \$717,006 and \$304,108 during the years ended June 30, 2021 and 2020, respectively.

Note 8. Lease Commitments

Commitments under Operating Leases

The Organization leases facilities from which it conducts operations. The facilities are leased under non-cancelable operating leases. These leases have various expiration dates from December 2021 through July 2022 and require minimum monthly payments of approximately \$15,000 as of June 30, 2021.

Subsequent to year-end in September 2021, one of the lease agreement that is expiring in December 2021 has been extended to December 2022, with adjusted monthly rent.

The following is a schedule of minimum payments required under non-cancelable operating leases as of June 30, 2021 for future years ending June 30:

2022	\$	166,351
2023		<u>18,963</u>
	\$	<u>185,314</u>

Rental expense under non-cancelable operating lease agreements totaled \$57,478 and \$141,500 for the years ended June 30, 2021 and 2020, respectively.

Becoming Independent

Notes to Financial Statements For the Years Ended June 30, 2021 and 2020

Note 9. Concentrations

Cash and Cash Equivalents

At various times during the year ended June 30, 2021 and 2020, the Organization had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Organization had approximately \$9,173,000 and \$4,748,000 on deposit in excess of the FDIC insured amount at June 30, 2021 and 2020, respectively.

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:

	<u>2021</u>	<u>2020</u>
North Bay Regional Center	72%	86%
Santa Rosa Junior College	3%	4%

Accounts receivable include \$1,085,023 and \$1,083,346 from these sources at June 30, 2021 and 2020, respectively. The service contracts with these agencies are renewed periodically, ranging from every year to every five years.

During the year ended June 30, 2021, 12% of BI's total revenue was represented by the government note forgiveness as discussed in Note 6.

Note 10. Employee Benefit Plan

The Organization has a 403(b) Plan available to employees. Employees may contribute up to the Internal Revenue Service determined maximum, with limits to their annual compensation. The Organization makes discretionary matching contributions, which become fully vested after plan participants complete three years of services. BI's matching contributions totaled \$91,384 and \$94,177 for the years ended June 30, 2021 and 2020, respectively.

Note 11. Insurance Settlement

During the year ended June 30, 2021, BI received proceeds from an insurance settlement for losses incurred to its facilities caused by fire and smoke. The settlement provided BI with proceeds in the amount of \$144,540. The proceeds were used to cover the cleanup costs in the amount of \$141,574. The net insurance settlement proceeds were presented as a part of other income in the Statement of Activities and Changes in Net Assets.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 12. Sale of Properties and Payoff of Note Payable to Trust

During the year ended June 30, 2021, BI sold a portion of its real estate properties for \$2,830,000. The proceeds were used to pay off the Organization's long-term debt.

Prior to the sale of the property, the Organization had a note payable to a trust. As of June 30, 2020, the outstanding note payable balance was \$2,710,000, with associated unamortized loan origination fee in the amount of \$195,493 and unamortized bond premium in the amount of \$72,849.

The transactions of the building sale and note payable pay off generated a gain of \$1,632,790, net of closing costs in the amount of \$141,500. The gain from the building sale is included in the gain on sale of assets, net as presented on the Statements of Activities and Changes in Net Assets.

Note 13. Contingencies

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

Although not directly impacted through June 30, 2021, operations and business results of the Organization could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments, may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, the Organization has implemented safety measures to protect employees and will continue to review them as needed.

It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 14. Subsequent Events

The Organization evaluated subsequent events from July 1, 2021 through November 4, 2021, the date which the financial statements were available to be issued, and determined that other than the lease extension as discussed in Note 8, there are no material subsequent events that required recognition or additional disclosure in these financial statements.