

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

Financial Statements
For the Years Ended June 30, 2022 and 2021

Together with Independent Auditors' Report

Becoming Independent

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position as of June 30, 2022 and 2021	3
Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022	4
Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2021	5
Statement of Functional Expenses For the Year Ended June 30, 2022	6
Statement of Functional Expenses For the Year Ended June 30, 2021	7
Statements of Cash Flows For the Years Ended June 30, 2022 and 2021	8
Notes to Financial Statements	10

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, 2022 and 2021, 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, 2022 and 2021, 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 available to be 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 Burkel + Millar, LLP

Santa Rosa, California
October 24, 2022

Becoming Independent

Statements of Financial Position As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,785,633	\$ 9,472,844
Accounts receivable, net	1,067,482	1,160,415
Pledges receivable	252,069	-
Prepaid expenses and other current assets	95,177	156,696
Total current assets	9,200,361	10,789,955
Noncurrent assets		
Investments	4,285,980	2,498,999
Property, equipment and improvements, net	9,698,649	4,144,139
Other noncurrent assets	11,083	14,340
Total noncurrent assets	13,995,712	6,657,478
Total assets	\$ 23,196,073	\$ 17,447,433
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,404,488	\$ 1,412,739
Total current liabilities	1,404,488	1,412,739
Net assets		
Without donor restrictions	21,790,889	15,692,078
With donor restrictions	696	342,616
Total net assets	21,791,585	16,034,694
Total liabilities and net assets	\$ 23,196,073	\$ 17,447,433

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Service fees	\$ 12,040,870	\$ -	\$ 12,040,870
Contributions and grants of financial assets	12,222	2,694,692	2,706,914
Contributions of nonfinancial assets	23,481	50,176	73,657
Work activities revenue	645,314	-	645,314
Santa Rosa Junior College subsidy	496,992	-	496,992
Investment loss, net	(533,321)	-	(533,321)
Loss on disposal of assets, net	(195,236)	-	(195,236)
Net assets released from restrictions	3,086,788	(3,086,788)	-
Total support and revenue	15,577,110	(341,920)	15,235,190
Expenses			
Program services			
Day training and activities	4,195,177	-	4,195,177
Transportation	366,032	-	366,032
Independent living skills	3,772,970	-	3,772,970
Total program services	8,334,179	-	8,334,179
Support services			
Management and general	643,296	-	643,296
Fundraising	500,824	-	500,824
Total supporting services	1,144,120	-	1,144,120
Total expenses	9,478,299	-	9,478,299
Changes in net assets	6,098,811	(341,920)	5,756,891
Net assets at beginning of year	15,692,078	342,616	16,034,694
Net assets at end of year	\$ 21,790,889	\$ 696	\$ 21,791,585

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Service fees	\$ 12,518,981	\$ -	\$ 12,518,981
Government grant	2,075,006	-	2,075,006
Contributions and grants of financial assets	219,257	886,749	1,106,006
Contributions of nonfinancial assets	-	23,190	23,190
Santa Rosa Junior College subsidy	527,948	-	527,948
Work activities revenue	443,219	-	443,219
Investment income, net	412,757	-	412,757
Gain on disposal 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	<u>18,526,300</u>	<u>192,933</u>	<u>18,719,233</u>
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	<u>9,441,867</u>	-	<u>9,441,867</u>
Support services			
Management and general	886,502	-	886,502
Fundraising	385,889	-	385,889
Total supporting services	<u>1,272,391</u>	-	<u>1,272,391</u>
Total expenses	<u>10,714,258</u>	<u>-</u>	<u>10,714,258</u>
Changes in net assets	7,812,042	192,933	8,004,975
Net assets at beginning of year	<u>7,880,036</u>	<u>149,683</u>	<u>8,029,719</u>
Net assets at end of year	<u>\$ 15,692,078</u>	<u>\$ 342,616</u>	<u>\$ 16,034,694</u>

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Functional Expenses

For the Year Ended June 30, 2022

	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	\$ 2,337,375	\$ 173,445	\$ 2,801,099	\$ 5,311,919	\$ 405,057	\$ 189,542	\$ 594,599	\$ 5,906,518
Salaries, clients	283,062	-	-	283,062	-	-	-	283,062
Employee benefits	311,929	24,847	262,757	599,533	59,179	15,873	75,052	674,585
Payroll taxes	245,624	16,023	275,227	536,874	29,081	15,249	44,330	581,204
	<u>3,177,990</u>	<u>214,315</u>	<u>3,339,083</u>	<u>6,731,388</u>	<u>493,317</u>	<u>220,664</u>	<u>713,981</u>	<u>7,445,369</u>
Vehicle expenses	217,357	88,643	127	306,127	5,286	-	5,286	311,413
Supplies	178,698	4,725	57,450	240,873	40,700	14,536	55,236	296,109
Marketing	17,250	909	7,055	25,214	4,783	226,706	231,489	256,703
Rent	131,584	13,771	35,039	180,394	11,496	4,407	15,903	196,297
Professional fees	63,000	7,871	44,677	115,548	32,987	3,926	36,913	152,461
Travel and transportation	45,704	1	82,831	128,536	771	222	993	129,529
Telephone and data	56,341	2,906	58,906	118,153	5,009	1,975	6,984	125,137
Insurance	59,011	6,533	30,240	95,784	5,606	2,803	8,409	104,193
Repairs and maintenance	28,079	3,562	13,343	44,984	3,287	3,243	6,530	51,514
Training and conference	16,811	57	13,661	30,529	9,791	3,821	13,612	44,141
Utilities	18,092	1,922	12,101	32,115	1,707	926	2,633	34,748
Other	14,345	1,153	2,291	17,789	8,197	8,026	16,223	34,012
Postage and copying	2,565	276	1,394	4,235	435	6,269	6,704	10,939
	<u>848,837</u>	<u>132,329</u>	<u>359,115</u>	<u>1,340,281</u>	<u>130,055</u>	<u>276,860</u>	<u>406,915</u>	<u>1,747,196</u>
Depreciation and amortization	168,350	19,388	74,772	262,510	19,924	3,300	23,224	285,734
Total	<u>\$ 4,195,177</u>	<u>\$ 366,032</u>	<u>\$ 3,772,970</u>	<u>\$ 8,334,179</u>	<u>\$ 643,296</u>	<u>\$ 500,824</u>	<u>\$ 1,144,120</u>	<u>\$ 9,478,299</u>

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	7,010	4,883	11,893	30,843
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>139,798</u>	<u>138,733</u>	<u>278,531</u>	<u>1,469,686</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>\$ 886,502</u>	<u>\$ 385,889</u>	<u>\$ 1,272,391</u>	<u>\$ 10,714,258</u>

See accompanying Notes to Financial Statements.

Becoming Independent

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Increase in net assets	\$ 5,756,891	\$ 8,004,975
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	285,734	369,397
Amortization of bond issuance costs	-	15,184
Reinvested interest and dividend income	(87,967)	-
Net realized and unrealized loss (gain)	606,353	(381,639)
Government loan forgiveness	-	(2,071,204)
Loss (gain) on disposal of assets	193,201	(1,604,349)
Decrease (increase) in operating assets:		
Accounts receivable	92,933	(52,711)
Prepaid expenses and other current assets	61,519	113,335
Pledges receivable	(252,069)	-
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(8,251)	(19,819)
Net cash and cash equivalents provided by operating activities	<u>6,648,344</u>	<u>4,373,169</u>
Cash flows from investing activities		
Proceeds from sale of property	-	2,673,796
Proceeds from sale of investment securities	4,663,411	964,365
Purchases of investment securities	(6,968,778)	(1,186,269)
Acquisition of property, equipment and improvements	(6,033,445)	(482,220)
Increase in other noncurrent assets	<u>3,257</u>	<u>(1,084)</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>(8,335,555)</u>	<u>1,968,588</u>
Cash flows from financing activities		
Principal payments on notes payable	<u>-</u>	<u>(2,710,000)</u>
Net cash and cash equivalents used in financing activities	<u>-</u>	<u>(2,710,000)</u>
Net increase (decrease) in cash and cash equivalents	(1,687,211)	3,631,757
Cash and cash equivalents at beginning of year	<u>9,472,844</u>	<u>5,841,087</u>
Cash and cash equivalents at end of year	<u>\$ 7,785,633</u>	<u>\$ 9,472,844</u>

continued on next page

See accompanying Notes to Financial Statements.

Becoming Independent

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

continued from previous page

	<u>2022</u>	<u>2021</u>
Supplemental cash flow information		
Cash paid for interest	\$ -	\$ 97,259
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, 2022 and 2021

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 and Changes in Net Assets 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 are realized when a fee for service arrangement exists, services have been provided, and the fee is determinable and collectable.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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.

Verifiable pledges of unconditional contributions are recorded as pledges receivable and are recognized as support in the year such pledges are made by the donor. Pledges that are expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue in the Statements of Activities and Changes in Net Assets. The Organization uses the allowance method to reserve for uncollectable accounts. Management periodically evaluates the allowance. As of June 30, 2022 and 2021, Management expects all pledges receivable to be collected.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value on the 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 the 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 uncollectable. 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, 2022 and 2021, accounts receivable are presented net of an allowance for doubtful accounts in the amount of \$1,500.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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 three to forty 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, fixtures, and improvements at costs greater than \$2,500.

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 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, 2022 and 2021.

Investments

Investments consist of marketable securities, fixed income, equity and bond mutual funds, and 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, 2022 and 2021

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, 2022 and 2021

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, 2022, 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.

Accounting Pronouncements Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("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 Organization adopted ASU 2020-07 on July 1, 2021. There were no changes to the previously stated net assets upon adoption.

Pronouncements Effective in the Future

In February 2016, the FASB issued 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.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Note 2. Significant Accounting Policies, *continued*

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,785,633	\$ 9,472,844
Accounts receivable	<u>1,319,551</u>	<u>1,160,415</u>
Total financial assets at year end	9,105,184	10,633,259
Less those unavailable for general expenditures within one year due to:		
Donor restricted funds	<u>(696)</u>	<u>(342,616)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,104,488</u>	<u>\$ 10,290,643</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>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Fixed income mutual funds	\$ 93,093	\$ 106,327	\$ 228,889	\$ 228,087
Equity mutual funds	2,918,582	3,039,167	1,126,260	833,957
Bond mutual funds	779,830	878,662	544,997	514,639
Marketable securities	464,658	494,930	566,730	421,608
Certificates of deposit	<u>29,817</u>	<u>30,000</u>	<u>32,123</u>	<u>30,000</u>
	<u>\$ 4,285,980</u>	<u>\$ 4,549,086</u>	<u>\$ 2,498,999</u>	<u>\$ 2,028,291</u>

Becoming Independent

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 4. Investments, *continued*

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 96,172	\$ 48,234
Realized gains (losses)	135,371	133,819
Unrealized gains (losses)	(741,724)	247,820
Investment fees	<u>(23,140)</u>	<u>(17,116)</u>
	<u>\$ (533,321)</u>	<u>\$ 412,757</u>

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>2022</u>	<u>2021</u>
Buildings and improvements	\$ 2,401,639	\$ 3,625,801
Vehicles	1,674,463	1,763,960
Furniture and equipment	515,855	630,469
Leasehold improvements	<u>33,250</u>	<u>33,250</u>
Depreciable assets	4,625,207	6,053,480
Accumulated depreciation	<u>(3,089,552)</u>	<u>(4,092,026)</u>
	1,535,655	1,961,454
Construction in progress	6,227,994	247,685
Land	<u>1,935,000</u>	<u>1,935,000</u>
	<u>\$ 9,698,649</u>	<u>\$ 4,144,139</u>

Depreciation amounted to \$285,734 and \$369,397 for the years ended June 30, 2022 and 2021, respectively.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Note 6. Net Assets with Donor Restrictions

As of June 30, 2022 and 2021, net assets with donor restrictions consisted of assets for specific purposes in the amounts of \$696 and \$342,616, respectively, and both years were included in investments on the Statements of Financial Position.

Net assets released from program restrictions amounted to \$3,086,788 and \$717,006 during the years ended June 30, 2022 and 2021, respectively.

Note 7. Lease Commitments

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 2022 through August 2026 and require minimum monthly payments of approximately \$12,000 as of June 30, 2022.

The following is a schedule of minimum payments required under non-cancelable operating leases as of June 30, 2022 for future years ending June 30:

2023	\$	106,045
2024		76,971
2025		76,971
2026		12,829
		<hr/>
	\$	272,816

Rental expense under non-cancelable operating lease agreements totaled \$163,594 and \$57,478 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Insurance Settlement

During the year ended June 30, 2022, BI received proceeds from an insurance settlement for losses incurred due to theft of vehicle parts. The settlement provided BI with proceeds in the amount of \$6,154. The proceeds were used to cover the replacement of the stolen parts in the amount of \$8,204. The net insurance settlement expenses were included in the loss on disposal of assets, net as presented on the Statement of Activities and Changes in Net Assets.

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 included in the other income as presented on the Statement of Activities and Changes in Net Assets.

Becoming Independent

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

Note 9. 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 two years of service. BI's matching contributions totaled \$78,705 and \$91,384 for the years ended June 30, 2022 and 2021, respectively.

Note 10. Concentrations

Cash and Cash Equivalents

At various times during the years ended June 30, 2022 and 2021, 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 \$7,397,000 and \$9,173,000 on deposit in excess of the FDIC insured amount at June 30, 2022 and 2021, respectively.

Significant Revenue Sources

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

	<u>2022</u>	<u>2021</u>
North Bay Regional Center	75%	72%
Santa Rosa Junior College	3%	3%

Accounts receivable include \$992,094 and \$1,085,023 from these sources at June 30, 2022 and 2021, respectively. The service contracts with these agencies are renewed periodically, ranging from every year to every five years.

Note 11. Disposal of Assets 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 Organization had a note payable to a trust related to the property sold. Proceeds from the sale paid off the note payable balance of \$2,710,000.

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 disposal of assets, net as presented on the Statements of Activities and Changes in Net Assets.

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Note 12. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2022 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Auction items and experiences	\$ 35,596	Fundraising event	Fundraising event for capital campaign	Value determined by donor description and readily available retail market value.
Food and beverages	12,079	Fundraising event	Fundraising event for capital campaign	Value determined by readily available retail market value.
Rentals	11,481	Fundraising event	No associated donor restrictions	Value determined by regular market rate for the items rented.
Professional services	7,000	Fundraising event	No associated donor restrictions	Determined by the regular market rate for the services provided.
Vehicle	5,000	Meals on Wheels	No associated donor restrictions	Value determined by Kelly Blue Book.
Supplies	2,501	Art Program	Art Program	Supplies were valued at readily available retail market value.
	<u>\$ 73,657</u>			

Becoming Independent

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Note 12 Contribution of Nonfinancial Assets, *continued*

Contributions of nonfinancial assets recognized in the Statements of Activities and Changes in Net Assets as of June 30, 2021 included:

<u>Category</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs or Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques</u>
Auction items and experiences	\$ 12,228	Fundraising event	Fundraising event for capital campaign	Value determined by donor description and readily available retail market value.
Supplies	4,678	Art Program	Art Program	Supplies were valued at readily available retail market value.
Professional services	3,669	Fundraising event	Fundraising event for capital campaign	Determined by the regular market rate for the services provided.
Food and beverages	1,515	Fundraising event	Fundraising event for capital campaign	Value determined by readily available retail market value.
Rentals	1,100	Fundraising event	Fundraising event for capital campaign	Value determined by regular market rate for the items rented.
	<u>\$ 23,190</u>			

Note 13. Subsequent Events

The Organization evaluated subsequent events from July 01, 2022 through October 24, 2022, the date which the financial statements were available to be issued, and determined there are no material subsequent events that required recognition or additional disclosure in these financial statements.