Las Trampas School, Inc.

Financial Statements

For the years ended
June 30, 2019 and 2018
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)
June 30, 2019 and 2018

Mission

Las Trampas supports adults with developmental disabilities to discover their capabilities and to lead full lives in their home, at work, and in the community.

History

Las Trampas has a longstanding, rich history of providing services to people with developmental disabilities and their families. Founded in 1958 as a non-profit residential school by parents, family, and community members, Las Trampas School, Inc. provided on-site residential and educational services to children with developmental disabilities. The school was named for the creek that runs through the beautiful, three-and-a-half acre property in Lafayette, California. As the children grew into adulthood along with progressive changes in service provisions, Las Trampas changed its mission to provide services to adults with developmental disabilities.

Currently, Las Trampas provides day program educational and vocational services, residential services, supported and Independent living services throughout the communities of Lafayette, Concord, Pleasant Hill, and Walnut Creek, California. These services include:

- ADP Adult Development Program
- ARM Adult Residential Model
- SLS Supported Living Services
- ILS Independent Living Services

Philosophy

It is the philosophy of Las Trampas that all persons with developmental disabilities are entitled to develop their optimum state of social, physical, and mental well-being, and share an integrated lifestyle similar to what non-disabled persons enjoy.

Skills Training Methodologies

Las Trampas strives to provide the highest quality of services for adults with developmental disabilities by employing evidence-based teaching methods and curriculums that meet the training needs of the individuals served by the agency. Las Trampas provides training opportunities both on-site and in the community. On-site skills training includes simulated practice of the skills learned. However, Las Trampas believes that the best learning opportunities happen in community settings where the learned skills can be utilized in real-world settings, the settings where the individuals will be expected to employ the skills learned.

Board of Directors and Executive Management as of June 30, 2019

Name	Position	Name	Position
Charles Henry	President	Elizabeth DeForest	Director
Michael Collier	1st Vice President	Claude Garbarino	Director
Julie Seelen	Treasurer	Diego Guerrero	Director
Peter Jurichko	Secretary	Matthew Landon	Director
Charles Ashworth	Director	Terrance Murray	Director
Keira Leilani Brown	Director	Miriam Scholes	Director

Daniel L. Hogue, M.S.
Executive Director

(A California Not-for-Profit Corporation)

June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Las Trampas School, Inc.

We have audited the accompanying financial statements of Las Trampas School, Inc. (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Las Trampas School, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
We have previously audited Las Trampas School, Inc.'s June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

Danville, California
December 31, 2019

Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Current Assets:		
Cash and cash equivalents	$ 690,599	$ 819,491
Accounts receivable	417,059	466,708
Grants and pledges receivable	640,716	82,200
Prepaid expenses and deposits	80,020	91,965
Total current assets	1,828,394	1,460,364
Noncurrent Assets:		
Investments	6,539,976	6,042,266
Right of use asset - equipment	74,429	-
Property and equipment, net	2,004,115	1,637,862
Total noncurrent assets	8,618,520	7,680,128
Total assets	$ 10,446,914	$ 9,140,492

Liabilities and Net Assets

	2019	2018
Current Liabilities:		
Accounts payable	$ 66,601	$ 54,407
Accrued expenses	287,995	286,425
Operating lease payable - current portion	15,189	-
Notes and leases payable - current	108,420	114,463
Total current liabilities	478,205	455,295
Noncurrent Liabilities:		
Operating lease payable - noncurrent portion	59,240	-
Notes and leases payable - long term	296,453	303,292
Total long-term liabilities	355,693	303,292
Total liabilities	833,898	758,587
Net Assets:		
Without donor restrictions:		
Operating	2,850,945	2,870,248
Board-designated for property and equipment	2,004,115	1,637,862
Board-designated for endowment	2,038,901	1,934,966
Total without donor restrictions	6,893,961	6,443,076
With donor restrictions	2,719,055	1,938,829
Total net assets	9,613,016	8,381,905
Total liabilities and net assets	$ 10,446,914	$ 9,140,492

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019
(with Summarized Financial Information for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Operating revenue and contributed support:				
Operating revenue:				
Tuition and fees	$ 5,306,659	$ -	**$ 5,306,659**	$ 5,505,904
Rent	49,824	-	**49,824**	49,824
Contracts	6,215	-	**6,215**	8,640
Interest and dividends	119,217	-	**119,217**	93,457
Unrealized investment gains	153,313	-	**153,313**	225,866
Gain on sale of property	-	-	**-**	618,800
Other revenue	40,148	-	**40,148**	2,946
Total operating revenue	5,675,376	-	**5,675,376**	6,505,437
Contributed support:				
Contributions	237,445	-	**237,445**	142,034
Grants	-	1,266,668	**1,266,668**	383,093
Fundraising events	195,096	-	**195,096**	126,714
In Kind Contributions	5,100	-	**5,100**	12,693
Total contributed support	437,641	1,266,668	**1,704,309**	664,534
Net assets released from restrictions:				
Program restrictions	109,798	(109,798)	**-**	-
Capital campaign	376,644	(376,644)	**-**	-
Subtotal	486,442	(486,442)	**-**	-
Total contributed support and revenue	6,599,459	780,226	**7,379,685**	7,169,971
Expenses:				
Program services	5,212,872	-	**5,212,872**	4,901,474
General and administrative	756,587	-	**756,587**	747,753
Fundraising	179,115	-	**179,115**	202,745
Total expenses	6,148,574	-	**6,148,574**	5,851,972
Increase in net assets	450,885	780,226	**1,231,111**	1,317,999
Net assets at beginning of year	6,443,076	1,938,829	**8,381,905**	7,063,906
Net assets at end of year	$ 6,893,961	$ 2,719,055	**$ 9,613,016**	$ 8,381,905

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	$ 1,231,111	$ 1,317,999
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,389	127,245
Unrealized losses gains in investments	(153,313)	(225,866)
Reinvested interest and dividends	(119,217)	(93,457)
Changes in:		
Accounts receivable	49,649	9,883
Grants and pledges receivable	(558,516)	21,900
Prepaid expenses and deposits	11,945	(20,050)
Accounts payable	12,194	13,224
Accrued expenses	1,570	8,968
Net cash provided by operating activities	594,812	1,159,846
Cash flows from investing activities:		
Acquisition of property and equipment	(485,642)	60,678
Acquisition of investments, net	(225,180)	(2,087,237)
Net cash used for investing activities	(710,822)	(2,026,559)
Cash flows from financing activities:		
Accrual of interest related to notes payable	1,998	51,582
Principal payments under notes and leases payable	(14,880)	(16,041)
Net cash provided by (used for) financing activities	(12,882)	35,541
Decrease in cash and cash equivalents	(128,892)	(831,172)
Cash and cash equivalents at beginning of year	819,491	1,650,663
Cash and cash equivalents at end of year	$ 690,599	$ 819,491
Supplemental Disclosures:		
Interest paid	$ 3,687	$ 54,360
State registration taxes paid	$ 150	$ 150

Statement of Functional Expenses
For the Year Ended June 30, 2019
(with Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services				Supporting Services			Totals	
	Residential Homes	Independent and Supported Living	Day Programs	Program	Management and General	Fundraising	Total Supporting Services	2019	2018
Salaries and benefits	$ 1,694,480	$ 1,800,785	$ 877,686	$ 4,372,951	$ 504,920	$ 90,427	$ 595,347	**$ 4,968,298**	$ 4,842,293
Program consultants	173,670	46	27,742	201,458	-	2,000	2,000	**203,458**	134,800
Total salaries and related costs	1,868,150	1,800,831	905,428	4,574,409	504,920	92,427	597,347	**5,171,756**	4,977,093
Conferences and dues	601	813	1,890	3,304	5,054	3,859	8,913	**12,217**	6,043
Event expense	-	-	-	-	-	1,092	1,092	**1,092**	36,160
Food	51,929	386	-	52,315	-	-	-	**52,315**	55,213
Insurance	24,543	25,105	15,188	64,836	4,821	1,294	6,115	**70,951**	65,474
Janitorial supplies	3,978	174	1,993	6,145	66	26	92	**6,237**	7,043
Office and administrative	17,096	1,548	10,832	29,476	23,704	45,109	68,813	**98,289**	109,758
Professional services	3,808	14,775	84,354	102,937	131,979	27,384	159,363	**262,300**	174,662
Program costs	12,405	5,202	10,888	28,495	-	-	-	**28,495**	26,742
Repairs and maintenance	57,322	705	26,426	84,453	36,108	484	36,592	**121,045**	69,943
Supplies and services	9,393	2,793	8,584	20,770	3,796	3,574	7,370	**28,140**	24,600
Travel and auto	10,277	20,550	24,787	55,614	3,751	244	3,995	**59,609**	51,126
Utilities and telephone	44,741	11,363	41,638	97,742	15,375	3,622	18,997	**116,739**	120,870
Total expenses before depreciation and capital campaign	2,104,243	1,884,245	1,132,008	5,120,496	729,574	179,115	908,689	**6,029,185**	5,724,727
Depreciation	72,799	-	19,577	92,376	27,013	-	27,013	**119,389**	127,245
Total expenses	$ 2,177,042	$ 1,884,245	$ 1,151,585	$ 5,212,872	$ 756,587	$ 179,115	$ 935,702	**$ 6,148,574**	$ 5,851,972

1. Organization

Las Trampas School, Inc. (the School) was established as a California nonprofit corporation in 1958 to provide assistance to children and adults whose abilities are impaired due to mental or neurological deficiencies. The purpose of the School is to train, educate, and socially adjust these individuals to further condition of normal life, to help them develop suitable skills and occupational activities to the extent that they are able, and to organize social and recreational activities for the benefit of each individual.

Nature of Activities
The following four programs are included in the accompanying financial statements:

- Residential Homes (ARM) – Program is funded by California statute and provides licensed board and care of four residential homes for developmentally disabled individuals. There are 24 consumers residing in the homes.

- Supported Living (SLS) – Program is funded by a contract with the Regional Center of the East Bay (RCEB) to support developmentally disabled individuals in their own residences. There are 20 consumers participating in this program.

- Day Program (ADP) – Program is funded by California statute and provides a program for approximately 70 individuals with more developmental challenges than the other programs and for consumers who are non-ambulatory and non-verbal.

- Independent-Living Services (ILS) – Program is funded by a contract with RCEB. This program is designed to support developmentally disabled individuals who are able to live in the community with minimum staff supervision. The School helps the individuals learn a particular skill such as budgeting, menu planning, or keeping medical appointments. During the fiscal year ended June 30, 2019, the School served 17 individuals participating in the ILS program.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the School have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the School's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – The School's cash consists of cash on deposit with banks. Cash equivalents represent savings, cash deposits and money market accounts with maturity dates of three months or less from the date of inception.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Concentrations of Credit Risk – Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalents and deposits. The School maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The School manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, the School has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of The School's mission.

Investments – The School follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities for Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the School could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2019 and 2018. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets. In accordance with ASC 958.320, the recorded amounts of all investments are adjusted annually to reflect current market values.

Receivables and Credit Policies – The School determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Accounts, Grants and Pledges Receivable – The School records accounts, grants and pledges receivable which are expected to be collected within one year at net realizable value. When material, grants and pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue on the statement of activities. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The School groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Property and Equipment - Property and equipment purchased by the School are stated at cost or, if donated, at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between 3 and 35 years) utilizing the straight-line method.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes – The School is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The School has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The School Fund has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, and it has opted to do so as of June 30, 2019.

Net Assets With Donor Restrictions
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

(continued)

2. Summary of Significant Accounting Policies (*continued*)

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using the School's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017 and 2018:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2018, but the School has elected early implementation.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Recent and Relevant Accounting Pronouncements *(continued)*

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of December 31, 2019 (the date of the Independent Auditors' Report), the School management has made this evaluation and has determined that the School has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958)* – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, the School has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of three months or less. The components of cash and cash equivalents are as follows at June 30, 2019 and 2018:

	2019	2018
Checking (noninterest-bearing)	**$ 305,923**	$ 399,755
Money market and other deposits (interest-bearing)	**142,050**	168,784
Restricted for capital campaign (interest-bearing)	**226,675**	227,147
Restricted cash for individual client expenses (noninterest-bearing)	**15,951**	23,805
Total cash and cash equivalents	**$ 690,599**	$ 819,491

The School attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. Funds in money market and other deposit accounts earn interest at rates ranging from 0.15% per annum to 1.84% per annum at June 30, 2019 and 2018.

(continued)

4. Accounts, Grants and Pledges Receivables

Grants, pledges and accounts receivable of $1,057,776 and $548,908 at June 30, 2019 and 2018 respectively, represents amounts billed for tuition, rent and other program services and are generally due within 30 days.

5. Investments and Endowment

Investments consist of the following at June 30, 2019 and 2018:

	2019	2018
Money market and certificate of deposit accounts	**$ 448,368**	$ 1,656,766
Mutual Funds:		
Large Cap	**848,893**	832,169
Mid-Cap	**482,971**	455,348
Short-Term Income	**1,463,943**	1,422,999
Intermediate	**778,345**	739,378
Treasury bills	**2,168,784**	599,508
Multisector	**89,704**	91,833
Small Cap	**258,968**	244,265
Total investments	**$ 6,539,976**	$ 6,042,266

Investments by net asset classification are summarized as follows at June 30, 2019:

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	Perpetual In Nature	Total
Money market and deposit accounts	$ 136,758	$ 311,610	$ -	**$ 448,368**
Mutual Funds	4,577,753	1,464,355	49,500	**6,091,608**
Totals as of June 30, 2019	$ 4,714,511	$ 1,775,965	$ 49,500	**$ 6,539,976**

Investments by net asset classification are summarized as follows at June 30, 2018:

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	Perpetual In Nature	Total
Money market and deposit accounts	$ 29,823	$ 76,943	$ -	**$ 106,766**
Mutual Funds	5,886,000	-	49,500	**5,935,500**
Totals as of June 30, 2018	$ 5,915,823	$ 76,943	$ 49,500	**$ 6,042,266**

(continued)

5. Investments and Endowment *(continued)*

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: Perpetual In Nature	Total
Endowment net assets-June 30, 2017	$ 1,729,329	$ 39,716	$ 49,500	$ 1,818,545
Investment income	37,794	55,663	-	93,457
Net unrealized gains	97,173	128,693	-	225,866
Reclassifications	(6,273)	(147,129)	-	(153,402)
Endowment net assets-June 30, 2018	$ 1,858,023	$ 76,943	$ 49,500	$ 1,984,466
Investment income	44,281	74,936	-	**119,217**
Net unrealized gains	104,967	48,346	-	**153,313**
Reclassifications	(100,903)	(67,693)	-	**(168,596)**
Endowment net assets-June 30, 2019	**$ 1,906,368**	**$ 132,532**	**$ 49,500**	**$ 2,088,400**

During the years ended June 30, 2019 and 2018, earnings on investments were reinvested. Investment income consists of interest and dividends and amounted to $119,217 and $93,457 for the years ended June 30, 2019 and 2018, respectively. Net unrealized gains amounted to $153,313 and $225,866 for the years ended June 30, 2019 and 2018, respectively.

Endowment net asset composition by type of fund is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions: Time and Purpose	With Donor Restrictions: Perpetual In Nature	Total
As of June 30, 2019:				
Donor-restricted endowment funds	**$ -**	**$ -**	**$ 49,500**	**$ 49,500**
Board-designated endowment funds	**1,906,368**	**132,532**	**-**	**2,038,900**
Totals as of June 30, 2019	**$ 1,906,368**	**$ 132,532**	**$ 49,500**	**$ 2,088,400**
As of June 30, 2018:				
Donor-restricted endowment funds	$ -	$ -	$ 49,500	$ 49,500
Board-designated endowment funds	1,858,023	76,943	-	1,934,966
Totals as of June 30, 2018	$ 1,858,023	$ 76,943	$ 49,500	$ 1,984,466

The School's Finance Committee has the responsibility for establishing the School's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters. The Committee routinely oversees investment performances and reviews cash flows necessary to sustain the School's operating activities.

(continued)

5. Investments and Endowment *(continued)*

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the School to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there are no deficiencies of this nature that are required to be reported in unrestricted net assets at June 30, 2019 and 2018. Such future deficiencies could result from unfavorable market fluctuations occurring after the investment of new restricted contributions and continued appropriation for certain programs which are deemed prudent by the Board of Directors. The School's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of the School's management. Deficiencies of this nature are reported in unrestricted net assets.

Return Objectives and Risk Parameters
The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Finance Committee and the Board of Directors, the endowment assets are invested in a manner that is intended to (1) produce results that approximate the price and yield results of the general market conditions (2) subject the School to a moderate level of investment risk and (c) maintain sufficient liquidity to meet planned expenditures.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments (mutual funds) to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
In accordance with the State of California’s enacted version of UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) The duration and preservation of the fund, (b) The purposes of the School and the endowment funds, (c) General economic conditions, (d) The possible effect of inflation and deflation, (e) The expected total return from income and the appreciation of investments, (f) Other resources of the School, and (g) The investment policies of the School.

In accordance with this policy, the School reflected appropriations (and thus transferred funds out of investments and into its general checking account) of $87,847 and $80,341 during the years ended June 30, 2019 and 2018, respectively. Over the long term, the School expects the current spending policy to allow its endowment fund assets to grow at a moderate rate annually. This is consistent with the School’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments:				
Money market and deposit accounts	$ 448,369	$ 448,369	$ -	$ -
Mutual funds	6,091,608	6,091,608		
Accounts receivable	417,059	-	417,059	-
Grants and pledges receivable	640,716	-	640,716	-
Totals	$ 7,597,752	$ 6,539,977	$ 1,057,775	$ -

Composition of assets utilizing fair value measurements at June 30, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments:				
Money market and deposit accounts	$ 1,656,766	$ 1,656,766	$ -	$ -
Mutual funds	4,385,500	4,385,500	-	-
Accounts receivable	466,708	-	466,708	-
Grants and pledges receivable	82,200	-	82,200	-
Totals	$ 6,591,174	$ 6,042,266	$ 548,908	$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs," such as a company’s own estimates and pricing models. The School had no assets classified as Level 3 at June 30, 2019 and 2018.

7. Liquidity

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. The School has various sources of liquidity at its disposal, including cash and equivalents, receivables, and other sources (including the future collection of grants and contributions receivable.) Additionally, the School has access to a $350,000 bank line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities in support of community initiatives to be general expenditures.

(continued)

7. Liquidity *(continued)*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 690,599
Investments	6,539,976
Accounts receivable	417,059
Pledges and grants receivable	640,716
Total financial assets	8,288,350
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	(2,669,555)
Financial assets available to meet general expenditures over the next year	$ 5,618,795

The School receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the School'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.

8. Property and Equipment

Property and equipment consist of the following at June 30, 2019 and 2018:

	2019	2018
Land	**$ 565,051**	$ 565,051
Building and improvements	**2,306,292**	2,306,292
Vehicles	**599,895**	514,899
Equipment	**365,947**	365,947
Construction in progress (capital campaign)	**672,112**	290,368
Total property and equipment	**4,509,297**	4,042,557
Less accumulated depreciation	**(2,505,182)**	(2,404,695)
Total property and equipment (net)	**$ 2,004,115**	$ 1,637,862

Total depreciation expense amounted to $119,389 and $127,245 for the years ended June 30, 2019 and 2018, respectively, and is reflected on the statement of functional expenses. During the year ended June 30, 2019, the School sold and disposed of two fully depreciation vehicles with original cost basis of $18,902. During the year ended June 30, 2018, the School sold partially depreciated real estate property (Stinson House) for $873,000 with original cost basis of $147,778 and accumulated depreciation of $80,462, resulting in a gain on sale of $618,800.

9. Notes and Leases Payable

Notes and leases payable are summarized as follows at June 30, 2019 and 2018:

		2019		2018
Lease payable to Satander Bank, bearing interest at the fixed rate of 7.433% per annum, secured by 2013 Ford E250 Mobility Van, payable in equal installments of $750 over 59 months, with a final maturity date of March 2019.	**$**	**-**	$	6,547
Lease payable to TCF Equipment Finance, bearing interest at the effective rate of 10.91% per annum, secured by 2016 Ford Transit T-150 Van, payable in equal installments of $816 over 60 months, with a final maturity date of August 2021.		**20,543**		28,876
Community Development Block Grant, bearing interest at the fixed rate of 0.0% per annum (as long as the School does not default under the terms of the loan agreement), secured by real property (Moraga campus), with a maturity date of April 2031.		**165,000**		165,000
Community Development Block Grant, bearing interest at the fixed rate of 4.0%, secured by real property ("Maureen House"), with a maturity date of November 2032. If the School continues to comply with the terms of the loan agreement, the loan and interest will be forgiven and recorded as revenue (debt forgiveness) on the maturity date.		**50,000**		50,000
Community Development Block Grant, bearing interest at the fixed rate of 4.0%, secured by real property ("Southwind House"), with a maturity date of September 2032. If the School continues to comply with the terms of the loan agreement, the loan and interest will be forgiven and recorded as revenue (debt forgiveness) on the maturity date.		**99,583**		99,583
Community Development Block Grant, bearing interest at fixed rate of 4.0%, secured by real property ("Sheila House"), with a final maturity date of August 2035. If the School continues to comply with the terms of the loan agreement, the loan and interest will be forgiven and recorded as revenue on the maturity date.		**69,747**		67,749
Total notes and leases payable		**404,873**		417,755
Less: notes and leases payable – current portion		**(108,420)**		(114,463)
Notes and leases payable – noncurrent portion	**$**	**296,453**	$	303,292

At June 30, 2019, principal payments under notes and leases payable over the next five years are as follows: $108,420 due during the year ending June 30, 2020; $9,374 due during the year ending June 30, 2021; $2,332 due during the year ending June 30, 2022; and $284,747 thereafter. Interest expense amounted to $3,687 and $54,360 for the years ended June 30, 2019 and 2018, respectively.

10. Right of Use Asset and Leases

Rent Expense
In accordance with *ASU 2016-02, Leases*, the School is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, the School has recorded a total lease liability in the amount of $74,429 for its equipment leases (split between current amount of $15,189 and noncurrent amount of $59,240) and a corresponding right of use asset in the amount of $74,430. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of June 30, 2019 was 4.0%.

As of June 30, 2019, the School leases equipment under multi-year operating leases with effective dates ranging from December 20, 2017 through February 20, 2024.

As of June 30, 2019, future minimum lease payments representing the amortized principal balance of the lease liability as of June 30, 2019 are as follows: Year ending June 30, 2020: $17,638; Year ending June 30, 2021: $17,638; Year ending June 30, 2022: $17,637; Year ending June 30, 2023: $17,383; and Year ending June 30, 2024: $11,080.

Rent expense for all leases amounted to $18,027 and $15,991 for the years ended June 30, 2019 and 2018, respectively.

Rent Income
The School leases its residential homes to consumers. These rental agreements are generally for one-year terms and are classified as operating leases. Rental revenue is reported as earned over the terms of the leases. Rental income amounted to $49,824 and $49,824 for the years ended June 30, 2019 and 2018, respectively. Future minimum rental payments to be received under these leases are summarized as follows at June 30, 2019: $6,900 due during the year ending June 30, 2020.

11. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, the School is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to $284,208 and $283,790 at June 30, 2019 and 2018, respectively, and are included with accrued payroll related expenses on the statement of financial position.

12. Bank Line of Credit

The School has a bank line of credit with Heritage Bank of Commerce to fund short-term operating needs. Outstanding balances are assessed a variable rate associated with the bank's index rate. There was no outstanding balance as of June 30, 2019 and 2018. The line of credit has a total available balance of $350,000 and, when utilized, is secured by certain assets and is subject to annual renewal conditions every December in accordance with the terms of the loan agreement. The bank line of credit was not utilized during the years ended June 30, 2019 and 2018 and there was no interest expense associated with the bank line of credit for the years ended June 30, 2019 and 2018.

13. Net Assets

Net Assets Without Donor Restrictions
Net assets without donor restrictions (previously unrestricted net assets) consist of the following at June 30:

	2019	2018
Unrestricted cumulative operating activities	**$ 2,869,847**	$ 2,870,354
Designated by the Board of Directors for property and equipment	**1,985,212**	1,637,862
Designated by the Board of Directors for endowment fund	**2,038,900**	1,934,966
Total unrestricted net assets	**$ 6,893,959**	$ 6,443,182

The Board of Directors may elect certain unrestricted balances to be set aside as Board-designated funds, with future changes subject to approval by the Board. Net assets without donor restrictions of $6,893,959 and $6,443,182 at June 30, 2019 and 2018, respectively, represent the cumulative retained surpluses since the organization's inception.

Net Assets with Donor Restrictions – Time and Purpose Restrictions
The School recognizes support from net assets with donor restrictions (previously temporarily restricted net assets) when the restrictions imposed by the donors have been satisfied or expired. Net assets restricted by donor for time and purpose are summarized as follows for the year ended June 30, 2019:

Restricted For:	Beginning	Additions	Transfers	Ending
ADP communications device	$ 8,324	$ 91,583	$ 94,403	**$ 5,504**
Capital campaign	1,859,347	1,158,640	376,644	**2,641,343**
Chef's Table	2,347	-	1,801	**546**
Maureen house	19	-	19	**-**
Share the Spirit	-	2,220	2,220	**-**
Sprinkler repair and irrigation	684	-	-	**684**
Supported living	103	400	49	**454**
Technology	1,030		267	**763**
Sheila house	6,458	8,000	4,163	**10,295**
Day program	2,500		2,500	**-**
Outings	8,518		2,458	**6,060**
Medical equipment	-	5,825	1,919	**3,906**
Totals	$ 1,889,330	$ 1,266,668	$ 486,443	**$ 2,669,555**

13. Net Assets *(continued)*

Net assets restricted by donor for time and purpose are summarized as follows for the year ended June 30, 2018:

Restricted For:	Beginning	Additions	Transfers	Ending
ADP communications device	$ 2,984	$ 6,403	$ 1,063	$ 8,324
Capital campaign	1,592,625	347,500	80,885	1,859,347
Chef's Table	3,319	-	972	2,347
Maureen house	19	-	-	19
Operations and other	930	3,040	3,970	-
Share the Spirit	-	2,250	2,250	-
Sprinkler repair and irrigation	934	-	250	684
Supported living	1,327	-	1,224	103
Technology	1,006	900	876	1,030
Sheila house	-	8,500	2,0042	6,458
Day program	-	4,500	2,000	2,500
Outings	-	10,000	1,482	8,518
Totals	$ 1,603,144	$ 383,093	$ 97,014	$ 1,889,223

During the years ended June 30, 2019 and 2018, the School received donor restricted contributions of $1,266,668 and $383,093, respectively. Net assets released from restrictions amounted to $486,443 and $97,014 during the years ended June 30, 2019 and 2018, respectively.

Net Assets with Donor Restrictions – Restrictions in Perpetuity

Net assets with donor restrictions, restrictions in perpetuity, consist of the following at June 30, 2019 and 2018:

	2019	2018
Gifts received and restricted for endowment programs	**$ 49,500**	$ 49,500

There were no contributions to net assets with donor restrictions, restrictions in perpetuity, during the years ended June 30, 2019 or 2018. All of the endowment funds represent donor contributions that are subject to restrictions of gift instruments requiring that the principal balances be maintained in perpetuity. The School is permitted to utilize all earnings from investments classified as donor restricted in perpetuity through an appropriation process under UPMIFA guidelines.

14. In-Kind Contributions

The School received pro-bono services amounting to $5,100 and $12,693 for the years ended June 30, 2019 and 2018, respectively. The values of these contributions met the criteria for recognition under *ASC 958.605.30-11 Revenue Recognition of Not-For-Profit Entities* and are reflected in the financial statements on the statement of activities and changes in net assets.

15. Government Contracts and Concentration Vulnerability

For the years ended June 30, 2019 and 2018, the School received $5,206,819 and $5,394,354, respectively, from RCEB, representing approximately 79% and 78%, respectively, of the School's total operating revenue. As of June 30, 2019 and 2018, the School reflected accounts receivable due from RCEB totaling $417,059 and $466,708, respectively. With respect to its funding agreement with RCEB, the contract states that not more than 15 percent of Regional Center funds can be spent on administrative costs. For the years ended June 30, 2019 and 2018, administrative costs as a percentage of total expenses amounted to 12.31% and 12.78%, respectively. Consequently, the ability of the School to sustain itself is vulnerable to the continued funding represented by these government contracts and presents a concentration vulnerability.

16. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate the School to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the School's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

17. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the School has evaluated subsequent events through December 31, 2019, the date the financial statements were available to be issued. Subsequent to June 30, 2019:

(a) The School entered into a $4,000,000 construction loan agreement with California Bank to provide financing for the construction of its facilities, and
(b) The School sold three of its houses (Southwind, Kauri and Hamilton).

In the opinion of management, there are no other subsequent events which need to be disclosed.