Las Trampas School, Inc.

Financial Statements

For the years ended
June 30, 2021 and 2020
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)
June 30, 2021 and 2020

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, 2021

Name	Position	Name	Position
Michael Collier	President	Gary Hall	Director
Miriam Scholes	1st Vice President	Keira Leilani Brown	Director
Diego Guerrero	Treasurer	Bob Damaschino	Director
Peter Jurichko	Secretary	Christian Chan	Director
		Claude Garbarino	Director
Laura Altieri	Director	Sarah Edinger-Gomez	Director
Jelani Johnson	Director	Terrance Murray	Director
Janine Bogart	Director	Dawn Knight	Director

Daniel L. Hogue, M.S.
Executive Director

(A California Not-for-Profit Corporation)

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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, 2021 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.

Auditors' 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 auditors' 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

Danville, California
March 1, 2022

Statements of Financial Position
June 30, 2021 and 2020

Assets

	2021	2020
Current Assets:		
Cash and cash equivalents	$ 2,641,855	$ 2,159,130
Accounts receivable	216,140	683,876
Grants and pledges receivable	762,942	608,214
Prepaid expenses and other assets	435,981	385,720
Total current assets	4,056,918	3,836,940
Noncurrent Assets:		
Investments	3,769,623	6,549,218
Right of use asset - equipment	44,089	59,440
Loan origination cost, net	40,000	40,000
Property and equipment, net	9,433,337	3,673,899
Total noncurrent assets	13,287,049	10,322,557
Total assets	$ 17,343,967	$ 14,159,497

Liabilities and Net Assets

	2021	2020
Current Liabilities:		
Accounts payable	$ 1,079,403	$ 857,415
Accrued expenses	375,617	391,387
Operating lease payable - current	16,585	15,751
Notes and leases payable - current	10,195	16,870
Refundable advance	755,667	755,667
Total current liabilities	2,237,467	2,037,090
Noncurrent Liabilities:		
Operating lease payable - noncurrent	27,504	43,689
Construction loan	-	40,000
Notes and leases payable - noncurrent	312,790	321,638
Total long-term liabilities	340,294	405,327
Total liabilities	2,577,761	2,442,417
Net Assets:		
Without donor restrictions:		
Operating	2,548,044	5,520,774
Board-designated for property and equipment	9,433,337	3,673,899
Board-designated for endowment	2,716,545	2,120,071
Total without donor restrictions	14,697,926	11,314,744
With donor restrictions	68,280	402,336
Total net assets	14,766,206	11,717,080
Total liabilities and net assets	$ 17,343,967	$ 14,159,497

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

(with Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Operating revenue and contributed support:				
Operating revenue:				
Rent	$ 26,400	$ -	**$ 26,400**	$ 28,352
Contracts	-	-	**-**	4,995
Interest and dividends	93,352	-	**93,352**	116,244
Realized and unrealized investment gains	980,259	-	**980,259**	97,769
Gain on sale of property	-	-	**-**	1,776,036
Forgiveness of debt	-	-	**-**	52,000
Other revenue	49,635	-	**49,635**	27,662
Total operating revenue	1,149,646	-	**1,149,646**	2,103,058
Contributed support:				
Contributions	192,322.00	1,739,859.00	**1,932,181.00**	792,188.00
Grants from RCEB for tuition	6,193,718.00	-	**6,193,718.00**	5,185,553.00
Grants from RCEB for bussing	73,241.00	-	**73,241.00**	90,924.00
Fundraising events	1,600.00	-	**1,600.00**	44,462.00
In-kind contributions	14,305.00	-	**14,305.00**	13,550.00
Total contributed support	6,475,186.00	1,739,859.00	**8,215,045.00**	6,126,677.00
Net assets released from restrictions:				
Program restrictions	251,395.00	(251,395.00)	**-**	-
Capital campaign	1,822,520.00	(1,822,520.00)	**-**	-
Subtotal	2,073,915	(2,073,915)	**-**	-
Total contributed support and revenue	9,698,747	(334,056)	**9,364,691**	8,229,735
Expenses:				
Program services	5,147,237	-	**5,147,237**	5,006,079
General and administrative	915,743	-	**915,743**	867,323
Fundraising	252,585	-	**252,585**	252,269
Total expenses	6,315,565	-	**6,315,565**	6,125,671
Increase (decrease) in net assets	3,383,182	(334,056)	**3,049,126**	2,104,064
Net assets at beginning of year	11,314,744	402,336	**11,717,080**	9,613,016
Net assets at end of year	$ 14,697,926	$ 68,280	**$ 14,766,206**	$ 11,717,080

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	**$ 3,049,126**	$ 2,104,064
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**293,528**	213,924
Realized and unrealized investment gains	**(980,259)**	(97,769)
Reinvested interest and dividends	**(93,352)**	(116,244)
Changes in:		
Accounts receivable	**467,736**	(266,817)
Grants and pledges receivable	**(154,728)**	32,502
Prepaid expenses and other assets	**(50,261)**	(305,700)
Right of use asset - equipment	**15,351**	14,989
Loan origination cost, net	**-**	(40,000)
Accounts payable	**221,988**	790,814
Accrued expenses	**(15,770)**	103,392
Refundable advance	**-**	755,667
Net cash provided by operating activities	**2,753,359**	3,188,822
Cash flows from investing activities:		
Acquisition of property and equipment	**(6,052,966)**	(1,883,708)
Disposition of investments, net	**3,853,206**	204,771
Net cash used for investing activities	**(2,199,760)**	(1,678,937)
Cash flows from financing activities:		
(Payments toward) proceeds from construction loan	**(40,000)**	40,000
Proceeds generated from new vehicle lease	**-**	44,704
Accrual of interest related to notes payable	**1,998**	4,415
Principal payments under loans and leases payable	**(32,872)**	(130,473)
Net cash used for financing activities	**(70,874)**	(41,354)
Increase in cash and cash equivalents	**482,725**	1,468,531
Cash and cash equivalents at beginning of year	**2,159,130**	690,599
Cash and cash equivalents at end of year	**$ 2,641,855**	$ 2,159,130
Supplemental Disclosures:		
Interest paid	**$ 4,653**	$ 6,719
State registration taxes paid	**$ 150**	$ 150

Statement of Functional Expenses
For the Year Ended June 30, 2021
(with Summarized Financial Information for the Year Ended June 30, 2020)

	Program Services				Supporting Services			Totals	
	Residential Homes	Independent and Supported Living	Day Programs	Total Program Services	General and Admin-istrative	Fundraising	Total Supporting Services	2021	2020
Salaries and benefits	$ 1,428,363	$ 2,227,848	$ 561,442	$ 4,217,653	$ 621,368	$ 198,203	$ 819,571	**$ 5,037,224**	$ 4,773,060
Program consultants	65,340	-	-	65,340	-	-	-	**65,340**	107,895
Total salaries and related costs	1,493,703	2,227,848	561,442	4,282,993	621,368	198,203	819,571	**5,102,564**	4,880,955
Conferences and dues	743	2,286	2,143	5,172	7,882	5,369	13,251	**18,423**	14,445
Food	28,934	1,520	-	30,454	-	-	-	**30,454**	27,086
Insurance	18,647	29,561	15,892	64,100	7,294	1,447	8,741	**72,841**	80,104
Janitorial supplies	6,485	2,315	1,114	9,914	5,852	103	5,955	**15,869**	7,569
Occupancy	10,000	20,000	167,500	197,500	37,500	15,000	52,500	**250,000**	208,333
Office and administrative	30,095	6,187	20,113	56,395	16,853	15,601	32,454	**88,849**	83,193
Professional services	31,627	26,157	4,124	61,908	145,923	8,659	154,582	**216,490**	325,183
Program costs	11,622	15,230	19,194	46,046	506	481	987	**47,033**	32,491
Repairs and maintenance	5,993	1,272	4,619	11,884	22,893	252	23,145	**35,029**	57,204
Supplies and services	4,879	1,583	3,405	9,867	4,788	1,398	6,186	**16,053**	19,578
Travel and auto	1,177	4,554	526	6,257	855	240	1,095	**7,352**	44,465
Utilities and telephone	24,591	14,565	60,412	99,568	15,680	5,832	21,512	**121,080**	131,141
Total expenses before depreciation and capital campaign	1,668,496	2,353,078	860,484	4,882,058	887,394	252,585	1,139,979	**6,022,037**	5,911,747
Depreciation	58,476	-	206,703	265,179	28,349	-	28,349	**293,528**	213,924
Total expenses	$ 1,726,972	$ 2,353,078	$ 1,067,187	$ 5,147,237	$ 915,743	$ 252,585	$ 1,168,328	**$ 6,315,565**	$ 6,125,671

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021, 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.

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, 2020, from which the summarized information was derived.

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

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 purchase.

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 is 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.

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. Receivables are written off when deemed uncollectible.

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.

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, 2021 and 2020. 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 statement 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.

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.

Use of 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.

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.

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 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 without donor restrictions represent funds which are 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, 2021 and 2020.

Net Assets With Donor Restrictions
Net assets with donor restrictions represent funds which are 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 such 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.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities,* which requires the School to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. 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 (salaries and benefits, utilities, 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.

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

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 958) and ASU No. 2014-09, Revenue from contracts with Customers (Topic 606).* 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 – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2020, contributions of $500,000 were not been recognized in the accompanying statement of activities and changes in net assets because the condition on which they depend had not yet been met. These contributions depended on raising additional contributions. This matching provision was met and the grant was recorded in the statement of activities and changes in net assets for the year ended June 30, 2021.

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.

The School has adopted *Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of its financial reporting. Previously, the School reflected tuition and fees as a component of earned operating revenue. With the adoption of *Topic 606*, such funds are reflected as grants from RCEB (Regional Center of the East Bay) as a component of contributed support. The statement of activities reflects this revised classification for both of the years ended June 30, 2021 and 2020. Accordingly, the presentation and disclosures of revenue have been enhanced as required by this standard.

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 changes in net assets and statements of functional expenses.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

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 March 1, 2022, (the date of the Independent Auditors' Report), the School's management has made this evaluation and has determined that the School has the ability to continue as a going concern.

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

Recent and Relevant Accounting Pronouncements *(continued)* - 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. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but the School has elected early implementation.

This 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 statements of activities and changes in net assets.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

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.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the statements of financial position, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statements of financial position.

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

Recent and Relevant Accounting Pronouncements *(continued)* - In September 17, 2021, the FASB issued *Accounting Standards Update (ASU) 2020-07; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The Update increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by non-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires that an organization disclose:

- A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
- For each category of nonfinancial assets recognized:
  - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used
  - The organization's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets
  - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
  - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with requirements in *Topic 820, Fair Value Measurement*, at initial recognition
  - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

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.

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:

	2021	2020
Checking (noninterest-bearing)	**$ 984,457**	$ 499,224
Money market and other deposits (interest-bearing)	**1,267,938**	818,840
Restricted for capital campaign (interest-bearing)	**369,211**	825,600
Restricted cash for individual client expenses (noninterest-bearing)	**20,249**	15,466
Total cash and cash equivalents	**$ 2,641,855**	$ 2,159,130

The School attempts to limit its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. Funds in money market and other deposit accounts earn interest at rates ranging from 0.02% per annum to 0.40% per annum at June 30, 2021.

4. Accounts, Grants and Pledges Receivables

Accounts receivable of $216,140 and $683,876 at June 30, 2021 and 2020, respectively, consist of contractually earned income related to the School's operating activities and are generally due within 30 days.

Grants and pledges receivable of $762,942 and $608,214 at June 30, 2021 and 2020, respectively, represent amounts due from the School's grant agreement with RCEB which are generally due within 30 days and pledges for the School's capital campaign project which are expected to be collected by the end of the project. As disclosed in Note 2, management has assessed the receivables and believes all amounts are fully collectible based on detailed and careful analyses.

5. 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 pledges receivable.)

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. 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 at June 30:

	2021	2020
Cash and cash equivalents	**$ 2,641,855**	$ 2,159,130
Investments	**3,769,623**	6,549,218
Accounts receivable	**216,140**	683,876
Grants and pledges receivable	**762,942**	608,214
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	**(18,780)**	(352,836)
Net assets with donor restrictions in perpetuity	**(49,500)**	(49,500)
Board-designated net assets for endowment	**(2,716,545)**	(2,120,071)
Financial assets available to meet general expenditures over the next year	**$ 4,605,735**	$ 7,478,031

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.

Notes to Financial Statements
June 30, 2021 and 2020

6. Investments and Endowment

Investments consist of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market and certificate of deposit	$ 91,088	**$ 91,088**	$ 99,280	$ 99,280
Equities	51,000	**51,796**	-	-
Mutual Funds:				
Large Cap	370,280	**967,661**	500,233	886,013
Mid-Cap	85,786	**389,616**	143,156	473,522
Short-Term income	167,103	**415,880**	3,800,339	3,909,822
Intermediate	821,741	**1,038,880**	634,568	814,915
Small Cap	718,293	**814,702**	215,054	365,666
Total investments	$ 2,305,291	**$ 3,769,623**	$ 5,392,630	$ 6,549,218

During the years ended June 30, 2021 and 2020, earnings on investments were reinvested. Investment income consists of interest and dividends and amounted to $93,352 and $116,244 for the years ended June 30, 2021 and 2020, respectively. Net realized and unrealized investment gains amounted to $980,259 and $97,769 for the years ended June 30, 2021 and 2020, respectively.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are summarized as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Time and Purpose	Perpetual In Nature	Total
Endowment net assets-June 30, 2019	$ 1,906,368	$ 132,532	$ 49,500	$ 2,088,400
Investment income	-	69,927	-	69,927
Net realized and unrealized gains	31,471	-	-	31,471
Reclassifications	149,054.	(169,281)	-	(20,227)
Endowment net assets-June 30, 2020	$ 2,086,893	$ 33,178	$ 49,500	$ 2,169,571
Investment income	-	60,655	-	60,655
Net realized and unrealized gains	559,340	-	-	559,340
Reclassifications	70,312	(93,833)	-	(23,521)
Endowment net assets-June 30, 2021	**$ 2,716,545**	**$ -**	**$ 49,500**	**$ 2,766,045**

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.

6. Investments and Endowment *(continued)*

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, 2021:				
Donor-restricted endowment funds	$ -	$ -	$ 49,500	$ 49,500
Board-designated endowment funds	2,716,545	-	-	2,716,545
Totals as of June 30, 2021	$ 2,716,545	$ -	$ 49,500	$ 2,766,045
As of June 30, 2020:				
Donor-restricted endowment funds	$ -	$ -	$ 49,500	$ 49,500
Board-designated endowment funds	2,086,893	33,178	-	2,120,071
Totals as of June 30, 2020	$ 2,086,893	$ 33,178	$ 49,500	$ 2,169,571

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 net assets without donor restrictions at June 30, 2021 and 2020. 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 net assets without donor restrictions.

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.

6. Investments and Endowment *(continued)*

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 $5,530,500 and $506,043 during the years ended June 30, 2021 and 2020, 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.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments:				
Money market and deposit accounts	$ 91,088	$ 91,088	$ -	$ -
Mutual funds	3,678,535	3,678,535		
Accounts receivable	216,140	-	216,140	-
Grants and pledges receivable	762,942	-	762,942	-
Totals	$ 4,748,705	$ 3,769,623	$ 979,082	$ -

Composition of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments:				
Money market and deposit accounts	$ 99,280	$ 99,280	$ -	$ -
Mutual funds	6,449,938	6,449,938	-	-
Accounts receivable	683,776	-	683,776	-
Grants and pledges receivable	608,214	-	608,214	-
Totals	$ 7,841,208	$ 6,549,218	$ 1,291,990	$ -

8. Property and Equipment

Property and equipment consist of the following at June 30:

		2021		2020
Land	$	**327,385**	$	327,385
Building and improvements		**2,273,650**		2,130,528
Vehicles		**541,123**		541,123
Equipment		**456,549**		374,774
Construction in progress (capital campaign)		**8,440,642**		2,612,573
Total property and equipment		**12,039,349**		5,986,383
Less accumulated depreciation		**(2,606,012)**		(2,312,484)
Total property and equipment (net)	$	**9,433,337**	$	3,673,899

Total depreciation expense amounted to $293,528 and $213,924 for the years ended June 30, 2021 and 2020, respectively, and is reflected on the statement of functional expenses. During the year ended June 30, 2020, the School donated three fully depreciated vehicles with an original cost basis of $108,477. These vehicles were donated to Car Donation Services. During the year ended June 30, 2020, the School also sold partially depreciated real estate properties (Hamilton, Kauri and Southwind Houses) for an aggregate sales price $2,325,000 with a total original cost basis of $847,109 and accumulated depreciation of $298,145, resulting in a gain on sale of $1,776,036. There were no disposals or sales in the year ended June 30, 2021.

9. Refundable Advance

During May 2020, the School applied for and received $755,667 in a forgivable loan under the Small Business Administration Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

Under the guidance in FASB ASC 958-605, management recorded this forgivable loan as a refundable advance. The School expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA and received full forgiveness of the loan in August 2021, subsequent to year-end. However, State Department of Developmental Services has filed a joint directive that the portion used to pay client service staff will need to be repaid to RCEB since RCEB paid for these staff salaries throughout the pandemic. At June 30, 2021 the result of this directive is uncertain and the School has opted to record this as a liability until the outcome of the joint directive can be fully resolved.

10. Notes and Leases Payable

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

	2021	2020
Lease payable to TCF Equipment Finance, bearing interest at the effective rate of 0.0299% per annum, secured by 2019 Ford Transit T-150, payable in equal installments of $859 over 60 months, with a final maturity date of December 2024.	**$ 32,666**	$ 40,802
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.	**1,576**	10,961
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
$4,040,000 construction line of credit with California Bank of Commerce at the rate of Prime +0.75% during construction phase in the first 24 months. Upon completion of construction, interest rate is fixed at 10-year treasury rate + 2.25%. Payments during construction phase are interest only, thereafter, convert to principal and interest payment of $19,420.65. Loan matures on February 15, 2032.	**-**	40,000
Community Development Block Grant, bearing interest at fixed rate of 4.0%, secured by real property ("Sheila House"), with a final maturity date of August 2035. If the School continues to comply with the terms of the loan agreement, the loan and interest will be forgiven and recorded as revenue on the maturity date.	**73,743**	71,745
Total notes and leases payable	**322,985**	378,508
Less: notes and leases payable – current portion	**(10,195)**	(16,870)
Notes and leases payable – noncurrent portion	**$ 312,790**	$ 361,638

10. Notes and Leases Payable *(continued)*

At June 30, 2021, principal payments under notes and leases payable over the next five years are due and payable as follows: Year ending June 30, 2022: $10,195; Year ending June 30, 2023: $9,126; Year ending June 30, 2024: $9,663; Year ending June 30, 2025: $5,258, and thereafter: $288,743. Interest expense amounted to $4,653 and $6,719 for the years ended June 30, 2021 and 2020, respectively.

11. 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 $44,089 for its equipment leases (split between current amount of $16,585 and noncurrent amount of $27,504) and a corresponding right of use asset in the amount of $44,089. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of June 30, 2021 was 4.0%.

As of June 30, 2021, future minimum lease payments under the leases as of June 30, 2021 (including principal and accrued interest) are as follows: Year ending June 30, 2022: $17,638; Year ending June 30, 2023: $17,383; and Year ending June 30, 2024: $11,080.

The School also leases equipment under multi-year operating leases with maturity dates ranging from December 20, 2021 through February 20, 2024. Rent expense related to equipment amounted to $19,455 and $19,829 for the years ended June 30, 2021 and 2020, respectively.

Rent Income
The School leases its residential homes to individuals receiving care from the School. Rental agreements are under month-to-month arrangements. Rental revenue is reported as earned over the terms of the leases. Rental income amounted to $26,400 and $28,352 for the years ended June 30, 2021 and 2020, respectively, and is reflected in rent on the statement of activities and changes in net assets.

12. In-Kind Contributions

The School received pro-bono services amounting to $14,305 and $13,550 for the years ended June 30, 2021 and 2020, 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.

13. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	2021	2020
Unrestricted cumulative operating activities	**$ 2,548,044**	$ 5,520,774
Designated by the Board of Directors for property and equipment	**9,433,337**	3,673,899
Designated by the Board of Directors for endowment fund	**2,716,545**	2,120,071
Total net assets without donor restrictions	**$ 14,697,926**	$ 11,314,744

Net assets without donor restrictions of $14,697,926 and $11,314,744 at June 30, 2021 and 2020, respectively, represent the cumulative retained surpluses since the organization's inception.

The Board of Directors may elect certain balances without donor restrictions to be set aside as Board-designated funds, with future changes subject to approval by the Board. As noted above, the Board of Directors has designated a portion of the School's net assets for property and equipment, and separately, for the endowment fund.

Net Assets with Donor Restrictions – Time and Purpose Restrictions

The School recognizes support from net assets with donor restrictions 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, 2021:

Restricted For:	Beginning	Additions	Transfers	Ending
ADP communications device	$ 1,548	$ -	$ 1,548	$ -
Capital campaign	305,005	1,517,515	1,822,520	-
Chef's Table	71	-	71	-
Residential homes	21,538	12,018	16,736	16,820
COVID related	-	171,462	170,562	900
Sprinkler repair and irrigation	684	-	684	-
Supported living	454	200	654	-
Technology	16,101	33,664	48,765	1,000
Staff appreciation	-	5,000	4,940	60
Outings	5,660		5,660	-
ADP van	1,775	-	1,775	-
Totals	$ 352,836	$ 1,739,859	$ 2,073,915	$ 18,780

13. Net Assets *(continued)*

Net assets restricted by donor for time and purpose are summarized as follows for the year ended June 30, 2020:

Restricted For:	Beginning	Additions	Transfers	Ending
ADP communications device	$ 5,946	$ -	$ 4,398	$ 1,548
Capital campaign	2,641,343	512,840	2,849,178	305,005
Chef's table	546	-	475	71
Residential homes	10,295	17,500	6,257	21,538
Staff appreciation	-	11,000	11,000	-
Sprinkler repair and irrigation	684	-	-	684
Supported living	454	-	-	454
Technology	763	15,500	162	16,101
Day program	-	2,500	2,500	-
Outings	6,060	-	400	5,660
ADP Van	3,464	-	1,689	1,775
Totals	$ 2,669,555	$ 559,340	$ 2,876,059	$ 352,836

Net Assets with Donor Restrictions – Restrictions in Perpetuity

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

	2021	2020
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, 2021 or 2020. 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. Capital Campaign

The School is constructing a new campus in its Lafayette location. Total budget for the construction is $13,881,956 and management has identified various funding sources: (a) $4,000,000 construction loan with California Bank of Commerce, (b) $1,000,000 from the School's capital reserve fund, (c) funds obtained from the sale of the School's residential homes, and (d) donations from individuals, foundations and corporations.

The School contracted with Mueller Nicholls as general contractor to construct the campus facilities. The total contract commitment is $10,021,746 at June 30, 2021. As of June 30, 2021 and 2020, $5,115,045 and $1,080,947, respectively, has been expended under this arrangement. Management anticipates that the project will be completed during the year ending June 30, 2022.

15. 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 $373,173 and $388,857 at June 30, 2021 and 2020, respectively, and are included with accrued expenses on the statements of financial position.

16. U.S. Department of Health and Human Services Grant

A schedule of activity for the HHS grant of Provider Relief Fund (PRF) to the School is summarized as follows for the year ended June 30, 2021:

Grant awarded	$ 107,060
Expenses:	
Personnel in response to coronavirus	24,096
Information technology supplies to support remote work and learning	82,964
Total expenses	107,060
Net	$ -

17. Government Contracts and Concentration Vulnerability

For the years ended June 30, 2021 and 2020, the School received $6,266,959 and $5,276,477, respectively, from RCEB, representing approximately 65% and 50%, respectively, of the School's total operating revenue. As of June 30, 2021 and 2020, the School reflected accounts receivable due from RCEB totaling $471,290 and $683,876, respectively. With respect to its funding agreement with RCEB, the contract states that not more than 15 percent of RCEB funds can be spent on administrative costs. For the years ended June 30, 2021 and 2020, administrative costs as a percentage of total expenses amounted to 14.61% and 16.44%, respectively. Consequently, the ability of the School to sustain itself is vulnerable to the continued funding represented by this government contract which presents a concentration vulnerability.

18. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which the School conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management continues to monitor and evaluate its options. These financial statements reflect certain economic ramifications which impacted the years ended June 30, 2021 and 2020.

19. Commitments and Contingencies

In the normal course of business, the School could be subject to certain commitments and contingencies which might not be fully 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. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

20. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the School has evaluated subsequent events through March 1, 2022, the date the financial statements were available to be issued. As discussed in Note 9, the School received full forgiveness of its PPP loan in August 2021 but, due to a joint directive filed by State Department of Developmental Services, continues to reflect the full amount of the loan as a liability at June 30, 2021. In the opinion of management, there are no other subsequent events which are required to be disclosed.