Becoming Independent

(a California Not-for-Profit Corporation)

FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

Together with Independent Auditors' Report

Becoming Independent

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DBM
CERTIFIED
PUBLIC
ACCOUNTANTS
DILLWOOD BURKEL & MILLAR, LLP

175 Concourse Blvd, Suite A
Santa Rosa, CA 95403
t: (707) 577-8806
f: (707) 577-1417
www.dbmcpa.com

Independent Auditors' Report

To the Board of Directors of
Becoming Independent
Santa Rosa, California

We have audited the accompanying financial statements of Becoming Independent, which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Becoming Independent as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
January 27, 2017

Becoming Independent

STATEMENTS OF FINANCIAL POSITION
As of June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,416,092	2,097,084
Accounts receivable, net	1,116,247	1,146,353
Short-term note receivable	-	114,000
Pledges receivable	-	51,000
Restricted cash and cash equivalents	464,808	462,553
Prepaid expenses and other current assets	86,226	118,657
TOTAL CURRENT ASSETS	4,083,373	3,989,647
NONCURRENT ASSETS		
Investments	1,728,482	1,720,223
Property, equipment and improvements, net	5,661,667	5,870,740
Debt issuance costs, net	286,597	309,373
Other noncurrent assets	27,914	238,453
TOTAL NONCURRENT ASSETS	7,704,660	8,138,789
TOTAL ASSETS	$ 11,788,033	$ 12,128,436

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STATEMENTS OF FINANCIAL POSITION
As of June 30, 2016 and 2015

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	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 784,790	727,956
Notes payable, current portion	322,083	314,167
Capital lease, current portion	2,703	-
Borrowing premium, current portion	9,807	7,568
TOTAL CURRENT LIABILITIES	1,119,383	1,049,691
NONCURRENT LIABILITIES		
Notes payable, noncurrent portion	3,589,567	3,911,666
Capital lease, noncurrent portion	6,837	-
Borrowing premium, noncurrent portion	109,535	120,424
TOTAL NONCURRENT LIABILITIES	3,705,939	4,032,090
TOTAL LIABILITIES	4,825,322	5,081,781
NET ASSETS		
Unrestricted	6,173,010	6,423,266
Temporarily restricted	788,701	622,389
Permanently restricted	1,000	1,000
TOTAL NET ASSETS	6,962,711	7,046,655
TOTAL LIABILITIES AND NET ASSETS	$ 11,788,033	$ 12,128,436

Becoming Independent

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Support and revenue				
Service fees	$ 10,667,756	$ -	$ -	$ 10,667,756
Work activities revenue	877,307	-	-	877,307
Santa Rosa Junior College subsidy	622,298	-	-	622,298
Contributions and grants	614,843	517,085	-	1,131,928
Investment income	21,226	-	-	21,226
Other income	19,949	-	-	19,949
Net assets released from restrictions	350,773	(350,773)	-	-
Total support and revenue	13,174,152	166,312	-	13,340,464
Expenses				
Program services				
Day training and activities	6,943,812	-	-	6,943,812
Transportation	707,543	-	-	707,543
Independent living skills	3,754,362	-	-	3,754,362
Total program services	11,405,717	-	-	11,405,717
Support services				
Management and general	1,463,791	-	-	1,463,791
Fundraising	554,900	-	-	554,900
Total supporting services	2,018,691	-	-	2,018,691
Total expenses	13,424,408	-	-	13,424,408
CHANGES IN NET ASSETS	(250,256)	166,312	-	(83,944)
NET ASSETS AT BEGINNING OF YEAR	6,423,266	622,389	1,000	7,046,655
NET ASSETS AT END OF YEAR	$ 6,173,010	$ 788,701	$ 1,000	$ 6,962,711

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Support and revenue				
Service fees	$ 11,173,003	$ -	$ -	$ 11,173,003
Work activities revenue	732,971	-	-	732,971
Santa Rosa Junior College subsidy	615,813	-	-	615,813
Contributions and grants	701,880	165,833	-	867,713
Investment income	39,732	-	-	39,732
Other income	111,329	-	-	111,329
Net assets released from restrictions	139,018	(139,018)	-	-
Total support and revenue	13,513,746	26,815	-	13,540,561
Expenses				
Program services				
Day training and activities	7,526,625	-	-	7,526,625
Transportation	672,828	-	-	672,828
Independent living skills	3,475,024	-	-	3,475,024
Total program services	11,674,477	-	-	11,674,477
Support services				
Management and general	1,570,658	-	-	1,570,658
Fundraising	383,033	-	-	383,033
Total supporting services	1,953,691	-	-	1,953,691
Total expenses	13,628,168	-	-	13,628,168
CHANGES IN NET ASSETS	(114,422)	26,815	-	(87,607)
NET ASSETS AT BEGINNING OF YEAR	6,537,688	595,574	1,000	7,134,262
NET ASSETS AT END OF YEAR	$ 6,423,266	$ 622,389	$ 1,000	$ 7,046,655

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Day Training and Activities	Trans-portation	Independent Living Skills	Program Services Total	Management and General	Fundraising	Supporting Services Total	**TOTAL EXPENSES**
Salaries, staff	$ 3,821,757	$ 302,736	$ 2,634,757	$ 6,759,250	$ 705,989	$ 212,949	$ 918,938	$ 7,678,188
Salaries, clients	509,124	-	-	509,124			-	509,124
Employee benefits	526,124	48,601	314,659	889,384	123,320	40,279	163,599	1,052,983
Payroll taxes/workers comp	468,029	69,540	414,341	951,910	75,857	18,673	94,530	1,046,440
	5,325,034	420,877	3,363,757	9,109,668	905,166	271,901	1,177,067	10,286,735
Professional fees	107,607	910	43,254	151,771	168,995	72,596	241,591	393,362
Supplies	289,148	3,482	44,418	337,048	47,989	14,184	62,173	399,221
Vehicle expenses	256,578	139,262	183	396,023	779	-	779	396,802
Travel and transportation	27,660	740	127,170	155,570	4,959	1,687	6,646	162,216
Rent	219,296	-	90,954	310,250	1,732	9,600	11,332	321,582
Insurance	74,125	4,644	9,289	88,058	63,962	4,644	68,606	156,664
Repairs and maintenance	142,153	7,684	15,529	165,366	20,111	13,180	33,291	198,657
Utilities	87,143	-	2,370	89,513	26,495	-	26,495	116,008
Telephone and data	36,139	7,956	33,898	77,993	23,918	1,645	25,563	103,556
Postage and copying	532	71	588	1,191	18,276	14,302	32,578	33,769
Training and conference	24,786	400	10,183	35,369	11,940	1,235	13,175	48,544
Interest	105,861	4,244	-	110,105	31,414	-	31,414	141,519
Marketing	2,506	739	120	3,365	65,697	146,256	211,953	215,318
Other	10,312	422	353	11,087	29,816	2,215	32,031	43,118
	1,383,846	170,554	378,309	1,932,709	516,083	281,544	797,627	2,730,336
Depreciation and amortization	234,932	116,112	12,296	363,340	42,542	1,455	43,997	407,337
TOTAL	$ 6,943,812	$ 707,543	$ 3,754,362	$ 11,405,717	$ 1,463,791	$ 554,900	$ 2,018,691	$ 13,424,408

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Day Training and Activities	Trans-portation	Independent Living Skills	Program Services Total	Management and General	Fundraising	Supporting Services Total	**TOTAL EXPENSES**
Salaries, staff	$ 4,180,467	$ 320,530	$ 2,420,345	$ 6,921,342	$ 693,657	$ 173,379	$ 867,036	$ 7,788,378
Salaries, clients	478,460	-	135	478,595	-	-	-	478,595
Employee benefits	655,295	34,846	330,277	1,020,418	121,128	17,473	138,601	1,159,019
Payroll taxes/workers comp	523,326	53,398	356,940	933,664	78,061	16,020	94,081	1,027,745
	5,837,548	408,774	3,107,697	9,354,019	892,846	206,872	1,099,718	10,453,737
Professional fees	77,351	2,196	36,233	115,780	225,298	38,353	263,651	379,431
Supplies	256,712	4,693	51,916	313,321	46,959	7,490	54,449	367,770
Vehicle expenses	293,358	187,425	122	480,905	316	8	324	481,229
Travel and transportation	46,185	290	128,166	174,641	6,296	512	6,808	181,449
Rent	230,772	344	74,570	305,686	1,777	-	1,777	307,463
Insurance	53,002	-	9,852	62,854	46,285	-	46,285	109,139
Repairs and maintenance	183,276	4,575	15,097	202,948	43,095	6,946	50,041	252,989
Utilities	79,609	-	1,620	81,229	39,513		39,513	120,742
Telephone and data	36,964	8,477	32,768	78,209	17,806	1,380	19,186	97,395
Postage and copying	590	-	47	637	13,365	10,562	23,927	24,564
Training and conference	6,961	213	2,158	9,332	20,284	95	20,379	29,711
Interest	114,863	-	-	114,863	32,257	-	32,257	147,120
Marketing	4,836	1,083	2,738	8,657	83,497	103,559	187,056	195,713
Other	7,468	366	71	7,905	50,185	6,103	56,288	64,193
	1,391,947	209,662	355,358	1,956,967	626,933	175,008	801,941	2,758,908
Depreciation and amortization	297,130	54,392	11,969	363,491	50,879	1,153	52,032	415,523
TOTAL	$ 7,526,625	$ 672,828	$ 3,475,024	$ 11,674,477	$ 1,570,658	$ 383,033	$ 1,953,691	$ 13,628,168

See accompanying Notes to Financial Statements.

Becoming Independent

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2016 and 2015

	2016	2015
	Increase (decrease) in cash and cash equivalents	
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (83,944)	$ (87,607)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	407,336	415,523
Amortization of bond premium	(8,650)	(7,568)
Net realized and unrealized loss	20,240	6,676
Loss on disposal of property and equipment	-	2,339
(Increase) decrease in operating assets:		
Accounts receivable	30,106	100,214
Prepaid expenses and other current assets	32,431	(70,221)
Pledges receivable	51,000	(51,000)
Decrease (increase) in operating liabilities:		
Accounts payable and accrued expenses	56,834	(338,478)
Net cash and cash equivalents provided by (used in) operating activities	505,353	(30,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, equipment and improvements	(164,237)	(89,382)
Collection on note receivable	114,000	-
Decrease (increase) in other noncurrent assets	210,539	(77,605)
Purchases of investment securities	(218,688)	(144,154)
Proceeds from sale of investment securities	190,189	106,744
Net cash and cash equivalents provided by (used in) investing activities	131,803	(204,397)

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STATEMENTS OF CASH FLOWS,
For the years ended June 30, 2016 and 2015

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	2016	2015
	Increase (decrease) in cash and cash equivalents	
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	$ (314,183)	$ (307,083)
Principal payments on capital lease	(1,710)	-
Net cash and cash equivalents used in financing activities	(315,893)	(307,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVELANTS	321,263	(541,602)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,559,637	3,101,239
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,880,900	2,559,637
Unrestricted cash and cash equivalents	$ 2,416,092	$ 2,097,084
Restricted cash and cash equivalents	464,808	462,553
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,880,900	2,559,637
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 150,169	$ 154,688
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property, equipment and improvements acquired through capital lease	$ 11,250	$ -

See accompanying Notes to Financial Statements.

Note 1 Nature of Activities

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

Note 2 Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations and, therefore, are available to carry out the Organization's operations.

Temporarily restricted net assets – Net assets consist of unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to recognize revenues as unrestricted if the temporary restrictions are met within the same period.

Permanently restricted net assets – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited in perpetuity by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had $1,000 in permanently restricted net assets as of June 30, 2016 and 2015.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year.

Note 2 Significant Accounting Policies, *continued*

Contribution Revenues

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization at various events; however, these donated services are not reflected in the financial statements as the services do not require specialized skills.

Service Fees and Other Contract Revenues

The Organization provides services and manages client services according to contract agreements entered into with third parties. Service fees and contract revenues are recognized when the services are provided.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on accounts receivable balances.

The Organization uses the allowance method for recognition of losses from uncollectible accounts receivable. At June 30, 2016 and 2015, accounts receivable are presented net of an allowance for doubtful accounts in the amount of $2,291 and $3,000, respectively.

Note 2 Significant Accounting Policies, *continued*

Property and Improvements

Property and improvements are recorded at acquisition cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from 3 to 40 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the useful life of the asset or the term of the lease with any unamortized balance written off to expense if a lease is terminated before the improvement has been fully amortized. It is the Organization's policy to capitalize all computers, equipment, furniture and fixtures at costs greater than $1,000.

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value which is both measurable and objective. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires over the useful life of the asset. Expenditures for maintenance and repairs are charged to expense when incurred.

The Organization reviews the carrying value of property and improvements for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2016 and 2015.

Investments

Investments consist primarily of fixed income and equity mutual funds and a trust fund maintained by a community foundation. The Organization records all investments at fair value in the statements of financial position and investment returns (including realized and unrealized gains and losses on investments, interest and dividends, and investment advisory fees) in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Note 2 Significant Accounting Policies, *continued*

Fair Value Measurements

The fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Valuations are based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Valuations are based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.

Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques.

Financial instruments with values that are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed fixed income and equity mutual funds.

Financial instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include the pooled investment funds maintained at an account with a community foundation.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The Organization did not hold any Level 3 assets at June 30, 2016 or 2015.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on discounting the projected market rates available for debt instruments with similar maturities.

Note 2 Significant Accounting Policies, *continued*

Debt Issuance Costs

Legal fees, accounting fees, and other expenses associated with the issuance of the long-term debt are being amortized on a straight-line basis over the life of the related debt.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents debt reserve funds, which are being held by a trustee for future debt service payments.

Functional Expense Allocation

Expenses that are specifically identifiable are charged directly to the appropriate functional category. All other expenses are charged based on a reasonable allocation. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Income Taxes

The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2016, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements. Exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of accounts receivable, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

Note 3 Note Receivable

Prior to 2016, the Organization sold one of its buildings and the related land for cash and a note in the amount of $135,000. The note bore interest at 8% per annum, required monthly interest only payments and was due on demand. The note was secured by the property. The note receivable had a balance of $114,000 as of June 30, 2015. The balance on the note was collected during the year ended June 30, 2016.

Note 4 Investments

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

	2016		2015	
	Fair Value	*Costs*	*Fair Value*	*Costs*
Fixed income mutual funds	$ 659,794	$ 647,166	$ 673,642	$ 672,245
Equity mutual funds	1,020,372	809,614	997,604	712,050
Pooled investment funds	48,316	50,000	48,977	50,000
Total	$ 1,728,482	$ 1,506,780	$ 1,720,223	$ 1,434,295

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

	2016	2015
Interest and dividends	$ 41,466	$ 46,408
Realized gains	45,310	56,223
Unrealized loss	(65,550)	(62,899)
	$ 21,226	$ 39,732

Dividend and interest income earned is reported net of investment advisory and trustee fees, which totaled approximately $9,000 for the years ended June 30, 2016 and 2015.

As described above, the Organization invests in various investment securities. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

The investments held by the financial institution are also subject to be pledged to secure borrowings against a line of credit agreement with the same financial institution as described in Note 8.

Note 5 Fair Value Measurement

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 659,794	$ -	$ -	$659,794
Equity	1,020,372	-	-	1,020,372
Pooled investment funds	-	48,316	-	48,316
	$1,680,166	$48,316	$ -	$1,728,482

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 673,642	$ -	$ -	$ 673,642
Equity	997,604	-	-	997,604
Pooled investment funds	-	48,977	-	48,977
	$1,671,246	$ 48,977	$ -	$1,720,223

Note 6 Property and Improvements

Property and improvements consisted the following at June 30:

	2016	**2015**
Buildings and improvements	$ 4,957,071	$ 4,946,057
Furniture and equipment	815,844	1,000,862
Vehicles	2,106,029	2,074,302
Leasehold improvements	123,777	123,777
Depreciable assets	8,002,721	8,144,998
Accumulated depreciation	(4,618,822)	(4,556,081)
	3,383,899	3,588,917
Land	2,277,768	2,277,768
Construction in progress	-	4,055
	$ 5,661,667	$ 5,870,740

Depreciation amounted to $384,560 and $392,747for the years ended June 30, 2016 and 2015, respectively, including depreciation for a vehicle purchased under capital lease (Note 10) during the year ended June 30, 2016 in the amount of $3,937. Net book value of the vehicle under capital lease was $22,312 as of June 30, 2016.

Note 7 Debt Issuance Costs

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

Accumulated amortization totaled $72,124 and $49,348 at June 30, 2016 and 2015, respectively. Amortization expense totaled $22,776 for the years ended June 30, 2016 and 2015, respectively.

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

2017	$ 22,776
2018	22,776
2019	22,776
2020	22,776
2021	22,776
Thereafter	172,717
	$ 286,597

Note 8 Line of Credit

The Organization has a $1,000,000 line of credit with a commercial bank. The maturity date has been extended through March 1, 2017. Borrowings against the line are secured by investments held at the same commercial bank, but subordinated to the note payable discussed in Note 9. Borrowings against the line bear interest at the bank's interest rate plus 1.0% at June 30, 2016. Interest is payable monthly. There were no borrowings against the line as of June 30, 2016 and 2015.

Note 9 Note Payable to Trust

On April 30, 2013, Becoming Independent entered into a note payable agreement with California Health Facilities Financing Authority through the issuance of Insured Refunding Revenue Bonds (the "Bonds"). In connection with the refinancing, Bonds in the amount of $4,865,000 were issued at a premium of $154,599. The proceeds from the borrowing were used to refinance the outstanding long-term debt balance carried by the Organization.

The true interest cost of the note payable is 3.03% per annum. Principal and interest are payable semiannually on February 1 and August 1 of each year, commencing August 1, 2013, with the final payment due on February 1, 2029.

Note 9 Note Payable to Trust, *continued*

According to the borrowing agreement, the Organization is required to maintain a debt service reserve account with a third-party trustee. The amount maintained in the account is reported as Restricted Cash and Cash Equivalents on the Statements of Financial Position. The borrowing agreement also requires the Organization to make monthly installment payments including interest to a bank account maintained by a third-party trustee to satisfy the funding requirements of the bond issued in connection with the note. As of June 30, 2016 and 2015, $464,808 and $462,553, respectively, were held by the trustee to be applied to the principal and related interest payments.

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

	Principal	Interest	Total
2017	$ 322,083	$ 134,925	$ 457,008
2018	331,250	125,262	456,512
2019	344,167	115,325	459,492
2020	354,167	105,000	459,167
2021	316,250	94,375	410,625
Thereafter	2,243,733	356,852	2,600,585
Total	$ 3,911,650	$ 931,739	$ 4,843,389

The borrowing premium is to be amortized over the term of the debt using the effective interest rate method. During the year ended June 30, 2016 and 2015, borrowing premium in the amount of $8,650 and $7,568, respectively, was amortized to interest expense. Unamortized borrowing premium amounted to $119,342 and $127,992 as of June 30, 2016 and 2015, respectively.

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

2017	$ 9,807
2018	10,948
2019	12,236
2020	13,502
2021	14,535
Thereafter	58,314
	$ 119,342

In addition to making monthly installment payments to the trustee to satisfy the funding requirements of the debt, the borrowing agreement also requires that the Organization maintain certain financial covenants.

As of June 30, 2016, the Organization was out of compliance with one of such covenants. Subsequent to year-end, the Organization's non-compliance was waived by the bank.

Note 10 Capital Lease Obligation

During the year ended June 30, 2016, BI partially financed a vehicle purchase. Principal borrowing under the capital lease bears interest at 4.84% per annum. The lease calls for monthly principal and interest payments in the amount of $259. The depreciation of the vehicle is discussed in Note 6.

Future minimum payments for the years ending June 30 is as follows:

2017	$ 3,105
2018	3,105
2019	3,105
2020	1,035
	10,350
Amounts representing interest	(810)
	9,540
Current portion	(2,703)
	$ 6,837

Note 11 Temporarily Restricted Net Assets

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

	2016	2015
Funding for subsequent periods	$ 344,107	$ 448,779
Funding for specific programs	161,368	83,801
Funding for specific purposes	283,226	89,809
	$ 788,701	$ 622,389

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

	2016	2015
Restrictions satisfied by payments	$ 224,717	$ 7,463
Expiration of time restrictions on grant funding	126,056	125,984
Depreciation of restricted asset	-	5,571
	$ 350,773	$ 139,018

Note 12 Commitments Under Operating Leases

The Organization leases facilities from which it conducts operations. The facilities are leased under non-cancelable operating leases expiring through April 2020 and require minimum monthly payments of approximately $27,000 as of June 30, 2016.

The following is a schedule of minimum payments required under noncancelable operating leases as of June 30, 2016 for future years ending June 30:

2017	$	315,735
2018		233,734
2019		125,620
2020		107,824
	$	782,913

Rental expense under non-cancelable operating lease agreements totaled $315,722 and $300,281 for the years ended June 30, 2016 and 2015, respectively.

Note 13 Concentrations

Significant Revenue Sources

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

	2016	**2015**
North Bay Regional Center	80%	83%
Santa Rosa Junior College	5%	5%

Accounts receivable include $949,716 and $1,019,325 from these sources at June 30, 2016 and 2015, respectively.

The service contracts with these agencies are renewed periodically, ranging from every year to every five years.

Cash

At various times during the year ended June 30, 2016, the Organization had deposit amounts with a financial institution in excess of the $250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At June 30, 2016, the Organization had approximately $2,170,000 on deposit in excess of the FDIC insured amount.

Note 14 Employee Benefit Plan

The Organization has a 403(b) Plan available to employees. Employees may contribute up to the Internal Revenue Service determined maximum, with limits to their annual compensation. The Organization makes discretionary matching contributions, which become fully vested after plan participants complete two years of services. BI's matching contributions totaled $32,145 for the year ended June 30, 2016. No matching contributions were made during the year ended June 30, 2015.

Note 15 Related Party Transactions

During the year ended June 30, 2016, the Organization purchased a phone system totaling $21,012 from a company owned by a member of the Organization's Board of Directors.

Note 16 Subsequent events

The Organization evaluated subsequent events from July 1, 2016 through January 27, 2017, the date which the financial statements were available to be issued, and determined that, other than the non-compliance waiver obtained as described in Note 9, there are no material subsequent events that required recognition or additional disclosure in these financial statements.