Becoming Independent

(a California Not-for-Profit Corporation)

Financial Statements
For the Years Ended June 30, 2017 and 2016

Together with Independent Auditors' Report

Becoming Independent

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2017 and 2016, 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
October 26, 2017

Becoming Independent

Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 2,024,452	$ 2,416,092
Accounts receivable, net	1,105,382	1,116,247
Pledges receivable	37,726	-
Restricted cash and cash equivalents	657,013	656,026
Prepaid expenses and other current assets	33,938	86,226
Total Current Assets	3,858,511	4,274,591
Noncurrent Assets		
Investments	1,907,613	1,728,482
Property, equipment and improvements, net	5,833,655	5,661,667
Other noncurrent assets	28,814	27,914
Total Noncurrent Assets	7,770,082	7,418,063
Total Assets	$ 11,628,593	$ 11,692,654
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$ 1,003,007	$ 842,675
Notes payable, current portion, net	443,891	432,640
Capital lease, current portion	-	2,703
Borrowing premium, current portion	10,948	9,807
Total current liabilities	1,457,846	1,287,825
Noncurrent liabilites		
Notes payable, noncurrent portion, net	3,017,272	3,325,746
Capital lease, noncurrent portion	-	6,837
Borrowing premium, noncurrent portion	98,587	109,535
Total noncurrent liabilities	3,115,859	3,442,118
Total liabilities	4,573,705	4,729,943
Net assets		
Unrestricted	6,142,545	6,173,010
Temporarily restricted	912,343	788,701
Permanently restricted	-	1,000
Total net assets	7,054,888	6,962,711
Total liabilities and net assets	$ 11,628,593	$ 11,692,654

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Activities and Changes in Net Assets
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets				
Support and revenue				
Service fees	$ 11,142,356	$ -	$ -	$ 11,142,356
Contributions and grants	747,816	567,783	-	1,315,599
Work activities revenue	788,567	-	-	788,567
Santa Rosa Junior College subsidy	571,877	-	-	571,877
Investment income	190,860	-	-	190,860
Other income	24,370	-	-	24,370
Net assets released from restrictions	445,141	(444,141)	(1,000)	-
Total support and revenue	13,910,987	123,642	(1,000)	14,033,629
Expenses				
Program services				
Day training and activities	7,479,184	-	-	7,479,184
Transportation	770,962	-	-	770,962
Independent living skills	3,658,060	-	-	3,658,060
Total program services	11,908,206	-	-	11,908,206
Support services				
Management and general	1,358,279	-	-	1,358,279
Fundraising	674,967	-	-	674,967
Total supporting services	2,033,246	-	-	2,033,246
Total expenses	13,941,452	-	-	13,941,452
Changes in net assets	(30,465)	123,642	(1,000)	92,177
Net assets at beginning of year	6,173,010	788,701	1,000	6,962,711
Net assets at end of year	$ 6,142,545	$ 912,343	$ -	$ 7,054,888

Becoming Independent

Statement 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
Contributions and grants	614,843	517,085	-	1,131,928
Work activities revenue	877,307	-	-	877,307
Santa Rosa Junior College subsidy	622,298	-	-	622,298
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 the end of year	$ 6,173,010	$ 788,701	$ 1,000	$ 6,962,711

See accompanying Notes to Financial Statements.

Becoming Independent

Statement of Functional Expenses
For the year ended June 30, 2017

	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	4,272,358	343,458	2,584,098	7,199,914	726,582	257,315	983,897	8,183,811
Salaries, clients	436,174	55	-	436,229	-	-	-	436,229
Employee benefits	584,701	51,733	300,079	936,513	81,403	28,463	109,866	1,046,379
Payroll taxes/workers comp	481,459	75,876	415,541	972,876	83,177	23,666	106,843	1,079,719
	5,774,692	471,122	3,299,718	9,545,532	891,162	309,444	1,200,606	10,746,138
Vehicle expenses	277,382	164,298	209	441,889	1,081	-	1,081	442,970
Supplies	283,626	5,466	66,228	355,320	11,219	4,395	15,614	370,934
Rent	234,764	115	93,795	328,674	881	1,450	2,331	331,005
Professional fees	44,062	399	18,603	63,064	143,064	62,171	205,235	268,299
Marketing	14,122	-	-	14,122	52,646	191,632	244,278	258,400
Repairs and maintenance	122,853	5,221	14,284	142,358	30,105	73,446	103,551	245,909
Travel and transportation	58,406	1,426	93,188	153,020	7,020	1,041	8,061	161,081
Telephone and data	64,693	13,327	42,519	120,539	22,769	3,089	25,858	146,397
Insurance	64,919	4,257	8,515	77,691	55,343	4,257	59,600	137,291
Interest	103,089	3,754	-	106,843	27,161	-	27,161	134,004
Utilities	92,415	184	2,823	95,422	33,755	306	34,061	129,483
Training and conference	47,211	461	5,948	53,620	28,566	456	29,022	82,642
Other	13,849	425	92	14,366	17,152	3,936	21,088	35,454
Postage and copying	1,501	24	-	1,525	10,085	13,526	23,611	25,136
	1,422,892	199,357	346,204	1,968,453	440,847	359,705	800,552	2,769,005
Depreciation and amortization	281,600	100,483	12,138	394,222	26,270	5,818	32,088	426,310
Total	$ 7,479,184	$ 770,962	$ 3,658,060	$ 11,908,206	$ 1,358,279	$ 674,967	$ 2,033,246	$ 13,941,452

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
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
Professional fees	107,607	910	43,254	151,771	168,995	72,596	241,591	393,362
Rent	219,296	-	90,954	310,250	1,732	9,600	11,332	321,582
Marketing	2,506	739	120	3,365	65,697	146,256	211,953	215,318
Repairs and maintenance	142,153	7,684	15,529	165,366	20,111	13,180	33,291	198,657
Travel and transportation	27,660	740	127,170	155,570	4,959	1,687	6,646	162,216
Insurance	74,125	4,644	9,289	88,058	63,962	4,644	68,606	156,664
Interest	105,861	4,244	-	110,105	31,414	-	31,414	141,519
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
Training and conference	24,786	400	10,183	35,369	11,940	1,235	13,175	48,544
Other	10,312	422	353	11,087	29,816	2,215	32,031	43,118
Postage and copying	532	71	588	1,191	18,276	14,302	32,578	33,769
	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

Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	2017	2016
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Increase (decrease) in net assets	$ 92,177	$ (83,944)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	426,310	407,336
Amortization of bond premium	(9,807)	(8,650)
Net realized and unrealized (gain) loss	(142,872)	20,240
Dividends reinvested	(37,917)	(32,079)
(Increase) decrease in operating assets:		
Accounts receivable	10,865	30,106
Prepaid expenses and other current assets	52,288	32,431
Pledges receivable	(37,726)	51,000
Increase in operating liabilities:		
Accounts payable and accrued expenses	160,332	248,052
Net cash and cash equivalents provided by operating activities	513,650	664,492
Cash flows from investing activities		
Acquisition of property, equipment and improvements	(575,522)	(164,237)
Collection on note receivable	-	114,000
Decrease (increase) in other noncurrent assets	(900)	210,539
Purchases of investment securities	(160,647)	(186,609)
Proceeds from sale of investment securities	162,305	190,189
Net cash and cash equivalents provided by (used in) investing activities	(574,764)	163,882
Cash flows from financing activities		
Principal payments on notes payable	$ (319,999)	$ (314,183)
Principal payments on capital lease	(9,540)	(1,710)
Net cash and cash equivalents used in financing activities	(329,539)	(315,893)
Net increase (deacrease) in cash and cash equivalents	(390,653)	512,481
Cash and cash equivalents at beginning of year	3,072,118	2,559,637
Cash and cash equivalents at end of year	$ 2,681,465	$ 3,072,118
Unrestricted cash and cash equivalents	$ 2,024,452	$ 2,416,092
Restricted cash and cash equivalents	657,013	656,026
Cash and cash equivalents at end of year	$ 2,681,465	$ 3,072,118
Supplemental cash flow information		
Cash paid for interest	$ 89,926	$ 150,169
Noncash investing and financing activities:		
Equipment 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.

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, 2017 and 2016, accounts receivable are presented net of an allowance for doubtful accounts in the amount of $2,291 for both years.

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.

Note 2 Significant Accounting Policies, *continued*

Property and Improvements, continued

Contributed property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated over the assets' estimated useful lives. Contributions of personal property are recorded at fair value which is both measurable and objective. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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, 2017 and 2016.

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.

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.

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

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

Functional Expense Allocation

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

Income Taxes

The Organization is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code.

Note 2 Significant Accounting Policies, *continued*

Income Taxes, continued

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2017, 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.

Adoption of New Accounting Pronouncement

During the year ended June 30, 2017, the Organization adopted FASB Accounting Standards Update ("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* ("ASU 2014-15"). ADU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The adoption of ASU 2014-15 did not have a material impact on the Organization's financial statements.

During the year ended June 30, 2017, the Organization also adopted FASB Accounting Standards Update 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires debt origination costs to be presented net of related debt, and the annual amortization of the costs to be presented as interest expense on a retroactive basis for all periods presented. There was no material impact on the Organization's net assets or financial position upon adoption of the new standard. For the year ended June 30, 2016, the new standard required the removal of debt issuance costs from non-current assets in the amount of $286,597, and a reduction to the notes payable in the same amount.

Note 2 **Significant Accounting Policies,** *continued*

Reclassification

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

Note 3 **Investments**

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

	2017		2016	
	Fair Value	***Costs***	***Fair Value***	***Costs***
Fixed income mutual funds	$ 735,268	$ 734,032	$ 659,794	$ 647,166
Equity mutual funds	1,118,763	799,484	1,020,372	809,614
Pooled investment funds	53,583	50,000	48,316	50,000
Total	$ 1,907,613	$ 1,583,516	$ 1,728,482	$ 1,506,780

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

	2017	2016
Interest and dividends	$ 47,988	$ 41,466
Realized gain	41,062	45,310
Unrealized gain	101,810	(65,550)
	$ 190,860	$ 21,226

Dividend and interest income earned is reported net of investment advisory and trustee fees, which totaled approximately $10,700 and $9,000 respectively, for the years ended June 30, 2017 and 2016.

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 6.

Note 4 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, 2017:

	Level 1	Level 2	Total
Mutual funds			
Fixed income	$ 735,268	$ -	$ 735,268
Equity	1,118,763	-	1,118,763
Pooled investment funds	-	53,583	53,583
	$ 1,854,030	$ 53,583	$1,907,613

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	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

Note 5 Property and Improvements

Property and improvements consisted the following at June 30:

	2017	**2016**
Buildings and improvements	$ 5,234,252	$ 4,957,071
Furniture and equipment	888,066	815,844
Vehicles	2,185,855	2,106,029
Leasehold improvements	123,777	123,777
Depreciable assets	8,431,950	8,002,721
Accumulated depreciation	(4,876,063)	(4,618,822)
	3,555,887	3,383,899
Land	2,277,768	2,277,768
	$ 5,833,655	$ 5,661,667

Depreciation amounted to $403,534 and $384,560 for the years ended June 30, 2017 and 2016, respectively.

Note 6 Line of Credit

The Organization has a $1,000,000 line of credit with a commercial bank. Subsequent to year end, the maturity date has been extended through June 1, 2019. Borrowings against the line are secured by investments held at the same commercial bank, but subordinated to the note payable discussed in Note 7. Borrowings against the line bear interest at the bank's interest rate (4.25%) plus 1.0% on the day of advance. Interest is payable monthly. There were no borrowings against the line as of June 30, 2017 and 2016.

Note 7 Note Payable to Trust

On April 30, 2013, BI 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.

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, 2017 and 2016, $657,013 and $656,026, respectively, were held by the trustee to be applied to the principal and related interest payments.

Future principal and interest payments net of loan origination fees are as follows for the years ending June 30:

	Principal	Loan Origination Fees	Total
2018	$ 466,667	$ (22,776)	$ 443,891
2019	344,167	(22,776)	321,391
2020	354,167	(22,776)	331,391
2021	316,250	(22,776)	293,474
2022	259,167	(22,776)	236,391
Thereafter	1,984,567	(149,941)	1,834,626
Total	$ 3,725,000	$ (263,821)	$ 3,461,163

Loan origination fees are amortized using the straight-line method over the term of the note payable, which approximates the amortization using the effective interest rate method.

Note 7 **Note Payable to Trust,** *continued*

Accrued interest due in the years ending June 30 are the following:

2018	$ 179,148
2019	115,325
2020	105,000
2021	94,375
2022	83,294
Thereafter	273,558
	$ 850,700

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, 2017 and 2016, borrowing premium in the amount of $9,807 and $8,650, respectively, was amortized to interest expense. Unamortized borrowing premium amounted to $109,535 and $119,342 as of June 30, 2017 and 2016, respectively.

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

2018	$ 10,948
2019	12,236
2020	13,502
2021	14,535
2022	12,630
Thereafter	45,684
	$ 109,535

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, 2017, the Organization was in compliance with all such covenants.

Note 8 **Restricted Net Assets**

Temporarily Restricted Net Assets

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

	2017	**2016**
Funding for subsequent periods	$ 235,070	$ 344,107
Funding for specific purposes	677,273	444,594
	$ 912,343	$ 788,701

Note 8 Restricted Net Assets, *continued*

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

	2017	2016
Released from program restrictions	$ 302,526	$ 350,773
Depreciation of restricted asset	141,615	-
	$ 444,141	$ 350,773

Permanently Restricted Net Assets

The Organization had permanently restricted net assets in the amount of $1,000 as of June 30, 2016. During the year ended June 30, 2017, the Board attempted discussions with the donor regarding the permanent restriction on the original gift and resolved that the restriction to be removed.

Note 9 Lease Commitments

Commitments Under Operating Leases

The Organization leases facilities from which it conducts operations. The facilities are leased under non-cancelable operating leases. Subsequent to year-end, BI extended the lease terms on several of such lease agreements, as well as entered into an additional non-cancelable operating lease agreement. These leases have expiration dates through June 2021 and require minimum monthly payments of approximately $24,000 as of June 30, 2017.

The following is a schedule of minimum payments required under non-cancelable operating leases as of June 30, 2017 for future years ending June 30:

2018	$ 214,131
2019	105,633
2020	39,934
2021	5,942
	$ 365,640

Rental expense under non-cancelable operating lease agreements totaled $326,306 and $315,722 for the years ended June 30, 2017 and 2016, respectively.

Commitments Under Capital Leases

During the year ended June 30, 2016, BI partially financed a vehicle purchase through a capital lease agreement. The lease bore interest at 4.84% per annum and called for monthly principal and interest payments in the amount of $259. The balance on the capital lease was $9,540 as of June 30, 2016. The lease was paid off during the year ended June 30, 2017.

Note 10 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:

	2017	2016
North Bay Regional Center	78%	80%
Santa Rosa Junior College	4%	5%

Accounts receivable include $986,973 and $949,716 from these sources at June 30, 2017 and 2016, 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, 2017, 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, 2017, the Organization had approximately $1,821,000 on deposit in excess of the FDIC insured amount.

Note 11 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 $60,911 and $32,145 for the years ended June 30, 2017 and 2016, respectively.

Note 12 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 13 Subsequent events

The Organization evaluated subsequent events from July 1, 2016 through October 26, 2017, the date which the financial statements were available to be issued, and determined that, other than the renewal of line credit agreement described in Note 6, and the new operating leases entered into subsequent to year-end as described in Note 9, there are no material subsequent events that required recognition or additional disclosure in these financial statements.