Financial Statements and Independent Auditors' Report

beyond blindness™

Building Bright Futures for Children

As of and For the Year Ended June 30, 2023 (With Summarized Comparative Information as of and for the Year Ended June 30, 2022)

BEYOND BLINDNESS

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HASKELLWHITE
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS

THE VALUE OF EXPERIENCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Beyond Blindness

Opinion

We have audited the accompanying financial statements of Beyond Blindness (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beyond Blindness as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Beyond Blindness and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beyond Blindness' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS’ REPORT (CONTINUED)

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Beyond Blindness' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beyond Blindness' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Summarized Comparative Information

We have previously audited Beyond Blindness' June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Haskell & White LLP

HASKELL & WHITE LLP

Irvine, California
October 23, 2023

BEYOND BLINDNESS

Statement of Financial Position
As of June 30, 2023
(With summarized comparative information as of June 30, 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 348,530**	$ 860,882
Investments (Note 3)	**2,021,010**	1,886,225
Accounts receivable (Note 4)	**154,198**	145,570
Short-term pledge receivable	**332,454**	19,188
Employee Retention Credit receivable	**385,350**	-
Prepaid expenses	**38,941**	50,838
Total current assets	**3,280,483**	2,962,703
Long-term portion of pledge receivable, net of discount	**22,640**	194,671
Operating lease right-of-use assets	**1,429,761**	-
Finance lease right-of-use assets	**11,450**	-
Property and equipment, net:		
Buildings and improvements	**121,206**	121,206
Leasehold improvements	**567,055**	319,780
Furniture, equipment, and software	**252,234**	212,604
Construction in progress	**-**	48,756
Vehicles	**76,653**	41,653
Total property and equipment	**1,017,148**	743,999
Accumulated depreciation	**(495,909)**	(400,824)
Net property and equipment	**521,239**	343,175
Total assets	**$ 5,265,573**	$ 3,500,549

See independent auditors' report and notes to financial statements.

BEYOND BLINDNESS

Statement of Financial Position (continued)
As of June 30, 2023
(With summarized comparative information as of June 30, 2022)

	2023	2022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 83,675**	$ 54,582
Accrued payroll and payroll taxes payable	**49,481**	34,357
Accrued vacation payable	**51,424**	76,816
Deferred revenue	**7,680**	8,450
Deferred rent	**-**	28,010
Operating lease obligations due within one year (Note 9)	**143,885**	-
Finance lease obligations due within one year (Note 9)	**5,034**	-
Short-term portion of debt (Note 6)	**13,296**	6,512
Accrued interest on debt (Note 6)	**16,342**	9,298
Total current liabilities	**370,817**	218,025
Long-term portion of debt (Note 6)	**480,637**	493,488
Long-term operating lease obligations (Note 9)	**1,346,954**	-
Long-term finance lease obligations (Note 9)	**6,591**	-
Total liabilities	**2,204,999**	711,513
Commitments and contingencies (Notes 6, 8, and 9)		
Net assets (Note 8)		
With donor restrictions	**488,861**	245,797
Without donor restrictions	**2,571,713**	2,543,239
Total net assets	**3,060,574**	2,789,036
Total liabilities and net assets	**$ 5,265,573**	$ 3,500,549

See independent auditors' report and notes to financial statements.

BEYOND BLINDNESS

Statement of Activities
For the Year Ended June 30, 2023
(With summarized comparative information as of June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	**Total 2023**	Total 2022
Revenues				
Revenue and other support:				
Program fees	$ 1,607,366	$ -	**$ 1,607,366**	$ 1,223,886
Foundation donors	772,308	510,500	**1,282,808**	740,926
Individual and group donors	249,830	-	**249,830**	562,813
Special events, net of $148,942 of direct expenses	301,667	-	**301,667**	232,120
Employee retention credit	385,350	-	**385,350**	178,574
Commercial organization donors	78,891	-	**78,891**	113,819
Legacies and bequests	85,000	-	**85,000**	49,973
Grants and other contributions	18,796	-	**18,796**	28,941
Contributions of non-financial assets	77,308	-	**77,308**	1,100
Investment (loss) gain, net	102,914	-	**102,914**	(240,970)
Miscelleanous Income	8,000	-	**8,000**	-
Net assets released from restrictions	267,436	(267,436)	-	-
Total revenue and other support	3,954,866	243,064	**4,197,930**	2,891,182
Expenses				
Functional expenses:				
Program services	2,895,028	-	**2,895,028**	2,412,487
Support services:				
Management and general	461,344	-	**461,344**	436,841
Fundraising	570,020	-	**570,020**	465,153
Total functional and support service expenses	3,926,392	-	**3,926,392**	3,314,481
Change in net assets				
Increase (decrease) in net assets	28,474	243,064	**271,538**	(423,299)
Net assets, beginning of year	2,543,239	245,797	**2,789,036**	3,212,335
Net assets, end of year	$ 2,571,713	$ 488,861	**$ 3,060,574**	$ 2,789,036

See independent auditors' report and notes to financial statements.

BEYOND BLINDNESS

Statement of Functional Expenses
For the Year Ended June 30, 2023
(With summarized comparative information as of June 30, 2022)

	Program Services	Supporting Services			
	Early Intervention and Education	Management and General	Fund-raising	**Totals 2023**	Totals 2022
Salaries and Related	$ 2,016,555	$ 155,717	$ 288,548	$ **2,460,820**	$ 2,117,488
Rent	160,672	18,858	19,309	**198,839**	172,599
Employee Benefits	108,753	8,398	15,561	**132,712**	149,549
Staff Development and training	67,934	23,695	27,206	**118,835**	45,926
Depreciation	76,834	9,018	9,233	**95,085**	42,669
Marketing	50,892	12,241	13,135	**76,268**	72,475
Fund Development Support	-	-	71,264	**71,264**	44,159
Public Relations	18,745	2,959	45,220	**66,924**	62,950
Accounting Fees	-	61,738	-	**61,738**	44,622
Enrichment / Education	60,766	-	-	**60,766**	56,250
Program Contractors	31,418	23,573	3,759	**58,750**	45,484
Technology Software	31,254	6,535	16,327	**54,116**	53,785
Utilities / Gas / Electric	34,939	8,347	4,438	**47,724**	36,020
Travel and Mileage	43,528	602	326	**44,456**	51,063
Supplies-Program and Office	28,386	12,470	1,226	**42,082**	22,781
Audit and Tax Preparation	-	40,675	-	**40,675**	34,200
Business Insurance	26,814	5,462	3,880	**36,156**	29,419
Repairs and Maintenance	21,976	12,261	384	**34,621**	-
Telephone / Internet	28,857	2,362	3,268	**34,487**	42,138
Janitorial Services	19,743	4,079	3,797	**27,619**	27,773
Dues, Fees and Subscriptions	7,815	13,365	6,070	**27,250**	18,982
Human Resources	15,300	5,100	5,100	**25,500**	42,411
Information Technology	9,795	1,612	3,260	**14,667**	12,969
Interest Expense	-	14,328	-	**14,328**	3,580
Special Event Expenses	-	-	14,200	**14,200**	2,348
Printing and Postage	1,758	3,490	7,096	**12,344**	20,934
Food / Consumables	9,503	1,444	35	**10,982**	4,728
Bank / Credit Card Fees	5,141	563	5,118	**10,822**	7,305
Copier / Equipment Rental	4,231	1,227	1,042	**6,500**	9,024
Meetings	465	4,318	486	**5,269**	6,469
Taxes / Licenses	3,413	1,648	30	**5,091**	6,710
Credentialing and Other Fees	4,714	-	-	**4,714**	414
Amortization	2,485	720	612	**3,817**	-
Promotional Products / Mailings	215	3,027	-	**3,242**	13,970
Vehicle Gas and Repairs	645	504	-	**1,149**	595
Volunteer Services	946	-	90	**1,036**	1,208
Legal	5	1,008	-	**1,013**	7,855
Substitute Teachers/Therapists	531	-	-	**531**	72
Loss Fixed Asset Disposal	-	-	-	**-**	3,557
Total expenses	$ 2,895,028	$ 461,344	$ 570,020	$ **3,926,392**	$ 3,314,481

See independent auditors' report and notes to financial statements.

BEYOND BLINDNESS

Statement of Cash Flows
For the Year Ended June 30, 2023
(With summarized comparative information as of June 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ **271,538**	$ (423,299)
Non-cash items included in change in net assets:		
Realized and unrealized (gain) loss on securities	**(47,203)**	289,266
Depreciation and amortization	**95,085**	42,669
Loss on fixed asset disposal	**-**	3,557
Donated vehicle	**(35,000)**	-
Donated stock	**(20,933)**	-
Amortization of right-of-use assets (Operating)	**181,524**	-
Amortization of right-of-use assets (Financing)	**3,817**	-
Discount on long-term pledges receivable	**2,360**	5,329
Changes in operating assets and liabilities		
Accounts receivable	**(8,628)**	(30,867)
Pledge receivable	**(143,595)**	(61,050)
Employee retention credit receivable	**(385,350)**	-
Prepaid expenses	**11,897**	(2,296)
Accounts payable	**29,093**	21,753
Accrued payroll and payroll taxes payable	**15,124**	(38,880)
Accrued vacation payable	**(25,392)**	(9,459)
Accrued interest	**7,044**	3,580
Deferred revenue	**(770)**	(21,021)
Deferred rent	**(28,010)**	28,010
Operating lease obligation	**(120,446)**	-
Net cash used in operating activities	**(197,845)**	(192,708)
Cash flows from investing activities		
Purchases of investments in equity shares and bonds	**(300,758)**	(1,919,411)
Sales of investments in equity shares and bonds	**234,109**	1,630,452
Acquisition of property and equipment	**(238,149)**	(96,022)
Payments on finance lease obligations	**(3,642)**	-
Net cash used in investing activities	**(308,440)**	(384,981)
Cash flows from financing activities		
Principal payments on EIDL loan	**(6,067)**	-
Proceeds from issuance of debt	**-**	350,100
Net cash (used in) provided by financing activities	**(6,067)**	350,100
Net decrease in cash and cash equivalents	**(512,352)**	(227,589)
Cash and cash equivalents - beginning of year	**860,882**	1,088,471
Cash and cash equivalents - end of year	$ **348,530**	$ 860,882
Supplemental disclosures of cash flow information		
Cash paid for interest	$ **6,838**	$ -
Operating lease right-of-use assets recorded upon adoption of ASC 842	$ **1,583,276**	$ -
Operating lease obligations recorded upon adoption of ASC 842	$ **1,611,286**	$ -
Donated vehicle	$ **35,000**	$ -

See independent auditors' report and notes to financial statements.

Notes to Financial Statements
For the Year Ended June 30, 2023
(With summarized comparative information as of June 30, 2022)

1. Nature of Operations

Beyond Blindness (the “Organization”) was incorporated in 1962 in California as a not-for-profit corporation. The Organization has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

The mission of the Organization is to empower children with visual impairments and other disabilities to achieve their fullest potential. The primary sources of revenue for the Organization are program fees and charitable contributions.

The Organization provides the following core programs:

Early Intervention: Early Intervention Services provide comprehensive support and resources to children ages 0 to 3 to overcome early obstacles, meet key milestones, and establish a foundation for each child to reach their fullest potential. Home-based and center-based services offer vision stimulation and therapy services that help to minimize developmental delays and optimize growth towards an independent future while toddler classrooms, located onsite, focus on healthy development and school readiness.

Education + Enrichment: Through the Organization’s Education + Enrichment services, students receive itinerant (within their public school classroom) education support with a dedicated teacher of the visually impaired, orientation & mobility training, and the opportunity to attend fun and valuable summer camps. Additional Education + Enrichment services include assistive technology training, peer groups, expanded core curriculum, and life-skills development.

Family Support: Family Support services enable the Organization to be a resource for families of children with visual impairments and other disabilities throughout the child’s entire journey of care. These services not only offer necessary and comforting support to parents, grandparents, siblings, children and more in the form of education, training and inclusive family events, but they also help provide guidance, a sense of community, and more.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”). A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

2. Significant Accounting Policies (continued)

Reclassification

Certain amounts in the prior year's statement of activities, statement of functional expenses, and statement of cash flows have been reclassified for comparative purposes to conform to current year's presentation.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all highly liquid instruments with maturities of less than three months for which the intended purpose is other than facilitating longer term investment objectives.

Net Assets

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

Net Assets Without Donor Restrictions — Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions — Net assets subject to donor-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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Accounts Receivable

Accounts receivable consists primarily of non-interest bearing amounts due for program service fees. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Pledge Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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

2. Significant Accounting Policies (continued)

Pledge Receivable (continued)

asset. In subsequent years, amortization of the discounts is included in revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of June 30, 2023 and June 30, 2022, the present value discount was $2,360 and $5,329 using an interest rate of 3.36% and 1.68%, respectively.

Contributions of Nonfinancial Assets

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Organization adopted the new standard effective July 1, 2021, the first day of the Organization's previous fiscal year. The adoption of this ASU did not have a significant impact on the Organization's financial statements. Contributed nonfinancial assets provided to the Organization for the years ended June 30, 2023 and 2022 were $77,308 and $1,100. Contributed nonfinancial assets for the year ended June 30, 2023 consist of an unrestricted donation of a vehicle with a fair market value of $35,000, donated landscaping services with a fair value of $9,222 and donated goods and materials of $33,086. Contributed nonfinancial assets for the year ended June 30, 2022, consist of donated goods and materials of $1,100. These goods and materials were restricted to be used for fundraising events.

Property and Equipment

The Organization records property and equipment additions of single items over $3,000 at cost, or if donated, at estimated fair value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years. Property construction-in-progress is recorded at cost and not depreciated. The property is transferred to property and equipment upon completion. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. The Organization recorded depreciation expense of $95,085 and $42,669 for the years ended June 30, 2023 and 2022, respectively.

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment are reviewed for impairment whenever management believes that events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. To the extent that the carrying value is determined to be unrecoverable, an impairment loss is recognized through a charge to expense. There was no impairment of property and equipment during the years ended June 30, 2023 and 2022.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Support and Contributions

General support, including pledges, as well as any other unconditional promises to give, are recognized as revenue in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Special event revenues are recognized when earned, whereas expenses are recognized when incurred.

Grants represent contributions if the resources provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Program Fee Revenues and Receivables

The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. ASC 606 applies to exchange transactions and requires the Organization to follow a five step process: (1) identifying a contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price among the performance obligations; and (5) recognizing revenue as each of the various performance obligations are satisfied.

Program fee revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided to children with visual impairments and other disabilities. These amounts are due from regional centers, school districts and insurance payments. All non-covered amounts for additional services are due from the parents/guardians of the children. The Organization bills the program fees on a monthly basis, according to contract. Revenue is recognized over time as performance obligations are satisfied.

2. Significant Accounting Policies (continued)

Program Fee Revenues and Receivables (continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Each contract contains only one performance obligation which is to provide services to children. Revenue for performance obligations satisfied as services are provided over time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the child. Program fees receivable are primarily amounts due from fees billed to children of the Organization's programs and are presented net of allowance for doubtful accounts.

Payments received in advance for future services are deferred and recognized as revenue when the performance obligations are met. Advanced payments are included in deferred revenue in the accompanying statement of financial position and is considered a contract liability under ASC 606.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. The expenses that are allocated include rent, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and others, which are allocated on the basis of estimates of time and effort. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and California Code Section 23701d, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundation under IRC Sections 509(a)(1) and (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

2. Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization follows ASC 740, *Accounting for Uncertain Taxes*. Under ASC 740, the Organization is required to evaluate the tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are required to be recorded as a tax benefit or expense in the current year. For the years ended June 30, 2023 and 2022, the Organization concluded that there was no impact from ASC 740.

The Organization's income tax filings are subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress.

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 reporting period. Actual results could differ from those estimates, and those differences could be material.

Change in Accounting Principal - Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842), which requires lease assets and liabilities to be recorded on the balance sheet. The Organization adopted this ASU and related amendments as of July 1, 2022 under the modified retrospective approach and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification. The impact of adoption was to add approximately $1.4 million of right-of-use assets, as well as corresponding operating lease liabilities to the balance sheet as of implementation date.

For any new or modified lease, the Organization, at the inception of the contract, determines whether a contract is or contains a lease. The Organization records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Organization's leases is not easily determinable, the Organization uses the risk-free rate at the time the lease is entered into in calculating the present value of the sum of the lease payments.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense, while the expense for finance leases is recognized as amortization expense and interest expense using the accelerated interest method of recognition.

2. Significant Accounting Policies (continued)

Leases (continued)

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. The Organization has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments–Credit Losses* (Topic 326), which modifies the measurement of expected credit losses of certain financial instruments. The Organization will adopt this ASU on July 1, 2023. Management does not expect the adoption of this standard to have a material impact on the financial statements.

Subsequent events

Management has evaluated subsequent events through October 23, 2023, the date the financial statements were available to be issued, noting no events requiring disclosure.

3. Investments

Investments are required to be reported at fair market value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure for value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2- Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

3. Investments (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets measured at fair value as of June 30, 2023 and 2022 are as follows:

	June 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Municipal Bonds	$ 1,114,601	$ 1,114,601	$ -	$ -
Equities	906,409	906,409	-	-
Total	$ 2,021,010	$ 2,021,010	$ -	$ -

	June 30, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Municipal Bonds	$ 1,167,819	$ 1,167,819	$ -	$ -
Equities	718,406	718,406	-	-
Total	$ 1,886,225	$ 1,886,225	$ -	$ -

Investment income (loss) consisted of, for the years ended:

	June 30, 2023	June 30, 2022
Interest and dividends	$ 74,180	$ 69,933
Realized and unrealized gains (losses)	47,203	(289,266)
Less: Investment fees	(18,469)	(21,637)
	$ 102,914	$ (240,970)

4. Accounts Receivable

Accounts receivable consisted of, as of year-end:

	June 30, 2023	June 30, 2022
Regional centers	$ 105,909	$ 104,926
School districts	45,225	39,434
Private pay	3,064	1,210
	$ 154,198	$ 145,570

As of June 30, 2023 and 2022, there was no allowance for doubtful accounts as all amounts were deemed to be fully collectable.

5. Concentrations of Risks

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents, investments, accounts receivable and pledges. The Organization places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance coverage limit of $250,000. Throughout the years and as of year-end, the Organization may maintain cash balances in banks in excess of federally-insured limits. The Organization does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

Investments are exposed to various risk, such as interest rate, market and credit risk. Risk is managed through frequent monitoring of macroeconomic conditions, investment valuations and communication with investment managers. It is at least reasonably possible that changes in the near term could materially affect the amounts reported in the financial statements.

As of June 30, 2023 and 2022, accounts receivable totaled $154,198 and $145,570, respectively. The Organization provides a substantial portion of its services to one customer. During 2023 and 2022, program revenues from that customer represented 69% and 76%, respectively. At June 30, 2023 and 2022, the amounts due from that customer in accounts receivable was 64% and 71%, respectively. No allowance for uncollectible accounts has been established based on management's assessment of collectability as of year-end.

As of June 30, 2023 and 2022, pledges totaled $355,094 and $213,859, respectively. As of June 30, 2023 and 2022, three donors accounted for 95% and two donors accounted for 94% of the total pledge receivable balances, respectively.

6. Debt

In July 2020, the Organization obtained a Small Business Association ("SBA") Economic Injury Disaster Loan ("EIDL") totaling $149,900. The EIDL loan has an interest rate of 2.75% and must be used to alleviate economic injury caused by COVID-19. In May 2022, the Organization received an additional EIDL loan of $350,100 from the SBA with the same interest rate. The balance and interest will be payable over thirty years from the effective date with the first payment beginning January 2023.

Future minimum principal payments of the EIDL loan as of June 30, 2023 are as follows:

Year Ending June 30,		
2024	$	13,296
2025		13,666
2026		14,047
2027		14,438
2028		14,840
Thereafter		423,646
	$	493,933

7. Employee Retention Credits

The Organization recognized grant revenue of $385,350 and $178,574 in Employee Retention Credits ("ERC") for the years ended June 30, 2023 and June 30, 2022, respectively, due to a partial suspension of their operations because of governmental limitation orders. For the years ended June 30, 2023 and June 30, 2022, this tax credit is a refundable tax credit against employment taxes equal to 70% and 50%, respectively, of the qualified wages an eligible employer paid to employees after March 12, 2020 and before June 30, 2021. These qualified wages were different from the wages used for the Paycheck Protection Program, which the Organization received forgiveness of in the prior year. As of June 30, 2023, the Organization had not received $385,350 and as such it is recorded as a receivable. The Organization accounted for the ERC under ASC 958-605*, Not-For-Profit Entities, Revenue Recognition*, whereby revenue is recognized once the conditions of eligibility were deemed to have been substantially met. The revenue was recognized gross of related professional services expenses of $20,000, which were recorded within management and general expenses on the accompanying statement of activities. These professional service expenses were incurred by an outside consulting and accounting firm, in which a board member of the Organization is a partner.

8. Net Assets

Net assets consisted of, as of year-end:

	June 30, 2023	June 30, 2022
With donor restrictions:		
Time	$ 97,640	$ 194,671
Purpose	391,221	51,126
	488,861	245,797
Without donor restrictions:		
Undesignated	1,550,474	1,700,064
Board designated reserve	500,000	500,000
Net investment in property and equipment	521,239	343,175
	2,571,713	2,543,239
Total net assets	$ 3,060,574	$ 2,789,036

9. Leases

The Organization is committed under a non-cancelable lease agreement for the main facility. The lease was scheduled to expire August 31, 2021, but was extended an additional five years until August 31, 2026. The lease agreement contains an option to renew and extend the lease an additional 5 years, until August 31, 2031. The Organization is reasonably certain to exercise this option and as such recognized the lease amounts through the renewal option. The lease is classified as an operating lease in conformity with ASC 842. Upon adoption of ASC 842 on July 1, 2022, the Organization recognized an operating lease right-of-use asset in the amount of $1,583,276 and related operating lease liability of $1,611,286. The lease liability is measured at a discount rate of 2.68%. Rent expenses for the facility were $198,839 and $172,599 for the years ended June 30, 2023 and June 30, 2022, respectively.

In October 2022, the Organization entered into a lease for two copier machines through September 30, 2025. The lease is classified as a finance lease in conformity with ASC 842. The lease liability is measured at a discount rate of 4.12%. Amortization expense of the right-of-use asset for the copier lease was $3,817 for the year ended June 30, 2023. Interest expense incurred for the copier lease was $408 for the year ended June 30, 2023.

9. Leases (continued)

Future minimum payments for the lease obligations at June 30, 2023 are:

For the year ended June 30:	Operating Lease	Finance Lease
2024	$ 184,500	$ 5,400
2025	190,035	5,400
2026	195,736	1,350
2027	201,608	-
2028	207,656	-
Thereafter	699,103	-
Total lease payments	1,678,638	12,150
Less imputed interest	(187,799)	(525)
Total lease obligations	1,490,839	11,625
Less: current portion of lease obligations	(143,885)	(5,034)
Lease obligation, less current portion	$ 1,346,954	$ 6,591

10. Retirement Plan

On January 1, 2016, the Organization adopted a 401(k) Qualified Retirement Plan. All employees working at least 1,040 hours per year are eligible to participate. The plan permits employees to make voluntary contributions to the plan up to 100% of their eligible compensation or the maximum amount allowed by law. The Organization matches employee contributions at 25%, not to exceed 6% of their eligible compensation, starting in the second year of their employment. For the each of the years ended June 30, 2023 and 2022, the Organization contributed approximately $15,000 to the plan.

11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise the following:

Cash and cash equivalents	$ 348,530
Investments	2,021,010
Accounts receivable	154,198
Short-term pledge receivables, net	332,454
Employee retention credit receivable	385,350
Total current financial assets	3,241,542
Less: amounts with purpose related donor restrictions	(391,221)
Less: amounts board designated for reserve	(500,000)
Total financial assets available for general expenditures within one year	$ 2,350,321

11. Liquidity and Availability (continued)

The table above reflects board designated reserve funds as unavailable because it is the Organization's intention to invest those resources for that specific designation. However, in the case of need, the Board of Directors could appropriate such resources for general expenditure.

The Organization manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Organization's expenses, excluding special events, average approximately $326,000 per month, and therefore the Organization has sufficient liquidity reserves to fund approximately seven month's operations. The Organization receives program revenue in connection with those expenses, leaving the Organization with sufficient resources, in management's opinion, to fund general expenditures for at least the next year from the financial statement issuance date.