Imagine Supported Living Services
(a Nonprofit Public Benefit Corporation)

Audited Financial Statements

For the year ended June 30, 2018

BPM

IMAGINE SUPPORTED LIVING SERVICES

(a Nonprofit Public Benefit Corporation)

TABLE OF CONTENTS

BPM

10 Almaden Boulevard, Suite 1000, San Jose, CA 95113
Phone (408) 961-6300 **Fax** (408) 961-6324 **Email** bpm@bpmcpa.com **Web** bpmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Imagine Supported Living Services
Aptos, California

We have audited the accompanying financial statements of Imagine Supported Living Services (the "Organization," a Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, 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.

BPM LLP

San Jose, California
August 16, 2019

IMAGINE SUPPORTED LIVING SERVICES

STATEMENT OF FINANCIAL POSITION

As of June 30, 2018

ASSETS

Assets:		
Cash and cash equivalents	$	461,506
Accounts receivable, net of allowance		318,008
Prepaid expenses		130,758
Other assets		12,526
Property and equipment, net		1,023,843
Total assets	$	1,946,641

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	$	12,323
Accrued payroll and related expenses		192,033
Other liabilities		38,229
Note payable		482,546
Total liabilities		725,131
Net assets:		
Unrestricted		1,200,121
Temporarily restricted		21,389
Total net assets		1,221,510
Total liabilities and net assets	$	1,946,641

The accompanying notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVING SERVICES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Program service fees	$ 3,879,636	$ -	$ 3,879,636
Contributions and grants	71,678	11,090	82,768
Miscellaneous	3,454	-	3,454
Interest income	911	-	911
	3,955,679	11,090	3,966,769
Net assets released from restrictions	13,689	(13,689)	-
Total revenue and support	3,969,368	(2,599)	3,966,769
Expenses:			
Program services	3,465,783	-	3,465,783
Supporting services:			
Management and general	371,605	-	371,605
Fundraising	15,258	-	15,258
Total supporting services	386,863	-	386,863
Total expenses	3,852,646	-	3,852,646
Change in net assets	116,722	(2,599)	114,123
Net assets, beginning of year	1,083,399	23,988	1,107,387
Net assets, end of year	$ 1,200,121	$ 21,389	$ 1,221,510

IMAGINE SUPPORTED LIVING SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	Program Services	Supporting Services			
	Total Program Expenses	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 2,330,341	$ 197,965	$ 10,421	$ 208,386	$ 2,538,727
Benefits and payroll taxes	590,248	48,126	2,093	50,219	640,467
Total salaries and related expenses	2,920,589	246,091	12,514	258,605	3,179,194
Consumer related expenses	273,482	-	-	-	273,482
Depreciation	15,818	3,954	-	3,954	19,772
Family Home Agency (FHA) provider	170,616	-	-	-	170,616
Human resource	11,245	4,605	-	4,605	15,850
Insurance/security	-	9,983	696	10,679	10,679
Interest	-	24,935	-	24,935	24,935
Mileage and travel	20,129	2,237	-	2,237	22,366
Miscellaneous	19,598	25,386	1,259	26,645	46,243
Professional and contract fees	-	32,885	-	32,885	32,885
Supplies, telephone, and utilities	34,306	21,529	789	22,318	56,624
Total functional expenses	$ 3,465,783	$ 371,605	$ 15,258	$ 386,863	$ 3,852,646

The accompanying notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVING SERVICES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

Cash flows from operating activities:		
Change in net assets	$	114,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		19,772
(Increase) decrease in:		
Accounts receivable		(22,394)
Prepaid expenses		(73,827)
Other		(1,545)
Increase (decrease) in:		
Accounts payable		14,312
Payroll liabilities		29,152
Other		38,019
Net cash provided by operating activities		117,612
Cash flows from financing activities:		
Repayments of long-term debt		(12,931)
Net cash used in finance activities		(12,931)
Net increase in cash and cash equivalents		104,681
Cash and cash equivalents, beginning of year		356,825
Cash and cash equivalents, end of year	$	461,506
Supplemental disclosures of cash flow information:		
Cash paid for interest	$	24,935

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Imagine Supported Living Services (the "Organization") is a nonprofit corporation founded June 24, 2002 and located in Aptos, California, whose specific and primary purpose is to provide services to adults with developmental disabilities. These services may include, but are not limited to, finding securing housing, direct staff support for personal care and tasks, money management, social and recreational facilitation and medical management.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States ("U.S. GAAP").

Financial Statement Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. The provisions of these standards require the Organization to report its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions.

Unrestricted net assets include those assets over which the Board of Directors (the "Board") has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. Unrestricted net assets currently include the operating fund.

Temporarily restricted net assets include those assets which are subject to donor restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Donor restrictions expire when stipulated time restriction ends or purpose restriction is accomplished. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions expire.

Permanently restricted net assets include those assets which are subject to non-expiring donor restriction, such as endowments. The Organization does not have any permanently restricted net assets as of June 30, 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, money market funds and all highly liquid debt instruments with original maturities of three months or less.

Continued

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

Cash is a financial instrument which potentially subjects the Organization to a concentration of credit risk. The Organization at times during a year may have cash in excess of the amounts insured by the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any losses on its deposits of cash and cash equivalents.

Accounts Receivable

Accounts receivables consist of amounts due for program services from funding sources, primarily nonprofit organizations established by the State of California under regional center system ("regional center").

The Organization reviews the allowance for doubtful accounts based on historical experience and evaluation of outstanding receivables at the end of the year. As of June 30, 2018, management considers and has allowed for, an allowance of $1,486 for doubtful accounts.

Property and Equipment

All purchased equipment is stated at cost and donated equipment is stated, at fair value at the date of the donation for items exceeding $1,000. During the year ended June 30, 2018, no equipment was donated to the Organization. Major improvements are charged to the property accounts, while repairs and maintenance, which do not extend the life of the asset, are expensed in the current year. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, which may vary from three to seven years for equipment and thirty years for buildings and building improvements. Depreciation expense for the year ended June 30, 2018 was $19,772.

In-Kind Contributions – Donated Services

Occasionally, the Organization receives donated services from unpaid volunteers who assist in fund-raising, program activities, and special events. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

Contribution of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased not by donation, are recorded at their fair values in the period received. For the year ended June 30, 2018, no amount has been recorded for donated services.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from California franchise tax under Section 23701(d) of the Revenue and Taxation Code. Therefore, no provisions for income taxes have been recorded on the financial statements.

The U.S. GAAP and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state tax returns are more likely than not to be sustained upon examination.

Continued

2. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Organization files tax returns with the federal government and the State of California. All returns have been filed by the initial or extended due dates. The Organization's federal and state income tax are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation for those returns.

Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which converges the FASB and the International Accounting Standards Board standards on revenue recognition. The ASU supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third-party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. For nonpublic entities, the ASU is effective for annual reporting periods beginning after December 15, 2018 for contributions received, and after December 15, 2019 for contributions made with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. The Organization is in the process of evaluating the impact of the new guidance on its financial statements.

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (958). This statement includes updates that improve the usefulness of financial statements or reduce complexities for preparers. Some of the updates include requiring all nonprofits to present expenses by function and nature; replacing traditional three classes of net assets with only two classes (those with donor-imposed restrictions and those without); and reaffirmation of existing methods of presenting operating cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact of adoption on its financial statements.

3. Fixed Assets

Property and equipment consisted of the following as of June 30, 2018:

Buildings and building improvements	$	583,164
Land		494,990
Office equipment/computers		3,675
		1,081,829
Less: accumulated depreciation		(57,986)
	$	1,023,843

4. Compensated Absences

Full-time employees of the Organization are entitles to paid time off ("PTO") which accrues as a dollar value at 5% of the employee's gross pay for the pay period. When PTO is taken, the employee's accrued balance is adjusted by the number of PTO hours taken time of the employee's hourly rate.

As of June 30, 2018 the accrual for compensated absences was $62,539.

5. Note Payable

As of June 30, 2018, the Organization had a note payable totaling $482,546. The original note was for $535,000 and was secured by a deed of trust and was currently payable in monthly installments of $3,143, including interest of 5.00% per annum. The aforementioned note payable was refinanced subsequent to year end. It was replaced with a loan of $482,722 with a different bank and maturity date of March, 5, 2029.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2018:

Restricted for client support	$	17,557
Restricted for Community Center Development		3,832
	$	21,389

Continued

6. Temporarily Restricted Net Assets, continued

Net assets released from restrictions by incurring expenses that satisfied the restricted purpose during the year ended June 30, 2018 amounted to $13,689.

7. Concentration of Risk

The Organization main source of program service fee revenue is from nonprofit organizations established by the State of California under a regional center system. Concentrations of program service fee revenue for the year ended June 30, 2018, amounted to approximately 92% from San Andres Regional Center and 6% from Golden Gate Regional Center (see Note 2 for concentration in accounts receivable). The regional centers are funded through the State Department of Developmental Services. The operations of the Organization are subject to provisions and requirements for regional centers. California State budget changes may affect funds allocated by the State of the provision of these services to the regional centers.

8. Contingency – Self –Insured State Unemployment Fund and Employee Health Insurance

The Organization has elected to be a reimbursing employer for the purpose of state unemployment taxes and in a lieu of quarterly tax contributions will be required to reimburse the state for any employment claims made. For the year ended June 30, 2018, the Organization made reimbursing payments of $17,134.

9. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through August 16, 2019, the date which these financial statements were available to be issued. Other than noted above in Note 5, management concluded that no material events have occurred since June 30, 2018 that require recognition or disclosure in these financial statements.