

IMAGINE SUPPORTED LIVING SERVICES
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2017

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PATRICIA A. BECKWITH

CERTIFIED PUBLIC ACCOUNTANT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Imagine Supported Living Services

I have audited the accompanying financial statements of position of Imagine Supported Living Services (a Nonprofit Public Benefit Corporation) which comprise the statement of financial position as of June 30, 2017, 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 the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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, I express no such opinion. An audit also includes evaluation 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position Imagine Supported Living Services as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Aptos, CA
January 16, 2018

IMAGINE SUPPORTED LIVING SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS		
Cash and cash equivalents	\$	356,725
Accounts receivable, net of allowance		295,614
Prepaid expenses		65,710
Advances		7,771
Property and equipment, net		1,043,616
Loan fees, net		<u>3,210</u>
	TOTAL ASSETS	<u><u>\$ 1,772,646</u></u>
LIABILITIES		
Accounts payable	\$	8,990
Payroll liabilities		116,320
Accrued vacation		48,452
Other liabilities		(3,979)
Note payable		<u>495,477</u>
	TOTAL LIABILITIES	<u>665,260</u>
NET ASSETS		
Unrestricted		1,083,399
Temporarily restricted		<u>23,988</u>
	TOTAL NET ASSETS	<u>1,107,387</u>
	TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,772,646</u></u>

The notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVING SERVICES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Program service fees	\$ 3,496,508	\$ -	\$ 3,496,508
Contributions and grants	63,173	21,846	85,019
Fundraising events	-	-	-
Miscellaneous revenues	2,835	-	2,835
Interest income	636	-	636
Net assets released from restrictions			
Restrictions satisfied by payments	10,607	(10,607)	
	<u>3,573,759</u>	<u>11,239</u>	<u>3,584,999</u>
Total Revenue and Support			
	3,573,759	11,239	3,584,999
EXPENSES			
Program Services			
Total Program	3,066,934	-	3,066,934
Supporting Services			
Management and General	312,849	-	312,849
Fundraising	14,276	-	14,276
	<u>3,394,059</u>	<u>-</u>	<u>3,394,059</u>
Total Expenses			
	3,394,059	-	3,394,059
CHANGE IN NET ASSETS	179,700	11,239	190,940
NET ASSETS, beginning of year	903,699	12,749	916,448
NET ASSETS, end of year	<u>\$ 1,083,399</u>	<u>\$ 23,988</u>	<u>\$ 1,107,387</u>

The notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVINGS SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services	Supporting Services		
	Total Program Expenses	Management and General	Fundraising	Total
Compensation and related expenses				
Compensation	\$ 2,083,706	\$ 158,943	\$ 8,550	\$ 2,251,199
Employee benefits	406,268	23,396	1,419	431,083
Payroll Taxes	147,891	23,672	654	172,217
	<u>2,637,865</u>	<u>206,011</u>	<u>10,623</u>	<u>2,854,499</u>
Consumer related expenses	226,774	-	-	226,774
Data Storage	2,669	-	1,074	3,743
Depreciation	16,604	4,150	-	20,754
FHA Provider	118,492	-	-	118,492
Hiring and training	9,998	9,081	-	19,079
Events	4,245	-	-	4,245
Interest	-	24,662	-	24,662
Milage and travel	20,129	2,237	-	22,366
Miscellaneous	9,277	4,142	-	13,419
Payroll service	-	14,789	-	14,789
Professional and contract fees	-	10,500	-	10,500
Repairs and maintenance	-	7,101	789	7,890
Security	-	3,641	-	3,641
Supplies	10,156	16,691	741	27,588
Telephone and communications	7,062	9,437	1,049	17,548
Utilities	3,663	407	-	4,070
Total expenses, year ended				-
June 30, 2017				
	<u>\$ 3,066,934</u>	<u>\$ 312,849</u>	<u>\$ 14,276</u>	<u>\$ 3,394,059</u>
	<u>90%</u>	<u>9%</u>	<u>1%</u>	

The notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVING SERVICES
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 190,940
Adjustments to reconcile changes in net assets to to net cash used in operating activities:	
Depreciation and amortization	20,755
(Increase) Decrease in:	
Accounts receivable	(66,243)
Prepaid expenses	(7,062)
Advances	(4,948)
Increase (Decrease) in:	
Accounts payable	(34,597)
Payroll liabilities	9,959
Accrued absences	6,141
Other	(6,119)
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Net Cash Provided by Operating Activities	108,825
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal paid on note payable	(12,551)
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Net Cash Used by Financing Activities	(12,551)
NET INCREASE IN CASH AND CASH EQUIVALENTS	96,274
CASH AND CASH EQUIVALENTS, beginning of year	260,451
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CASH AND CASH EQUIVALENTS, end of year	\$ 356,725
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The notes are an integral part of these financial statements.

IMAGINE SUPPORTED LIVING SERVICES

(A Non-profit Corporation)

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Description of operations

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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Net assets and changes therein are classified as follows:

- Unrestricted net assets- net assets are not subject to donor-imposed restrictions. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Temporarily restricted net assets- net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets- net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets as of June 30, 2017

Estimates

The preparation of financial statements requires management to make estimated 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.

IMAGINE SUPPORTED LIVING SERVICES

(A Non-profit Corporation)

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Cash Equivalents

For the purpose of these financial statements, the Organization considers all certificates of deposit and dollar of dollar money market funds to be cash equivalents. As of June 30, 2017, cash and cash equivalents consisted solely of cash on hand at banks.

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. At June 30, 2017 \$3,515 was held in excess of FDIC limits.

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 centers").

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, 2017, management considers and has allowed for, an allowance of \$1,486 for doubtful accountants.

Property and equipment's

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which may vary from three to seven years for equipment; thirty to forty years for buildings and land/ building improvements. It is the current policy of the Organization to capitalize individual property and equipment items with a useful life greater than one year and a cost of \$1,000 or more.

Depreciation expense for the fiscal years ended June 30, 2017 was \$19,685.

Loan origination fees

Loan origination fees incurred in obtaining debt used to purchase the Organizations office building are amortized over the life of the loan. Amortized expense for the year ended June 30, 2017 was \$1,070.

IMAGINE SUPPORTED LIVING SERVICES

(A Non-profit Corporation)

Notes to Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

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 statement 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 if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2017, no amount has been recorded for donated services.

Income taxes

The organization is a tax-exempt corporation under Internal Revenue Code Section 501(c)(3) and the California state 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.

Accounting principles generally accepted in the United States of America provide accounting 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.

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.

2. Accounts Receivable

As of June 30, 2017, substantially all of the accounts receivable balance of \$295,725 was due from regional centers for client services. Concentrations of year end receivables amounted to approximately 97% from San Andreas Regional Center and 7% from Golden Gate Regional center. (See note 7)

IMAGINE SUPPORTED LIVING SERVICES

(A Non-profit Corporation)

Notes to Financial Statements

3. Fixed Assets

As of June 30, 2017, property and equipment consists of:

Buildings	\$ 243,880
Land	494,990
Improvements	339,284
Office equipment/computers	<u>3,675</u>
Less: Accumulated depreciation	<u>(38,213)</u>
	<u>\$ 1,043,616</u>

4. Compensated Absences

Full-time employees of the Organization are entitled 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 times the employee's hourly rate.

As of June 30, 2017, the accrual for compensated absences was \$48,452.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2017:

Restricted for client support	\$ 8,917
Restricted for Community Center Development	<u>20,156</u>
	<u>\$ 23,988</u>

6. Note Payable

At June 30, 2017, the Organization has a note payable totaling \$495,476. The original note was for \$535,000 and is secured by a deed of trust and is currently payable in monthly installments of \$3,143, including interest. Interest currently accrues at 5.00% per annum.

IMAGINE SUPPORTED LIVING SERVICES

(A Non-profit Corporation)

Notes to Financial Statements

6. Note Payable (Continued)

Maturities as of June 30, 2017, consisted of the following:

2018	\$ 13,250
2019(balloon payments due February 19, 2019)	<u>482,226</u>
	<u>\$ 495,476</u>

7. Concentration of Risk

Imagine Supported Living Services 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 fiscal year ended June 30, 2017 amounted to approximately 93% from San Andreas Regional Center and 7% 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 Imagine Supported Living Services are subject to provisions and requirements for regional centers. California State budget changes may affect funds allocated by the State for 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 fiscal year ended June 30, 2017, the organization made reimbursing payments of \$11,653.

9. Subsequent Events

The Organization's management has evaluated events and transactions subsequent to June 30, 2017 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2017. Subsequent events have been evaluated through January 16, 2018, the date the financial statements became available to be issued.