# IMAGINE SUPPORTED LIVING SERVICES

## AUDITED FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2019

## TABLE OF CONTENTS

Bharti Sudan, CPA Inc.
Certified Public Accountant

23341 GOLDEN SPRINGS DRIVE
SUITE 204
DIAMOND BAR, CA 91765

Phone (909) 861-5642
Fax (909) 861-7642
Cell (909) 225-9947

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Imagine Supported Living Services
9065 Soquel Drive
Aptos, CA 950003

## Opinion

We have audited the accompanying financial statements of **Imagine Supported Living Services** (a nonprofit public benefit organization) California Corporation), which comprise the financial position as of June 30, 2019, and the related statements 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 **Imagine Supported Living Services** as of June 30, 2019, and the results of its related statements of activities, functional expenses 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Imagine Supported Living Services** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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, which raise substantial doubt about **Imagine Supported Living Services**' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's 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 auditor's 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 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 **Imagine Supported Living Services**' 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 **Imagine Supported Living Services**' 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.

Bharti Sudan, CPA
Bharti Sudan, CPA Inc.
Diamond Bar, CA 91765
November 25, 2022

# IMAGINE SUPPORTED LIVING SERVICES
## STATEMENT OF FINANCIAL POSITION
## AS OFJUNE 30, 2019

### ASSETS

| | | |
|---|---|---|
| **Current Assets** | | |
| Cash & Cash Equivalent | $ | 329,883 |
| Prepaid | | 97,940 |
| Account Receivable | | 511,693 |
| Other Assets | | 6,192 |
| Total Current Assets | | 945,708 |
| **Fixed Assets, Net** | | 1,003,115 |
| **Total Assets** | $ | 1,948,823 |

### LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **Liabilities** | | |
| Accounts Payable | $ | 139,194 |
| Payroll and Payroll Tax Payable | | 214,344 |
| Other Liabilities | | 29,677 |
| Note Payable to Santa Cruz Bank | | 481,293 |
| Total Liabilities | | 864,508 |
| **Net Assets** | | |
| Unrestricted | | 1,069,205 |
| Temporary restricted | | 15,109 |
| Total net assets | | 1,084,314 |
| **Total Liabilities and Net Assets** | $ | 1,948,823 |

See accompanying independent Auditor's report and notes to financial statements.

# IMAGINE SUPPORTED LIVING SERVICES
## STATEMENTS OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2019

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **Revenue** | | | |
| Program Service Fees | $ 4,283,571 | $ | $ 4,283,571 |
| Contribution, grants and fundraising | 46,573 | 12,634 | 59,207 |
| Insurance Companies | 114,072 | | 114,072 |
| Miscellaneous | 3,368 | | 3,368 |
| Interest Income | 884 | | 884 |
| | 4,448,467 | 12,634 | 4,461,102 |
| Net assets reclassed from restriction | 1 | (1) | 0 |
| Total revenue and us[port | 4,448,468 | 12,633 | 4,461,102 |
| **Expenses** | | | |
| Program Service | 3,989,443 | | 3,989,443 |
| Supporting Services | | | |
| Management and General | 479,852 | | 479,852 |
| Fundraising | 19,039 | | 19,039 |
| Total Supporting Services | 498,891 | | 498,891 |
| Total expenses | 4,488,333 | | 4,488,333 |
| **Change in net assets** | (39,865) | 12,633 | (27,232) |
| Net Assets, beginning of year | 1,200,121 | 21,389 | 1,221,510 |
| Prior Year's Adjustments | (91,051) | (18,913) | (109,964) |
| Net Assets, end of year | $ 1,069,205 | $ 15,109 | $ 1,084,314 |

# IMAGINE SUPPORTED LIVING SERVICES
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30, 2019

| | | |
|---|---|---|
| **Operating Activities** | | |
| **Change in net assets** | $ | (27,232) |
| **Adjustments to reconcile Net Income( Loss) to Net Cash provided by Operating Activities** | | |
| **Depreciation & Amortization** | | 20,728 |
| **Changes in Assets & Liabilities** | | |
| **Account Receivable** | | (193,685) |
| **Prepaid** | | 32,818 |
| **Other Assets** | | 6,334 |
| **Accounts Payable** | | 126,871 |
| **Payroll and Payroll Tax Payable** | | 22,311 |
| **Other Liabilities** | | (8,552) |
| **Prior Year's Adjustments** | | (109,964) |
| **Total Adjustments** | | (103,139) |
| **Net Cash provided (used) - Operating Activities** | | (130,371) |
| **Investing Activities** | | |
| **Net Cash provided (used) - Investing Activities** | | |
| **Financing Activities** | | |
| **RSF Social Investment Funds, Inc** | | (482,546) |
| **Note Payable to Santa Cruz Bank** | | 481,293 |
| **Net Cash provided (used) - Financing Activities** | | (1,253) |
| **Net Increase (Decrease) in Cash** | | (131,624) |
| **Cash at the beginning of Period** | | 461,506 |
| **Cash at the end of Period** | $ | 329,883 |
| **Supplemental Disclosures** | | |
| **Interest Paid** | $ | 29,033 |

**See accompanying independent Auditor's report and notes to financial statements.**

IMAGINE SUPPORTED LIVING SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Supporting Services | | | |
|---|---|---|---|---|---|
| | Total Program Expense | Management General Administrative | Fundraising | Total Supporting Services | TOTAL |
| Salaries and Wages | $ 2,641,123 | $ 248,149 | $ 13,061 | $ 261,210 | $ 2,902,334 |
| Payroll taxes and Benefits | 684,811 | 72,286 | 3,805 | 76,090 | 760,901 |
| | 3,325,935 | 320,435 | 16,865 | 337,301 | 3,663,235 |
| Consumer related expenses | 238,219 | | | | 238,219 |
| Depreciation & Amortization Expens | 19,658 | 1,070 | | 1,070 | 20,728 |
| Family Home Agency (FHA) provider | 228,258 | | | | 228,258 |
| Hiring and Training | 12,346 | 4,241 | | 4,241 | 16,587 |
| Insurance | | 13,643 | 1,516 | 15,159 | 15,159 |
| Interest | | 29,033 | | 29,033 | 29,033 |
| Mileage & Travel | 21,896 | 1,501 | | 1,501 | 23,397 |
| Miscellaneous | 1,813 | 1,813 | | 1,813 | 3,625 |
| Employee related | 10,358 | 10,358 | | 10,358 | 20,716 |
| Other items | 7,929 | 7,929 | | 7,929 | 15,858 |
| Payroll services | | 25,135 | | 25,135 | 25,135 |
| Professional services | 79,260 | 40,831 | | 40,831 | 120,091 |
| Repairs & Maintenance | | 4,435 | 493 | 4,927 | 4,927 |
| Security | | 4,072 | | 4,072 | 4,072 |
| Supplies | 18,274 | 12,890 | | 12,890 | 31,164 |
| Telephone | 16,639 | 1,482 | 165 | 1,647 | 18,286 |
| Utilites | 8,858 | 984 | | 984 | 9,843 |
| Total | $ 3,989,443 | $ 479,852 | $ 19,039 | $ 498,891 | $ 4,488,333 |

See accompanying independent Auditor's report and notes to financial statements.

## NOTE: 1 Nature of Organization

Organization and Nature of Activities

Imagine Supported Living Services (the "Organization") established as a charitable Non-Profit organization on 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

## NOTE: 2 Summary of Significant Accounting Policies

### *1) Basis of Accounting*

The Organization prepares its financial statements on an accrual basis of accounting in accordance with generally accepted accounting principles of the United States (GAAP). The majority of the assets of the Organization are reported as unrestricted.

### *2) 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 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 door restrictions and for which the applicable restriction was not met as 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, 2019.

Notes to Financial
Contd.

### *3) Use of Estimates*

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

### *4) Cash Equivalent*

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

### *5) 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.

### *6) Property and Equipment*

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the related assets

The estimated useful lives of depreciable assets are:

| | |
|---|---|
| Office furniture, auto, and tools | 5 years |
| Machinery and equipment | 7 years |
| Leasehold improvements | 10 years |
| Buildings | 39 years |

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.

in the current year. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, which vary from three to seven year ended equipment and thirty years for building and building improvements. Depreciation expense for the year ended June 30, 2019, was $19,772.

**H)** ***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 amount has 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 not by donation, are recorded at their fair values in the period received. For the year ended June 30, 2019, no amount has been recorded for donated services.

***I)*** ***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 in 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. 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 federal statutes of limitation for those returns.

***J)*** ***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.

***K) 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-steps analysis of transaction 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 expect to be entitled in exchange for those goods and services. The guidance also requires additional disclosure 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 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 in 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 statement.

In February 2016, the FASB issued ASU 2016-02, *Lease* (842). The new guidance requires lessees to recognize a right-to-use assets 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.

Notes to Financial
Contd.

In August 2016, the FASB issued ASY 2016-14, *Presentation of Financial Statement of Non-for-Profit Entities (958).* This stamen 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 on its financial statements.

**NOTE 3: Accounts Receivable**

As of June 30, 2019, the Organization had a balance of Accounting receivables was $511,693 (net of bad debts)which consist of $409,638 amounts due for program services from funding sources from Regional Centers which was received in July and $102,055 was received in July, August and September 2019,

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, 2019, management considers and has allowed for an allowance of $1,486 for doubtful account.

**NOTE 4: Fixed Assets**

Autos, Equipment and Furniture consist of the following:

| | | 2018 | Addition Deletion | | 2019 |
|---|---|---|---|---|---|
| Land | $ | 494,991 | | $ | 494,991 |
| Building | | 243,880 | | | 243,880 |
| Building Improv. | | 339,286 | | | 339,286 |
| Equipment | | 3,675 | | | 3,675 |
| Accumulated Depreciation | | (61,199) | (19,658) | | (80,857) |
| Loan Fees | | 5,350 | | | 5,305 |
| Accumulated Amortization | | (2,140) | (1,070) | | (3,210) |
| Total | $ | 1,023,843 | (20,728) | $ | 1,003,115 |

During the year ended June 30, 2019, no equipment was donated to the Organization. Major Improvement are charged to the property accounts, while repairs and maintenance, which do not extend the life pf the asset, are expensed Current year's Book depreciation is $19,658 whereas Tax Depreciation was $329.

**NOTE 5: Accounts Payable**

As of June 30, 2019, the Organization had a total Accounts Payable in the amount of $139,194 which consist of $117,555 payable to San Andreas Regional Center and $21,639 as other operating expenses. Payment to San Andrea Regional Center was made every month from July 2019 to May 2020. Other operating expenses was paid in July, August and September 2019

**NOTE 6: Payroll and Payroll Tax Liabilities**

As of June 30, 2019, the Organization had a total Payroll and Payroll Tax Payable in the amount of $214,344 which was consist of Payroll payable $132,304, Payroll Tax $10,048 and Accrued paid time off (PTO) of $71,992. The payroll and payroll taxes were paid in July, whereas the Accrued paid time off was paid as the employees wants to take time off.

**NOTE 7: Other Liabilities**

As of June 30, 2019, the Organization had a total balance of Other Liabilities in the amount of $29,677 which consist of $11,932 Consumer Trust Account, and mileage and reimbursement payable and other payable which was paid on July, August and September 2019

**NOTE 8: Note Payable**

As of June 30, 2019, the Organization had a note payable to Santa Cruz County Bank totaling $481,293. The Original note was for $500,000 (paid closing cost $8,637 and used cash distribution of $17,278 towards principal payment resulting in outstanding balance of $ 482,722), was secured by a deed of trust at variable interest rate (based on 5-year US dollar interest rate SWAP subject to change from time to time) at 5.750% for initial 60 monthly installments of $3,064, then at 5.792% for 59 monthly consecutive installments of $3,075 (beginning of April 2024). This note matures in March 2029. The total payment made to Santa Cruz Bank was $12,678. Out of which $2,888 was allocated to principle and $9,790 to interest.

The Organization refinanced this mortgage note payable in March 2019 with Santa Cruz Bank from RSF Social Investment Funds, Inc. and paid off $474,085. The total payment made to RSF

Social Investment Funds inc. was $28,923 out of which $$9,679 allocated to principal and $$19,243 to interest.

**NOTE 9 Interest Expense**

For the year ending June 30, 2019, the Organization had a total interest expense in the amount of $29,033 which includes interest paid to RSF Social Investment Funds, Inc. was $19,243 and to Santa Cruz Bank was $9,790.

**NOTE 10: 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 of time of the employee's hourly rate. As of June 30, 2019, the accrual for compensated absences was $71,992.

**NOTE 11: 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. Concentration of program service fee revenue for the year ended June 30, 2019, amounted to $3,269,293 approximately 73% from San Andres Region Center and amounted to $253,492 approximately 5.65% from Golden Gate Region Center (see Note 2 for concentration in account receivable). The reginal centers 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.

**NOTE 12: Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2019:

| | | |
|---|---|---|
| Restricted for client support and for Community Center Department | $ | 15,109 |
| | $ | 15,109 |

Net assets released from restrictions by incurring expenses that satisfied the restricted purpose during the year ended June 30, 2019, amounted to $15,109.

Notes to Financial
Contd.

**NOTE 12: Contingency-Self-Insured State Unemployment Fund and Employee Health Insurance**

The Organization has been 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, 2019, the Organization made reimbursing payment of $32,478.

**NOTE 13: Prior Year's adjustments**

The organization has prior year's adjustments in the amount of $(109,964) which consist of prior year's audit entries $ (18,913) not entered in the financials, prior years' depreciation $(22,985) was not entered in the financials and prior year's of workers compensation of $(82,641) and some old checks of $14,575 was never cleared in the bank. Now adjusted.

**NOTE14: Subsequent Events**

The Organization evaluated subsequent events for recognition and disclosure through November 25, 2022, the date on which these financial statements were available to be issued.

As of the Audit date and since January 2020, the Company (like all other Companies) was going through some changes due to worldwide pandemic Covid -19 Corona Virus. During this pandemic the Company had to follow all the guidelines provided by Federal Department of Health and Public Safety - Center for Disease Control (CDC) and Prevention in addition to the guidelines provided by Regional Center to protect its residents against this Corona Virus. However, the Company did not lose any of its Revenue or its staff as there is a demand of the services that the Company provides to Regional Center.