

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

TABLE OF CONTENTS

Financial Statements	Page
Independent Auditor's Report.....	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements.....	7-16

INDEPENDENT AUDITOR'S REPORT

Board of Directors
**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.**
Martinez, CA

Report on Financial Statements

We have audited the accompanying financial statements of Rehabilitation and Employment Services of the East Bay, Inc., which comprise the statement of financial position as of December 31, 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.

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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Rehabilitation and Employment Services of the East Bay, Inc.'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 Rehabilitation and Employment Services of the East Bay, Inc.'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

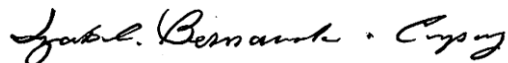
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rehabilitation and Employment Services of the East Bay, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rehabilitation and Employment Services of the East Bay, Inc.'s 2018 financial statements, and our report dated June 3, 2019, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Rehabilitation and Employment Services of the East Bay, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"). The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California
April 24, 2020

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 19,052	\$ 131,693
Accounts Receivable	412,853	233,958
Prepaid Expenses	39,415	53,024
Security Deposits	15,969	15,969
	<u>487,289</u>	<u>434,644</u>
Noncurrent Assets		
Deferred Compensation Assets for 457(b) Plan	8	36,686
Property and Equipment (Net of Accumulated Depreciation of \$738,908 and \$664,650, respectively)	1,857,902	1,906,731
	<u>1,857,910</u>	<u>1,943,417</u>
Total Assets	<u>\$ 2,345,199</u>	<u>\$ 2,378,061</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 44,063	\$ 29,725
Accrued Vacation, Payroll and Payroll Taxes	102,986	57,384
Other Accrued Expenses	20,000	10,933
Notes Payable - Current Portion	38,183	52,562
Mortgages Payable - Current Portion	40,534	38,532
	<u>245,766</u>	<u>189,136</u>
Total Current Liabilities	<u>245,766</u>	<u>189,136</u>
Noncurrent Liabilities		
Deferred Compensation	10,000	36,686
Notes Payable - Long-Term Portion	61,531	99,614
Mortgages Payable - Long-Term Portion	960,947	1,000,525
	<u>1,032,478</u>	<u>1,136,825</u>
Total Noncurrent Liabilities	<u>1,032,478</u>	<u>1,136,825</u>
Total Liabilities	<u>1,278,244</u>	<u>1,325,961</u>
Net Assets		
Without Donor Restrictions	1,021,988	1,038,839
With Donor Restrictions	44,967	13,261
	<u>1,066,955</u>	<u>1,052,100</u>
Total Net Assets	<u>1,066,955</u>	<u>1,052,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,345,199</u>	<u>\$ 2,378,061</u>

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>SUPPORT AND REVENUE</u>				
Support				
Contributions	\$ 64,982	\$ 1,000	\$ 65,982	\$ 6,598
Special Events	7,774	43,541	51,315	23,860
Revenue				
Program Service Fees	3,820,007	-	3,820,007	3,422,936
Interest and Dividend Income	2,143	-	2,143	1,429
Miscellaneous Income	6,899	-	6,899	4,635
In-kind Revenue	49,561	-	49,561	6,800
Total Support and Revenue	3,951,366	44,541	3,995,907	3,466,258
Net Assets Released from Restrictions	12,835	(12,835)	-	-
Total Support and Revenue	3,964,201	31,706	3,995,907	3,466,258
<u>EXPENSES</u>				
Program Services	3,468,738	-	3,468,738	3,125,841
Supporting Services				
Management and General	470,446	-	470,446	478,935
Fundraising	41,868	-	41,868	41,936
Total Supporting Services	512,314	-	512,314	520,871
Total Expenses	3,981,052	-	3,981,052	3,646,712
CHANGE IN NET ASSETS	(16,851)	31,706	14,855	(180,454)
Net Assets- Beginning of Year	1,038,839	13,261	1,052,100	1,232,554
NET ASSETS - END OF YEAR	\$ 1,021,988	\$ 44,967	\$ 1,066,955	\$ 1,052,100

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 14,855	\$ (180,454)
Loss on Disposal of Fixed Assets	288	-
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	96,322	94,957
<i>Decrease/(increase) in assets:</i>		
Accounts Receivable	(178,895)	233,245
Prepaid Expenses	13,609	(34,254)
Deferred Compensation Assets	9,992	-
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	14,338	(1,280)
Accrued Vacation, Payroll and Payroll Taxes	45,602	(29,622)
Other Accrued Expenses	9,066	(749)
Net Cash Provided (Used) by Operating Activities	<u>25,177</u>	<u>81,843</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	<u>(47,780)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(47,780)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments for Line of Credit	(52,462)	(543)
Repayments of Notes and Mortgages Payable	<u>(37,576)</u>	<u>(96,587)</u>
Net Cash Provided (Used) by Financing Activities	<u>(90,038)</u>	<u>(97,130)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(112,641)	(15,287)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>131,693</u>	<u>146,980</u>
END OF YEAR	<u>\$ 19,052</u>	<u>\$ 131,693</u>
SUPPLEMENTAL DISCLOSURES		
Interest Paid	<u>\$ 64,982</u>	<u>\$ 67,339</u>

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

	Supportive Services				2019 Total Expenses	2018 Total Expenses
	Program Services	Management & General	Fund Raising	Total Supportive Services		
Salaries	\$ 2,372,937	\$ 273,977	\$ 30,440	\$ 304,417	\$ 2,677,354	\$ 2,283,632
Payroll Taxes	199,646	20,251	2,249	22,500	222,146	188,320
Employee Benefits	278,062	20,731	2,304	23,035	301,097	352,008
Deferred Compensation	-	(26,000)	-	(26,000)	(26,000)	-
Total Salaries and Related Expenses	2,850,645	288,959	34,993	323,952	3,174,597	2,823,960
Accounting	-	81,880	-	81,880	81,880	113,376
Agency Development	252	530	6,230	6,760	7,012	4,541
Association Fees	8,064	-	-	-	8,064	8,064
Automobiles	37,048	-	-	-	37,048	38,917
Computer Costs	24,202	2,504	-	2,504	26,706	12,240
Hiring Costs	5,704	-	-	-	5,704	5,478
Insurance	15,668	10,329	-	10,329	25,997	33,760
Interest and Finance Charges	58,002	8,592	575	9,167	67,169	77,455
Legal	75	14,853	-	14,853	14,928	2,640
Office and Other Miscellaneous	32,545	35,324	-	35,324	67,869	81,952
Professional Fees	-	500	-	500	500	8,000
Program Expense	42,733	-	-	-	42,733	25,465
Psychologist	21,300	300	-	300	21,600	18,450
Rent	198,804	19,934	-	19,934	218,738	219,679
Repairs and Maintenance	16,566	-	-	-	16,566	5,860
Staff Development & Training	10,076	2,130	70	2,200	12,276	19,831
Taxes, Property and Other	8,018	1,153	-	1,153	9,171	7,385
Travel, Meals and Parking	3,361	484	-	484	3,845	3,375
Utilities	40,649	1,678	-	1,678	42,327	41,327
Total Expenses before Depreciation	3,373,712	469,150	41,868	511,018	3,884,730	3,551,755
Depreciation	95,026	1,296	-	1,296	96,322	94,957
Total Functional Expenses	\$ 3,468,738	\$ 470,446	\$ 41,868	\$ 512,314	\$ 3,981,052	\$ 3,646,712

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1: NATURE OF ACTIVITIES

The mission of Rehabilitation and Employment Services of the East Bay, Inc., dba RES SUCCESS (the Organization) is to provide program services to adults with intellectual challenges and autism spectrum disorders that instill dignity and respect for greater independence. RES SUCCESS programs are designed to achieve the individual aspirations of each participant, providing participants the opportunity to become productive members of the community and local social network. Through community integration and education, participants gain a level of independence and self-worth, thus contributing to self-satisfaction in personal and social endeavors throughout all aspects of their lives. The program operates on the principals of meaningful activities that are goal oriented and purpose based.

The Organization receives revenue primarily from The Regional Center of the East Bay, Inc., a resource agency for persons with intellectual challenges and autism spectrum disorders. The revenues are contingent upon the availability of funding from the State of California. The Organization also receives contributions from the general public.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, as of and for the year ended December 31, 2019. The majority of the Organization's revenues come from program service fees and donor contributions that are within the scope of ASC 606 and are recognized as revenue as the Organization satisfies its obligation to the customer.

Implementation of ASU 2014-09 did not require reclassification or restatement of any opening balances related to the period presented.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Organization's policy is to prepare its financial statements using the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. Management believes the Organization has no uncertain tax positions as of December 31, 2019.

Cash and Cash Equivalents

For purposes of statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment to be used for strategic purposes as determined by the board.

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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, actual results could differ from those estimates.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Primarily, trade receivables consist of program services receivable within thirty days. For the year ended December 31, 2019, receivables from program services were primarily within 60 days due to late submission of invoices to the Regional Center of the East Bay, Inc.

Trade account receivables, credit losses and doubtful accounts are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade account receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Property and equipment are stated at cost or at fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 39 years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

Revenue Recognition

Revenues for providing services are recognized as revenue in the year in which the service takes place. Unrestricted donations are recognized when received, and restricted donations are recognized when the restrictions expire or depending on the nature of the restrictions.

Advertising Costs

Advertising costs are charged to operations when incurred. During the year ended December 31, 2019, advertising expense was \$0.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no promises as of December 31, 2019.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Certain costs are shared between programs and supporting services. Accordingly, these shared expenses are allocated on a reasonable basis that is consistently applied. Allocated expenses include office and occupancy cost of space related to the clinical team, agency wide staff relations, and general liability insurance, which have been allocated based on personnel. In addition, salaries and benefits of the Executive Director and Office Manager have been allocated based on estimate of time and effort. All other expenses are considered direct and are assigned accordingly.

Comparative Information

The financial statements include certain summarized comparative information from the prior year. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. Such information should be read together with RES SUCCESS's financial statements for the year ended December 31, 2018, from which the summarized information was extracted.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts with one financial institution. The accounts are insured by Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, uninsured cash balance before reconciling items total \$0.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board(FASB) Accounting Standards Codification(ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair 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:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organizations have the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable for the assets or liability. Unobservable inputs reflect the Organizations' own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstance and may include the Organizations' own data.

The Organization does not have any investments other than cash in the bank accounts, receivables, and fixed assets, which are carried at cost. There have been no changes in the methodologies used during the year ended December 31, 2019.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following, as of December 31, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 360,084	\$ -	\$ -	\$ 360,084
Building & Improvement	1,917,674	-	-	1,917,674
Vans	143,849	-	-	143,849
Furniture and Equipment	81,215	47,780	(22,351)	106,644
Leasehold Improvements	68,559	-	-	68,559
Subtotal	2,571,381	47,780	(22,351)	2,596,810
Less: Accumulated Depreciation	(664,650)	(96,321)	22,063	(738,908)
Net Book Value	<u>\$ 1,906,731</u>	<u>\$ (48,541)</u>	<u>\$ (288)</u>	<u>\$ 1,857,902</u>

Depreciation expense was \$96,321 for the year ended December 31, 2019.

NOTE 6: LINE OF CREDIT

The Organization has a line of credit with a local bank which provides borrowings up to a maximum of \$200,000, maturing on June 2, 2020. At December 31, 2019, the Organization had an outstanding balance of \$0. The interest rate is 1.0% over prime rate as published by the Wall Street Journal; the rate cannot be less than 4.25%.

NOTE 7: NOTES PAYABLE

The Organization has a \$150,000 commercial loan with a local bank, maturing December 11, 2022. Principal and interest payments of \$2,881 are due monthly. Interest rate is at 5.65%. Balance as of December 31, 2019 was \$91,701.

The Organization purchased four new vans, which total amount financed was \$120,199 at 0%, and matures on April 9, 2020. Total monthly payments are \$2,003 for 60 months. The notes were not discounted because there were no differences between cash price for the vans and financing amount. Balance as of December 31, 2019 was \$8,013.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8: MORTGAGGE PAYABLE

The Organization's mortgage obligations consist of the following:

<u>Property:</u>	<u>Pittsburg, CA</u>	<u>Hercules, CA</u>	<u>Total</u>
Balance as of December 31, 2019	\$808,170	\$193,311	\$1,001,481
Monthly principal and interest payments	\$6,527	\$1,428	\$7,955
Interest rate	5.80%	4.70%	
Maturity date	10/31/2028	4/14/2026	

Minimum long-term debt payments for the mortgages and notes payable are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2020	\$ 78,717
2021	74,766
2022	74,919
2023	47,898
2024	50,642
Thereafter	<u>774,253</u>
Total Mortgage and Notes Payable	1,101,195
Less: Current Portion	<u>(78,717)</u>
Long-term Portion	<u>\$ 1,022,478</u>

NOTE 9: OPERATING LEASE

The Organization leases its main office and three other facilities under an operating lease, ranging from two to ten years. Future minimum payments due on the non-cancelable lease are as follows:

<u>Year Ending December 31:</u>	
2020	\$ 131,173
2021	134,453
2022	129,856
2023	93,379
2024	97,072
Thereafter	<u>228,624</u>
Total	<u>\$ 814,557</u>

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: EMPLOYEE BENEFIT PLANS

The Organization offers tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization does not ordinarily contribute to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were \$3,698 for the year ended December 31, 2019.

The Organization also offers its officer a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available only to the Executive Director, permits him to defer a portion of his salary or the Organization contributes to the plan on his behalf. The deferred compensation is not available to its employee until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Organization (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Organization's general creditors. Participant's rights under the plan are equal to those of general creditors of the Organization in an amount equal to the fair market value of the deferred amount for the participant. The Organization's invested assets of the deferred compensation plan consist of a money market mutual fund account with a major investment securities company, which is classified as level 1 securities in accordance with generally accepted accounting principles (GAAP). The balance in the 457(b) deferred compensation asset account is \$8 at December 31, 2019.

NOTE 11: CONTRIBUTED MATERIALS

Donated Materials are reflected as contributions at their estimated value at the date of receipt and are recorded as revenue and expenses for program services. Donated materials consisting of program supplies and furniture amounted to \$49,561 and are included in in-kind donated goods contribution and expense of the programs for the year ended December 31, 2019.

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the Program Activity Supplies and Outings for the amount of \$44,967 at December 31, 2019.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 13: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year:

Cash and Cash Equivalents	\$	19,052
Accounts Receivables		412,853
Total Financial Assets		431,905

Less those unavailable for general expenditures within one year due to:

Cash restricted by donor for specific uses		(44,967)
add back: amounts available for general expenditure in following year		44,967

Financial assets available to meet cash needs for general expenditures within one year	\$	431,905
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The Organization has \$431,905 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$19,052. The accounts receivables are subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 30 days of normal operating expenses, which are, on average, approximately \$327,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization has a line of credit with Heritage Bank of Commerce in the amount of \$200,000. At December 31, 2019, the Organization had not drawn on the line of credit, and the full amount of \$200,000 remained available.

NOTE 14: CONTINGENCIES AND SUBSEQUENT EVENTS

Certain grants received by the Organization are subject to audit or review by the grantors. As a result of these audits or reviews, if any, the Organization may be required to repay a portion of grant funds received. However, management does not believe any liability related to its grants would be material.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 15: RELATED PARTY TRANSACTIONS

A member of the Board of Directors and the Executive Director are married to each other. Under the Organization's conflict-of-interest policy, all business and financial relationships between the Organization, members of the Board of Directors and officers are subject to review and approved by the Board of Directors.

NOTE 16: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through April 24, 2020, the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was identified and has since spread to many countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. In California, a mandatory "shelter-in-place" order was issued on March 19, 2020. It is anticipated that these impacts will continue for some time.

In anticipation and response to COVID-19, the Organization, requested and received approval from the Regional Center of the East Bay (RCEB) to close all programs starting March 16, 2020. The Organization remains in communication with families, clients and staff through remote options and has developed online educational and outreach opportunities for clients. Funding for closure remains secure on an approval basis through approval from RCEB, which has allowed the Organization to pay staff and maintain operations remotely. Current closure and respective funding has been approved through May 1st, 2020. The organization does not currently have a anticipated date for programs to reopen.