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

## AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

**REHABILITATION AND EMPLOYMENT**
**SERVICES OF THE EAST BAY, INC.**
**AUDITED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2020**
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

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# 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, 2020, 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, 2020, 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.

**Adoption of New Accounting Standards**
As discussed in Note 2 to the financial statements, Rehabilitation and Employment Services of the East Bay, Inc. changed its method of accounting for leases as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases*, effective January 1, 2020. Our opinion is not modified with respect to these matters.

**Prior Period Financial Statements**
The financial statements of Rehabilitation and Employment Services of the East Bay, Inc. as of December 31, 2019, were audited by Izabal, Bernaciak & Company, who combined with Grant Bennett Associates as of January 1, 2021, and whose report dated April 24, 2020, expressed an unmodified opinion on those statements.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
July 20, 2021

# REHABILITATION AND EMPLOYMENT SERVICES OF THE EAST BAY, INC.
## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2020 AND DECEMBER 31, 2019

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and Cash Equivalents | $ | 843,398 | $ | 19,052 |
| Accounts Receivable | | 513,977 | | 412,853 |
| Prepaid Expenses | | 66,123 | | 39,415 |
| Total Current Assets | | 1,423,498 | | 471,320 |
| **Noncurrent Assets** | | | | |
| Security Deposits | | 15,969 | | 15,969 |
| Deferred Compensation Assets for 457(b) Plan | | 10,032 | | 8 |
| Property and Equipment (Net of Accumulated Depreciation of $817,822 and $738,908, respectively) | | 1,876,610 | | 1,857,902 |
| Operating Lease- Right of Use Asset | | 482,819 | | - |
| Total Noncurrent Assets | | 2,385,430 | | 1,873,879 |
| **Total Assets** | $ | 3,808,928 | $ | 2,345,199 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **Current Liabilities** | | | | |
| Accounts Payable | $ | 38,077 | $ | 44,063 |
| Accrued Vacation, Payroll and Payroll Taxes | | 141,401 | | 102,986 |
| Other Accrued Expenses | | 9,770 | | 20,000 |
| Notes Payable - Current Portion | | - | | 38,183 |
| Mortgages Payable - Current Portion | | 46,501 | | 40,534 |
| Operating Lease Liability - Current Portion | | 110,765 | | - |
| Total Current Liabilities | | 346,514 | | 245,766 |
| **Noncurrent Liabilities** | | | | |
| Deferred Compensation | | 10,024 | | 10,000 |
| PPP Loan | | 524,217 | | - |
| Deferred Interest | | 3,361 | | - |
| Notes Payable - Long-Term Portion | | - | | 61,531 |
| Mortgages Payable - Long-Term Portion | | 926,034 | | 960,947 |
| Operating Lease Liability - Long-Term Portion | | 387,317 | | - |
| Total Noncurrent Liabilities | | 1,850,953 | | 1,032,478 |
| **Total Liabilities** | | 2,197,467 | | 1,278,244 |
| **Net Assets** | | | | |
| Without Donor Restrictions | | 1,591,960 | | 1,021,988 |
| With Donor Restrictions | | 19,501 | | 44,967 |
| **Total Net Assets** | | 1,611,461 | | 1,066,955 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 3,808,928 | $ | 2,345,199 |

See notes to financial statements

# REHABILITATION AND EMPLOYMENT SERVICES OF THE EAST BAY, INC.
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2020
## WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **SUPPORT AND REVENUE** | | | | |
| **Support** | | | | |
| Contributions | $ 193,556 | $ 19,090 | $ 212,646 | $ 65,982 |
| Special Events | - | - | - | 51,315 |
| **Revenue** | | | | |
| Program Service Fees | 4,740,652 | - | 4,740,652 | 3,820,007 |
| Interest and Dividend Income | 2,510 | - | 2,510 | 2,143 |
| Miscellaneous Income | 1,643 | - | 1,643 | 6,899 |
| In-kind Revenue | 9,270 | - | 9,270 | 49,561 |
| Total Support and Revenue | 4,947,631 | 19,090 | 4,966,721 | 3,995,907 |
| Net Assets Released from Restrictions | 44,556 | (44,556) | - | - |
| Total Support and Revenue | 4,992,187 | (25,466) | 4,966,721 | 3,995,907 |
| **EXPENSES** | | | | |
| Program Services | 3,820,440 | - | 3,820,440 | 3,468,738 |
| Supporting Services | | | | |
| Management and General | 597,156 | - | 597,156 | 470,446 |
| Fundraising | 4,619 | - | 4,619 | 41,868 |
| Total Supporting Services | 601,775 | - | 601,775 | 512,314 |
| Total Expenses | 4,422,215 | - | 4,422,215 | 3,981,052 |
| **CHANGE IN NET ASSETS** | 569,972 | (25,466) | 544,506 | 14,855 |
| Net Assets- Beginning of Year | 1,021,988 | 44,967 | 1,066,955 | 1,052,100 |
| **NET ASSETS - END OF YEAR** | $ 1,591,960 | $ 19,501 | $ 1,611,461 | $ 1,066,955 |

See notes to financial statements

# REHABILITATION AND EMPLOYMENT SERVICES OF THE EAST BAY, INC.
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

| | 2020 | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in Net Assets | $ 544,506 | $ 14,855 |
| Loss on Disposal of Fixed Assets | - | 288 |
| *Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:* | | |
| Depreciation | 78,914 | 96,322 |
| *Decrease/(increase) in assets:* | | |
| Accounts Receivable | (101,124) | (178,895) |
| Prepaid Expenses | (26,708) | 13,609 |
| Deferred Compensation Assets | (10,000) | 9,992 |
| *Increase/(decrease) in liabilities:* | | |
| Accounts Payable | (5,986) | 14,338 |
| Accrued Vacation, Payroll and Payroll Taxes | 38,415 | 45,602 |
| Other Accrued Expenses | (10,230) | 9,066 |
| Deferred Interest | 3,361 | - |
| Operating Lease Liability, net | 15,263 | - |
| **Net Cash Provided (Used) by Operating Activities** | 526,411 | 25,177 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of Fixed Assets | (97,622) | (47,780) |
| **Net Cash Provided (Used) by Investing Activities** | (97,622) | (47,780) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repayments for Notes Payable | (99,714) | (52,462) |
| Proceeds from PPP Loan | 524,217 | - |
| Repayments of Mortgages Payable | (28,946) | (37,576) |
| **Net Cash Provided (Used) by Financing Activities** | 395,557 | (90,038) |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | 824,346 | (112,641) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 19,052 | 131,693 |
| **END OF YEAR** | $ 843,398 | $ 19,052 |
| **SUPPLEMENTAL DISCLOSURES** | | |
| Interest Paid | $ 59,139 | $ 64,982 |

See notes to financial statements

# REHABILITATION AND EMPLOYMENT SERVICES OF THE EAST BAY, INC.
## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2020
## WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

| | | Supportive Services | | | | |
|---|---|---|---|---|---|---|
| | Program Services | Management & General | Fund Raising | Total Supportive Services | 2020 Total Expenses | 2019 Total Expenses |
| Salaries | $ 2,765,056 | $ 316,092 | $ - | $ 316,092 | $ 3,081,148 | $ 2,677,354 |
| Payroll Taxes | 194,188 | 23,768 | - | 23,768 | 217,956 | 222,146 |
| Employee Benefits | 260,500 | 22,256 | - | 22,256 | 282,756 | 301,097 |
| Deferred Compensation | - | - | - | - | - | (26,000) |
| Total Salaries and Related Expenses | 3,219,744 | 362,116 | - | 362,116 | 3,581,860 | 3,174,597 |
| Accounting | - | 123,557 | - | 123,557 | 123,557 | 81,880 |
| Agency Development | 98 | 1,081 | 4,619 | 5,700 | 5,798 | 7,012 |
| Association Fees | 8,268 | - | - | - | 8,268 | 8,064 |
| Automobiles | 21,235 | - | - | - | 21,235 | 37,048 |
| Computer Costs | 14,947 | 16,190 | - | 16,190 | 31,137 | 26,706 |
| COVID Safety Supplies | 13,911 | 878 | - | 878 | 14,789 | - |
| Hiring Costs | 2,105 | 583 | - | 583 | 2,688 | 5,704 |
| Insurance | 14,771 | 10,637 | - | 10,637 | 25,408 | 25,997 |
| Interest and Finance Charges | 69,077 | 9,745 | - | 9,745 | 78,822 | 67,169 |
| Legal | - | 5,535 | - | 5,535 | 5,535 | 14,928 |
| Office and Other Miscellaneous | 39,936 | 36,455 | - | 36,455 | 76,391 | 67,869 |
| Other Professional Fees | - | 3,750 | - | 3,750 | 3,750 | 500 |
| Program Expense | 64,251 | - | - | - | 64,251 | 42,733 |
| Psychologist | 17,250 | - | - | - | 17,250 | 21,600 |
| Rent | 205,960 | 20,150 | - | 20,150 | 226,110 | 218,738 |
| Repairs and Maintenance | 4,792 | 86 | - | 86 | 4,878 | 16,566 |
| Staff Development & Training | 3,385 | 1,361 | - | 1,361 | 4,746 | 12,276 |
| Taxes, Property and Other | 7,439 | 1,219 | - | 1,219 | 8,658 | 9,171 |
| Travel, Meals and Parking | 4,190 | 89 | - | 89 | 4,279 | 3,845 |
| Utilities | 31,426 | 2,465 | - | 2,465 | 33,891 | 42,327 |
| Total Expenses before Depreciation | 3,742,785 | 595,897 | 4,619 | 600,516 | 4,343,301 | 3,884,730 |
| Depreciation | 77,655 | 1,259 | - | 1,259 | 78,914 | 96,322 |
| Total Functional Expenses | $ 3,820,440 | $ 597,156 | $ 4,619 | $ 601,775 | $ 4,422,215 | $ 3,981,052 |

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, 2020

## 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**

During the fiscal year ended December 31, 2020, RES SUCCESS adopted FASB ASU No. 2016-02, *Leases*. This ASU requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. This amends current guidance that required only capital leases to be recognized on the lessee's balance sheet. ASU 2016-02 also requires additional disclosures on the amount, timing and uncertainty of cash flows arising from leases. RES SUCCESS adopted ASU 2016-02 on January 1, 2020, using a modified retrospective approach. RES SUCCESS also elected the package of practical expedients permitted under the new standard that allowed RES SUCCESS to carry forward historical lease classification. The impact of adoption on the financial statements was an increase of January 1, 2020 in assets to record right-of-use asset and an increase in liabilities to record lease obligation for current operating lease of approximately $110,765, representing the present value of remaining lease payments for operating lease. The impact of adopting ASU 2016-02 was not material to unrestricted revenues, excess of revenues over expenses or total net assets

## 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, 2020.

### 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.

## 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, 2020, 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, 2020, advertising expense was $0.

## 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, 2020.

**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, 2019, from which the summarized information was extracted.

## NOTE 3: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. While the Organization maintains cash in amounts which at times, exceed the federally insured limits, the Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

**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, 2020.

## NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following, as of December 31, 2020:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Land | $ 360,084 | $ - | $ - | $ 360,084 |
| Building & Improvement | 1,917,674 | - | - | 1,917,674 |
| Vans | 143,849 | 83,800 | - | 227,649 |
| Furniture and Equipment | 106,644 | 10,052 | - | 116,696 |
| Leasehold Improvements | 68,559 | 3,770 | - | 72,329 |
| Subtotal | 2,596,810 | 97,622 | - | 2,694,432 |
| Less: Accumulated Depreciation | (738,908) | (78,914) | - | (817,822) |
| Net Book Value | $ 1,857,902 | $ 18,708 | $ - | $ 1,876,610 |

Depreciation expense was $78,914 for the year ended December 31, 2020.

## NOTE 6: LINE OF CREDIT

The Organization has a line of credit with a local bank which provides borrowings up to a maximum of $300,000, maturing on July 3, 2021. At December 31, 2020, the Organization had an outstanding balance of $0. The interest rate is 1.000 percentage point over the index, with an initial rate of 4.250%.

## NOTE 7: PPP LOAN PAYABLE

On May 11, 2020, RES SUCCESS received a loan from Customers Bank (the Borrower) in the aggregate amount of $524,217 pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated May 11, 2020 issued by the Borrower, matures on May 11, 2022 and bears interest at a rate of 1% per annum. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

## NOTE 8: MORTGAGE PAYABLE

The Organization's mortgage obligations consist of the following:

| Property: | Pittsburg, CA | Hercules, CA | Total |
|---|---|---|---|
| Balance as of December 31, 2020 | $787,303 | $185,232 | $972,535 |
| Monthly principal and interest payments | $6,096 | $1,428 | $7,524 |
| Interest rate | 4.50% | 4.70% | |
| Maturity date | 10/31/2035 | 4/14/2026 | |

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

| Year Ending December 31: | | Amount |
|---|---|---|
| 2021 | $ | 46,501 |
| 2022 | | 47,887 |
| 2023 | | 50,180 |
| 2024 | | 52,584 |
| 2025 | | 55,103 |
| Thereafter | | 720,280 |
| Total Mortgage and Notes Payable | | 972,535 |
| Less: Current Portion | | (46,501) |
| Long-term Portion | $ | 926,034 |

## NOTE 9: LEASE COMMITMENTS

With adoption of ASU No. 2016-02, RES SUCCESS records its operating lease for real property with terms greater than twelve months on the statement of financial position.

RES SUCCESS elected the practical expedient to account for both non-lease and lease payments in its contracts, as a single lease component. For leases that commenced before the effective date of ASU 2016-02, RES SUCCESS elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

**NOTE 9: LEASE COMMITMENTS (Continued)**

Right-of-use asset represents RES SUCCESS's right to use an underlying asset during the lease term, and lease liability represents RES SUCCESS's obligation to make lease payments arising from the lease. Right-of-use asset and liability are recognized at the commencement date, based on the net present value of the fixed lease payments over the lease term. RES SUCCESS's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of RES SUCCESS's operating leases do not provide an implicit rate, RES SUCCESS uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments.

RES SUCCESS considers recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Operating fixed lease expense is recognized on a straight-line basis over the lease term.

Future minimum lease payments on non-cancelable leases as of December 31 are as follows:

| | |
|---|---|
| 2021 | $ 132,432 |
| 2022 | 127,834 |
| 2023 | 91,356 |
| 2024 | 95,048 |
| 2025 | 98,920 |
| Thereafter | 123,626 |
| Total Lease Commitments | $ 669,216 |

**NOTE 10: IN-KIND DONATION**

Donated professional services have been recognized as support and revenue, with an offsetting amount recognized as expenses, in the accompanying statements of activities. RES SUCCESS received $8,250 in contributed services and $1,020 in contributed facilities for the year ended December 31, 2020.

**NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions of $19,501 at December 31, 2020 include $1,795 restricted for program activities and outings and $17,706 restricted for COVID safety related service expenses.

## NOTE 12: 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 $2,375 for the year ended December 31, 2020.

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 $10,032 at December 31, 2020.

## NOTE 13: CONTINGENCIES

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.

## NOTE 14: 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 15: 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 | $ 843,398 |
| Accounts Receivables | 513,977 |
| Total Financial Assets | 1,357,375 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,357,375 |

The Organization has $1,357,375 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of $843,398. 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 $368,000. 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 $300,000. At December 31, 2020, the Organization had not drawn on the line of credit, and the full amount of $300,000 remained available.

## NOTE 16: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through July 20, 2021, the date the financial statements were available to be issued, and determined to disclose the following subsequent events:

During the year ended December 31, 2020, COVID-19 became a global pandemic. On March 19, 2020, California issued a mandatory "shelter-in-place" order. By that date, the Organization had already suspended in-person services, and quickly pivoted to alternative remote services for clients. Funding for alternative services remained full and stable through the audited year. As pandemic restrictions are lifted during 2021, the uncertainty remains as to the impact of potential changes to service delivery and funding on future results of the Organization's operations.

**NOTE 16: SUBSEQUENT EVENTS (Continued)**

In March 2021, the Organization vacated space leased for the Organization's Pleasant Hill Day Program so the landlord could begin a long-anticipated development project. Because the Organization was already providing remote alternative services to clients enrolled in this program, services were uninterrupted. A new site has been approved for use and is in the process of Licensing approval. Uncertainty remains over the impact of the timing of the site's approval related to anticipated Funder expectations for return to traditional services.