

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

TABLE OF CONTENTS

Financial Statements	Page
Independent Auditor's Report.....	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to the Financial Statements.....	8-16

INDEPENDENT AUDITOR'S REPORT

Board of Directors

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

Martinez, CA

Opinion

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, 2021, 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 Rehabilitation and Employment Services of the East Bay, Inc. as of December 31, 2021, and the changes in net assets 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 audit 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 Rehabilitation and Employment Services of the East Bay, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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, that raise substantial doubt about Rehabilitation and Employment Services of the East Bay, Inc.'s 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the 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 Rehabilitation and Employment Services of the East Bay, Inc.'s 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 Rehabilitation and Employment Services of the East Bay, Inc.'s 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.

Report on Summarized Comparative Information

We have previously audited Rehabilitation and Employment Services of the East Bay, Inc.'s 2020 financial statements, and our report dated July 20, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
June 27, 2022



www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
Oakland, CA 94612
510/817-4886

Princeville, HI
888/763-7323

Together as One. Grant Bennett Associates is a Member of the Allriott Global Alliance of independent professional firms.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
AND DECEMBER 31, 2020**

	2021	2020
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 1,382,054	\$ 843,398
Accounts Receivable	442,203	513,977
Prepaid Expenses	51,177	66,123
Total Current Assets	1,875,434	1,423,498
Noncurrent Assets		
Security Deposits	22,500	15,969
Deferred Compensation Assets for 457(b) Plan	10,035	10,032
Property and Equipment (Net of Accumulated Depreciation of \$821,464 and \$817,822, respectively)	1,926,240	1,876,610
Operating Lease- Right of Use Asset	1,005,005	482,819
Total Noncurrent Assets	2,963,780	2,385,430
Total Assets	\$ 4,839,214	\$ 3,808,928
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 42,069	\$ 38,077
Accrued Vacation, Payroll and Payroll Taxes	137,808	141,401
Other Accrued Expenses	33,775	9,770
Payable to Funder	460,459	-
Notes Payable - Current Portion	18,575	-
Mortgages Payable - Current Portion	48,563	46,501
Operating Lease Liability - Current Portion	227,560	110,765
Total Current Liabilities	968,809	346,514
Noncurrent Liabilities		
Deferred Compensation	10,027	10,024
PPP Loan	-	524,217
Deferred Interest	-	3,361
Notes Payable - Long-Term Portion	45,965	-
Mortgages Payable - Long-Term Portion	877,450	926,034
Operating Lease Liability - Long-Term Portion	798,471	387,317
Total Noncurrent Liabilities	1,731,913	1,850,953
Total Liabilities	2,700,722	2,197,467
Net Assets		
Without Donor Restrictions	2,122,490	1,591,960
With Donor Restrictions	16,002	19,501
Total Net Assets	2,138,492	1,611,461
TOTAL LIABILITIES AND NET ASSETS	\$ 4,839,214	\$ 3,808,928

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

	2021		2020	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>				
Support				
Contributions	\$ 29,505	\$ 65,445	\$ 94,950	\$ 212,646
PPP Forgiveness Revenue	524,217	-	524,217	-
Revenue				
Program Service Fees	4,253,067	-	4,253,067	4,740,652
Interest and Dividend Income	15,069	-	15,069	2,510
Miscellaneous Income	8,207	-	8,207	1,643
In-kind Revenue	6,031	-	6,031	9,270
Total Support and Revenue	<u>4,836,096</u>	<u>65,445</u>	<u>4,901,541</u>	<u>4,966,721</u>
Net Assets Released from Restrictions	<u>68,944</u>	<u>(68,944)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,905,040</u>	<u>(3,499)</u>	<u>4,901,541</u>	<u>4,966,721</u>
<u>EXPENSES</u>				
Program Services	3,742,953	-	3,742,953	3,820,440
Supporting Services				
Management and General	613,350	-	613,350	597,156
Fundraising	18,207	-	18,207	4,619
Total Supporting Services	<u>631,557</u>	<u>-</u>	<u>631,557</u>	<u>601,775</u>
Total Expenses	<u>4,374,510</u>	<u>-</u>	<u>4,374,510</u>	<u>4,422,215</u>
CHANGE IN NET ASSETS	530,530	(3,499)	527,031	544,506
Net Assets- Beginning of Year	<u>1,591,960</u>	<u>19,501</u>	<u>1,611,461</u>	<u>1,066,955</u>
NET ASSETS - END OF YEAR	<u>\$ 2,122,490</u>	<u>\$ 16,002</u>	<u>\$ 2,138,492</u>	<u>\$ 1,611,461</u>

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
AND DECEMBER 31, 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 527,031	\$ 544,506
Loss on Disposal of Fixed Assets	28,768	-
Forgiveness of PPP Loan	(524,217)	-
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	84,603	78,914
<i>Decrease/(increase) in assets:</i>		
Accounts Receivable	71,774	(101,124)
Prepaid Expenses	14,946	(26,708)
Security Deposits	(6,531)	-
Deferred Compensation Assets	-	(10,000)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	3,992	(5,986)
Accrued Vacation, Payroll and Payroll Taxes	(3,593)	38,415
Other Accrued Expenses	24,005	(10,230)
Payable to Funder	460,459	-
Deferred Interest	(3,361)	3,361
Operating Lease Liability, net	5,763	15,263
Net Cash Provided (Used) by Operating Activities	683,639	526,411
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(163,001)	(97,622)
Net Cash Provided (Used) by Investing Activities	(163,001)	(97,622)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments for Notes Payable	-	(99,714)
Proceeds from PPP Loan	-	524,217
Proceeds from Notes and Mortgages Payable	64,540	-
Repayments of Mortgages Payable	(46,522)	(28,946)
Net Cash Provided (Used) by Financing Activities	18,018	395,557
Net Increase/(Decrease) in Cash and Cash Equivalents	538,656	824,346
CASH AND CASH EQUIVALENTS		
Beginning of year	843,398	19,052
END OF YEAR	\$ 1,382,054	\$ 843,398
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 43,770	\$ 59,139

See notes to financial statements

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

	Supportive Services			Total Supportive Services	2021 Total Expenses	2020 Total Expenses
	Program Services	Management & General	Fund Raising			
Salaries	\$ 2,580,968	\$ 306,674	\$ 4,205	\$ 310,879	\$ 2,891,847	\$ 3,081,148
Payroll Taxes	209,556	24,458	334	24,792	234,348	217,956
Employee Benefits	310,517	25,324	58	25,382	335,899	282,756
Total Salaries and Related Expenses	3,101,041	356,456	4,597	361,053	3,462,094	3,581,860
Accounting	-	112,915	-	112,915	112,915	123,557
Agency Development	-	1,744	11,590	13,334	13,334	5,798
Association Fees	8,268	-	-	-	8,268	8,268
Automobiles	29,175	-	-	-	29,175	21,235
Computer & IT Costs	6,048	12,628	249	12,877	18,925	31,137
COVID Safety Supplies	11,926	1,795	9	1,804	13,730	14,789
Hiring Costs	4,902	3,553	1,489	5,042	9,944	2,688
Insurance	14,866	12,481	-	12,481	27,347	25,408
Interest and Finance Charges	44,471	5,015	85	5,100	49,571	78,822
Legal	-	3,330	-	3,330	3,330	5,535
Office and Other Miscellaneous	59,020	39,823	131	39,954	98,974	76,391
Other Professional Fees	-	10,947	-	10,947	10,947	3,750
Program Expense	35,714	300	-	300	36,014	64,251
Psychologist	-	-	-	-	-	17,250
Rent	213,086	26,009	-	26,009	239,095	226,110
Repairs and Maintenance	20,226	844	-	844	21,070	4,878
Staff Development & Training	26,987	21,044	57	21,101	48,088	4,746
Taxes, Property and Other	41,095	795	-	795	41,890	8,658
Travel, Meals and Parking	9,928	219	-	219	10,147	4,279
Utilities	32,628	2,421	-	2,421	35,049	33,891
Total Expenses before Depreciation	3,659,381	612,319	18,207	630,526	4,289,907	4,343,301
Depreciation	83,572	1,031	-	1,031	84,603	78,914
Total Functional Expenses	\$ 3,742,953	\$ 613,350	\$ 18,207	\$ 631,557	\$ 4,374,510	\$ 4,422,215

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, 2021**

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

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, 2021.

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.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021, receivables from program services were primarily within 60 days due to delays in receipt of Purchase of Services from the funder.

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.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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.

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 \$2,500 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, 2021, advertising expense was \$0.

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, 2021.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, 2020, 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.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following, as of December 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 360,084	\$ -	\$ -	\$ 360,084
Building	1,798,145	35,578	(31,775)	1,801,948
Vans	227,649	-	-	227,649
Furniture and Equipment	116,697	-	(13,090)	103,607
Leasehold Improvements	191,857	71,636	(64,864)	198,629
Building WIP	-	55,787	-	55,787
Subtotal	2,694,432	163,001	(109,729)	2,747,704
Less: Accumulated Depreciation	(817,822)	(84,603)	80,961	(821,464)
Net Book Value	<u>\$ 1,876,610</u>	<u>\$ 78,398</u>	<u>\$ (28,768)</u>	<u>\$ 1,926,240</u>

Depreciation expense was \$84,603 for the year ended December 31, 2021.

NOTE 5: 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, 2023. At December 31, 2021, 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 6: 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.

The loan was forgiven on October 7, 2021 and was recognized as PPP Loan Forgiveness revenue as of December 31, 2021.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 7: MORTGAGE 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, 2021	\$749,279	\$176,734	\$926,013
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:

<u>Year Ending December 31:</u>	<u>Amount</u>
2022	\$ 48,563
2023	50,689
2024	52,909
2025	55,226
2026	196,032
Thereafter	<u>522,594</u>
Total Mortgage and Notes Payable	926,013
Less: Current Portion	<u>(48,563)</u>
Long-term Portion	<u>\$ 877,450</u>

NOTE 8: 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.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 8: 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:

2022	\$ 243,334
2023	225,577
2024	237,332
2025	220,534
2026	102,972
Thereafter	20,654
Total Lease Commitments	<u>\$ 1,050,403</u>

NOTE 9: IN-KIND DONATION

Donated goods have been recognized as support and revenue, with an offsetting amount recognized as expenses, in the accompanying statements of activities. RES SUCCESS received \$5,011 in contributed goods and \$1,020 in contributed facilities for the year ended December 31, 2021.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$16,002 at December 31, 2021 include \$8,927 restricted for program activities and outings, \$1,000 for program technology, \$3650 for program facility improvements, and \$2,425 restricted for COVID safety related service expenses.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 11: 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 \$2,364 for the year ended December 31, 2021.

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 \$10,035 at December 31, 2021.

NOTE 12: 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 13: 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.

**REHABILITATION AND EMPLOYMENT
SERVICES OF THE EAST BAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 14: 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	\$ 1,382,054
Accounts Receivables	<u>442,203</u>
Total Financial Assets	1,824,257

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

Cash restricted by donor for specific uses	<u>(16,002)</u>
--	-----------------

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,808,255</u>
---	---------------------

The Organization has \$1,808,255 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$1,366,052. 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 \$390,000. 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, 2021, the Organization had not drawn on the line of credit, and the full amount of \$300,000 remained available.

NOTE 15: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through June 27, 2022, the date the financial statements were available to be issued.