

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,

Integrated Resources Institute
Santa Ana, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Integrated Resources Institute (a Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2022 and 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 present fairly, in all material respects, the financial position of Integrated Resources Institute as of June 30, 2022 and 2021, 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.

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 the Integrated Resources Institute 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 opinions.

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 Integrated Resource Institute'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 are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Integrated Resource Institute'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 Integrated Resource Institute'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.

*Lee, Sperling, Hiramune / Accountancy
Corporation*

Glendale, California

September 7, 2023

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,240,915	\$ 386,074
Certificates of deposit	1,096,544	-
Investments	1,786,219	5,008,273
Program income receivable	984,365	1,047,590
Other receivable	-	61,750
Prepaid expenses	39,047	19,354
Total current assets	<u>7,147,090</u>	<u>6,523,041</u>
Other assets	<u>25,016</u>	<u>-</u>
Total assets	<u><u>\$ 7,172,106</u></u>	<u><u>\$ 6,523,041</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued expenses	\$ 322,775	\$ 361,408
Credit card payable	5,336	8,775
Current portion of long-term debt	<u>3,602</u>	<u>-</u>
Total current liabilities	331,713	370,183
Long-term debt	<u>146,398</u>	<u>150,000</u>
Total liabilities	<u>478,111</u>	<u>520,183</u>
NET ASSETS:		
Without donor restrictions	6,680,565	6,002,858
With donor restrictions	<u>13,430</u>	<u>-</u>
Total net assets	<u>6,693,995</u>	<u>6,002,858</u>
Total liabilities and net assets	<u><u>\$ 7,172,106</u></u>	<u><u>\$ 6,523,041</u></u>

See accompanying notes to financial statements.

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 14,119	\$ -	\$ 14,119
Gifts in-kind	-	24,992	24,992
Program income, net	7,104,603	-	7,104,603
Investment loss, net	(70,481)	-	(70,481)
Net assets released from restriction	<u>11,562</u>	<u>(11,562)</u>	<u>-</u>
Total revenue and support	<u>7,059,803</u>	<u>13,430</u>	<u>7,073,233</u>
EXPENSES:			
Program services	5,868,048	-	5,868,048
General and administrative	<u>514,048</u>	<u>-</u>	<u>514,048</u>
Total expenses	<u>6,382,096</u>	<u>-</u>	<u>6,382,096</u>
Change in net assets	677,707	13,430	691,137
Net assets, beginning of year	<u>6,002,858</u>	<u>-</u>	<u>6,002,858</u>
Net assets, end of year	<u><u>\$ 6,680,565</u></u>	<u><u>\$ 13,430</u></u>	<u><u>\$ 6,693,995</u></u>

See accompanying notes to financial statements.

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 17,713	\$ -	\$ 17,713
Program income, net	5,561,241	-	5,561,241
Investment income, net	622,002	-	622,002
Other income	767,394	-	767,394
Total revenue and support	<u>6,968,350</u>	<u>-</u>	<u>6,968,350</u>
EXPENSES:			
Program services	4,286,084	-	4,286,084
General and administrative	466,342	-	466,342
Total expenses	<u>4,752,426</u>	<u>-</u>	<u>4,752,426</u>
Change in net assets	2,215,924	-	2,215,924
Net assets, beginning of year	<u>3,786,934</u>	<u>-</u>	<u>3,786,934</u>
Net assets, end of year	<u><u>\$ 6,002,858</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,002,858</u></u>

See accompanying notes to financial statements.

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Employee compensation and benefits	\$ 5,228,618	\$ 341,967	\$ 5,570,585
Payroll taxes	420,122	26,153	446,275
Payroll fees	88,465	6,226	94,691
Telephone	41,222	40,913	82,135
Insurance	46,442	18,384	64,826
Bad debts	30,304	-	30,304
Legal and professional fees	2,840	43,269	46,109
Rent expense	5,995	9,894	15,889
Outside services	-	12,088	12,088
Office expense	4,040	5,238	9,278
Interest expense	-	4,197	4,197
Bank Fees	-	680	680
License and registration	-	2,371	2,371
Postage	-	1,655	1,655
Subscriptions	-	1,013	1,013
	<hr/>	<hr/>	<hr/>
Total expenses	<u><u>\$ 5,868,048</u></u>	<u><u>\$ 514,048</u></u>	<u><u>\$ 6,382,096</u></u>

See accompanying notes to financial statements.

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Employee compensation and benefits	\$ 3,738,940	\$ 199,558	\$ 3,938,498
Payroll taxes	313,540	18,126	331,666
Payroll fees	-	100,737	100,737
Telephone	48,432	7,168	55,600
Insurance	87,978	8,604	96,582
Legal and professional fees	9,190	93,725	102,915
Rent expense	83,153	16,094	99,247
Outside services	-	9,765	9,765
Office expense	4,851	1,270	6,121
Interest expense	-	8,138	8,138
License and registration	-	1,591	1,591
Postage	-	750	750
Subscriptions	-	816	816
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 4,286,084</u>	<u>\$ 466,342</u>	<u>\$ 4,752,426</u>

See accompanying notes to financial statements.

INTEGRATED RESOURCES INSTITUTE
(a Not-for-Profit Corporation)

STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 691,137	\$ 2,215,924
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Forgiveness of Paycheck Protection Program Loan	-	(767,394)
Contributed nonfinancial assets	(24,992)	-
Net loss (gain) on investments	181,641	(516,580)
Changes in operating assets and liabilities --		
Program income receivable	63,225	(458,299)
Prepaid deposits	-	6,374
Other receivable	61,750	(61,750)
Prepaid insurance	(19,693)	6,828
Due to affiliate	-	2,274
Accrued expenses	(42,830)	185,326
Credit card payable	(3,438)	1,838
Accrued interest	4,197	688
Net cash provided by operating activities	910,997	615,229
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment and certificates of deposit	9,900,987	7,406,016
Purchases of investments and certificates of deposit	(7,957,143)	(9,342,496)
Net cash provided by (used in) investing activities	1,943,844	(1,936,480)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	150,000
Payments on note payable	-	(197)
Net cash provided by financing activities	-	149,803
Net increase (decrease) in cash and cash equivalents	2,854,841	(1,171,448)
Cash and cash equivalents, beginning of year	386,074	1,557,522
Cash and cash equivalents, end of year	\$ 3,240,915	\$ 386,074
Interest paid	\$ -	\$ 2,802

See accompanying notes to financial statements.

INTERGRATED RESOURCE INSTITUTE
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1 – Organization and Nature of Business

Integrated Resources Institute (the “Organization”), a California nonprofit public benefit corporation, was incorporated in the state of California in February of 1990. The Organization is organized and operated exclusively to provide educational and scientific opportunities for professionals while serving persons with disabilities. Through its program, the Organization facilitates community job placements for its clients in California and provides placement and hiring consultation to businesses and non-profits in the United States and Australia. Currently, the Organization’s operations are in Orange County and Los Angeles County, California. The Organization works with private and public employers and assists them with the recruitment, hiring, training, and ongoing support for their clients.

The Organization’s programs also promote on-the-job training for its clients through volunteer work at other nonprofit organizations. This provides community training experience while the client is seeking paid positions with for-profit employers.

The Organization’s program revenues are derived from various Regional Centers, which are funded through the California Department of Developmental Services.

Note 2 -- Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

c) Contributions and Pledge Receivable

Contributions received, consisting of gifts, are recorded based upon the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in Net Assets Without Donor Restrictions, in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in Net Assets with Donor Restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), Net Assets with Donor Restrictions are reclassified to Net Assets Without Donor Restrictions and are reported in the Statement of Activities as net assets released from restrictions.

INTERGRATED RESOURCE INSTITUTE
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 -- Summary of Significant Accounting Policies (Continued)

c) Contributions and Pledge Receivable (Continued)

Unconditional promises to give, with payments due in future periods, are reported as with donor restrictions when the promises are received.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Pledges receivable are unconditional promises to give and are due in less than one year.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based upon management's experience and analysis of the specific promises made. As of June 30, 2022 and 2021, there are no uncollectible promises receivable.

d) Investments

Investments in equity and debt securities with readily available market values are reported at fair value. The fair value of these investments is determined based on the closing price on the last business day of the fiscal year.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. The change in unrealized gains and losses is included in investment return, net in the statement of activities and represents the current year change in the difference between the cost and fair value of investments held at the end of the fiscal year.

e) Revenue Recognition

The Organization recognizes revenues under provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. The core principle of FASB ASC Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. FASB ASC Topic 606 defines a five-step process to achieve this core principle including identifying performance obligations in the contract, estimating the amount of variable consideration to include the transaction price, and allocating the transaction price to each separate performance obligation, among others.

The Organization's revenues are recognized upon the completion of the services rendered. Service revenue, net is derived from the client having various agreements with third party payors. These payors include regional centers. The client records the service revenue net of contractually agreed upon adjustments based on the agreements with third party payors.

INTERGRATED RESOURCE INSTITUTE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 -- Summary of Significant Accounting Policies (Continued)

f) Program Income Receivables

Program income receivables are stated as unpaid balances, less an allowance for doubtful accounts. Management evaluates the ability to collect receivables based on a combination of factors. An allowance for doubtful accounts is maintained based on the length of time receivables are past due and other factors. It is the Organization's policy to write off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2022 and 2021, management determined a reserve for uncollectible accounts receivable is not necessary.

g) Income Taxes

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. For the fiscal year ended June 30, 2022 and 2021, the Organization had no unrelated business taxable income.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for years ended June 30, 2020, 2021, and 2022 may be subject to examination by the Internal Revenue Service, generally for three years after they were filed.

h) Net Assets Classifications

The Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization changes therein are classified and reported as follows:

(i) Net Assets Without Donor Restrictions

Represent net assets which are not restricted by donors. Net Assets Without Donors Restrictions are funds that are fully available, at the discretion of the Board of Directors and management, for the Organization to utilize in any of its programs or supporting services. Net Assets Without Donor Restrictions may be designated for specific purposes by the Board of Directors or may be limited by legal requirements or contractual agreements with outside parties.

INTERGRATED RESOURCE INSTITUTE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 -- Summary of Significant Accounting Policies (Continued)

h) Net Assets Classifications

(ii) Net Assets With Donor Restrictions

Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. A portion of the Organization's Net Assets With Donor Restrictions is subject to donor-imposed restrictions that require the Organization to use or expend the gifts as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to Net Assets Without Donor Restrictions and reported on the statement of activities as net assets released from restrictions.

i) Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The costs of providing programs and other activities have been summarized on a functional basis on the accompanying statement of activities and in more detail on the statement of functional expenses. All revenues and expenses pertain to net assets without donor restrictions. Certain categories of expenses are attributable to both the program and supporting function and are allocated on a reasonable basis that is consistently applied.

j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates embodied in these financial statements include the collectability of receivables and expense allocation. Actual results could differ from those estimates.

k) Recent Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, which sets out the principles for the recognition measurement, presentation, and disclosure of leases for both lessees and lessors. ASU 2016-2 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, and (b) a right-of-use asset. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The adoption of ACM 2016-12 is not expected to have a material impact on the Organization's financial statements and disclosures.

INTERGRATED RESOURCE INSTITUTE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2 -- Summary of Significant Accounting Policies (Continued)

k) Recent Pronouncements (Continued)

Leases

Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases. The FASB issued ASU 2020-05 delaying the effective date for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the effects of implementation of the standard.

Note 3 – Investments and Fair Value Measurement

Certain assets and liabilities are reported at fair value based on a fair value hierarchy that distinguishes between assumptions based upon market data (observable inputs) and the Organization's assumptions (unobservable inputs). Determining where an asset or liability falls within the hierarchy depends on the lowest level of inputs that is significant to the fair value measurement as a whole. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This hierarchy consists of three broad levels as follows:

Level 1: Inputs to the valuation method are unadjusted quoted prices in active markets for identical assets and have the highest level of reliability.

Level 2: Pricing inputs are those that are other than quoted prices in active markets, which are either directly or indirectly observable, for the asset or liability other than quotes prices, at fair value is determined through the use of models or other valuation method.

Level 3: Pricing inputs are unobservable. Inputs into the determination of the fair value require significant management judgements or estimation.

As of June 30, 2022 and 2021, the Organization's investment are categorized using Level 1 inputs.

The Organization uses a market approach for valuing its investment wherein prices or relevant information derived from market transactions for identical or comparable assets are used in determining the respective fair values.

INTERGRATED RESOURCE INSTITUTE
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3 – Investments and Fair Value Measurement (Continued)

The following tables present the Organization’s fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2021:

<u>December 31, 2021</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Recurring basis:				
<i>Assets –</i>				
<i>Equity Securities --</i>				
Stocks	\$ 507,664	\$ 507,664	\$ -	\$ -
Exchange Traded Funds	3,559,563	3,559,563	-	-
<i>Debt Securities --</i>				
Exchange Traded Funds	<u>941,046</u>	<u>941,046</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,008,273</u>	<u>\$ 5,008,273</u>	<u>\$ -</u>	<u>\$ -</u>

The following tables present the Organization’s fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2022:

<u>December 31, 2022</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Recurring basis:				
<i>Assets –</i>				
<i>Equity Securities --</i>				
Stocks	\$ 78,546	\$ 78,546	\$ -	\$ -
Exchange Traded Funds	415,781	415,781	-	-
Mutual Funds	192,033	192,033	-	-
<i>Debt Securities --</i>				
Corporate Bonds	351,260	351,260	-	-
Government Bonds	<u>748,599</u>	<u>748,599</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,786,219</u>	<u>\$ 1,786,219</u>	<u>\$ -</u>	<u>\$ -</u>

INTERGRATED RESOURCE INSTITUTE
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3 – Investments and Fair Value Measurement (Continued)

Investment Income and Gains

The following summarized the investment income for the fiscal years ending June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend, net	\$ 111,187	\$ 105,662
Net realized gains	138,492	341,673
Net unrealized gains (losses)	<u>(320,134)</u>	<u>174,907</u>
Investment gains (losses), net	<u>\$ (70,455)</u>	<u>\$ 622,242</u>

The change in net unrealized gains or losses on investments reflected in the statements of activities and changes in net assets is summarized as follows:

Net unrealized loss, June 30, 2020	\$ (25,824)
Net unrealized gains on investments for the year	<u>174,907</u>
Net unrealized gain, June 30,2021	149,083
Net unrealized losses on investments for the year	<u>(320,134)</u>
Net unrealized loss, June 30,2022	<u>\$(171,051)</u>

Note 4 -- Net Assets With Donor Restriction

Net assets subject to donor restrictions as of June 30, 2022 is a grant from a community fund to provide education and training to Asian Americans with Autism and other disabilities. The grant was for \$25,000 and \$11,570 was released from donor restriction by expenses incurred during the fiscal year ending June 30, 2022.

Note 5 -- Commitments and Contingencies

Leases

In July of 2019, the Organization entered a lease with a term commencing in August 2019 and ending in December 2024. The lease was terminated as of April 30, 2021, and the Organization incurred an early termination fee of approximately \$50,000.

In February 2021, the Organization entered into a lease agreement for its San Juan Capistrano facility for \$575 per month, with a term commencing on March 1, 2021, and ending on February 28, 2022.

INTERGRATED RESOURCE INSTITUTE
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5 -- Commitments and Contingencies (Continued)

In January 2022, the Organization entered into a lease agreement for its Santa Ana facility for \$695 per month, with lease term commencing in March 1, 2022 and ending in February 28, 2023. The Organization conducted its administrative activities from these facilities.

In May 2022, the Organization entered into a lease agreement for its Granada Hills facility for \$700 per month, with a term commencing on May 1, 2022 and ending on April 30, 2024.

In January of 2019, the Organization entered into a storage facility lease agreement. The lease had a one-year term which ended in January 7, 2020 with a base rent of \$300 per month. The lease has been renewed each year and the Organization has had a rent increase each year.

The following is a schedule of future lease payments under these operating leases:

<u>Years Ending June 30</u>	
2023	\$ 20,274
2024	31,210
2025	-
2026	-
2027	<u>-</u>
Total	<u>\$ 51,484</u>

Rent expense under these operating leases for the years ended June 30, 2022 and 2021 was \$11,195 and \$92,873, respectively.

Investments

The Organization's investments are subject to certain conditions contained in the marketplace such as the volatility in share prices, consumer confidence, and the overall health of the economy. These conditions, as well as other conditions not in the direct control of the Organization, could have a material effect on the value of the Organization's investment.

Legal Disputes

From time to time, the Organization may be involved in litigation relating to claims arising out of its operations in the normal course of business. Any adverse outcome of any claim, in management's opinion, individually or in the aggregate, would not have a material adverse effect on the Organization's financial position. As of the year ended June 30, 2022, the Organization was involved in an employee separation suit that was settled and the Organization paid \$133,000 in severance pay. The Organization also settled a claim in the amount of \$85,500 for lost wages.

INTERGRATED RESOURCE INSTITUTE
(a Not-for-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6 -- Paycheck Protection Program (PPP)

In March of 2020, the United States president signed into law the CARES Act, which made funds available for small businesses facing unprecedented economic disruption to the Coronavirus (COVID-19) outbreak. In May of 2020, the Organization received a PPP loan in the amount of \$765,120 administered by the Small Business Administration (SBA). According to the terms of the loan, it has a fixed interest rate of 1%, which accrued on the loan beginning with the initial disbursement. Payments on principal and interest were deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. The Organization applied for forgiveness of the PPP loan with respect to the eligible expenses qualified under the SBA requirements. In November 2020 the Organization was approved for loan forgiveness in full for the amount of \$767,394 and is included in other income in the statement of activities.

Note 7 -- Long -Term Debt and Note Payable

Note payable include the following:

In May of 2020, due to the continued economic disruption resulting from the Coronavirus (COVID-19) outbreak, the Organization entered into an agreement for a Secured Disaster Loan in the amount of \$150,000 with the Small Business Administration (SBA). According to the terms of the agreement, monthly principal and interest payments of \$641 commenced twelve months from the date of the loan with an annual interest rate of 2.75%. The borrower may prepay the loan in part or in full at any time with all outstanding principal and interest due thirty years from the date of the loan. All proceeds from this loan are required to be used specifically as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020, and continuing thereafter. The loan is also secured by the collateral of the Organization as further defined in the related agreement.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total long-term debt	\$ 150,000	\$ 150,000
Less, current portion of long-term debt	<u>(3,602)</u>	<u>-</u>
Long-term debt	<u>\$ 146,398</u>	<u>\$ 150,000</u>

Maturities on long-term debt are as follows:

<u>Years Ending June 30</u>	
2023	\$ 3,602
2024	3,702
2025	3,805
2026	3,911
2027	4,020
Thereafter	<u>130,960</u>
Total	<u>\$ 150,000</u>

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Note 8 -- Concentration Risk

Financial instruments that subject the Organization to a concentration of credit risk consist of cash and highly liquid debt investments held at financial institutions, which from time to time, may exceed federally insured amounts. The Organization maintains cash balances that exceed the FDIC and SIPC insure limits of \$250,000 and \$500,000, respectively. As of June 30, 2022 and 2021 the Organization had balances of \$6,123,678 and \$5,394,347, respectively, in excess of these limits.

A significant amount of the Organization's revenue was received from two Regional Centers located in Orange and Los Angeles Counties.

Note 9 -- Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization is substantially supported by program revenues received from various regional centers funded by the California Department of Developmental Services. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and certificates of deposit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers funds and contributions restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.

Because donor restrictions require resources to be used in a particular matter, the Organization maintains sufficient resources to meet those responsibilities to its donors. The Organization invests in marketable securities that can be settled within two days to meet the Organization's expenditures. Cash is raised as soon as obligations arise.

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows:

Financial Assets as of June 30, 2022:	
Cash and cash equivalents	\$ 3,240,915
Certificates of deposits	1,096,544
Investments	1,786,219
Program income receivable	<u>984,365</u>
Total financial assets available within one year	<u>7,108,043</u>
Less, Donor-imposed restrictions making financial assets unavailable for general expenditure	<u>(13,430)</u>
Total financial assets available within one year	<u>\$ 7,094,613</u>

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Note 10 -- Subsequent Events

Management has evaluated subsequent events through September 7, 2023, which is the date the financial statements were made available to be issued.

The Organization renewed the lease on its Santa Ana facility for \$1,618 per month, with the lease term commencing in March 30, 2023 and ending on March 31, 2024. The Organization also entered into a lease agreement for a facility in Santa Rosa for \$730 per month, with lease the term commencing on May 15, 2023 and ending on May 31, 2024.