HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

FELTON INSTITUTE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024

A Trusted Nonprofit Partner

Main Office: 2698 Mataro Street, Pasadena, CA 91107 Phone: 626.403.6801
www.npocpas.com

C O N T E N T S

HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Felton Institute, Inc.

Opinion

We have audited the accompanying financial statements of Felton Institute, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2024, 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 Felton Institute, Inc. as of June 30, 2024, 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 and the standards applicable to financial audits contained in *Government Auding Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Felton Institute, 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 Felton Institute, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Main Office: 2698 Mataro Street, Pasadena, CA 91107 Phone: 626.403.6801
www.npocpas.com

Auditors' 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 auditors' 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 and *Government 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 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 and *Government 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 Felton Institute, Inc. 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 Felton Institute, Inc. 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Felton Institute, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of Felton Institute, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Felton Institute, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Felton Institute, Inc.'s internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 13, 2024

FELTON INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2024
With comparative totals at June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
ASSETS				
Cash and cash equivalents (Note 2)	$ 1,998,125	$ 185,443	**$ 2,183,568**	$ 734,502
Accounts receivable	15,064,635		**15,064,635**	14,627,485
Pledges receivable (Note 4)	125,000		**125,000**	55,000
Prepaid expenses	640,696		**640,696**	668,938
Investments (Note 5)	179,962		**179,962**	124,888
Property and equipment (Note 7)	9,124,514	2,100,000	**11,224,514**	11,143,277
Right-of-use assets - operating leases (Note 10)	6,042,527		**6,042,527**	3,786,677
TOTAL ASSETS	$ 33,175,459	$ 2,285,443	**$ 35,460,902**	$ 31,140,767
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$ 1,520,422	$ -	**$ 1,520,422**	$ 1,637,755
Accrued liabilities (Note 8)	4,913,980		**4,913,980**	3,396,275
Deferred revenue (Note 2)	2,880,069		**2,880,069**	1,613,994
Line of credit (Note 9)	2,600,000		**2,600,000**	3,100,000
Notes payable (Note 11)	7,135,109		**7,135,109**	7,822,235
Lease liabilities - operating leases (Note 10)	6,130,893		**6,130,893**	3,887,926
TOTAL LIABILITIES	25,180,473	-	**25,180,473**	21,458,185
NET ASSETS				
Without donor restrictions	7,994,986		**7,994,986**	7,515,363
With donor restrictions (Note 12)		2,285,443	**2,285,443**	2,167,219
TOTAL NET ASSETS	7,994,986	2,285,443	**10,280,429**	9,682,582
TOTAL LIABILITIES AND NET ASSETS	$ 33,175,459	$ 2,285,443	**$ 35,460,902**	$ 31,140,767

The accompanying notes are an integral part of these financial statements.

FELTON INSTITUTE, INC.

STATEMENT OF ACTIVITIES
For the year ended June 30, 2024
With comparative totals for the year ended June 30, 2023

	Without Donor Restrictions	**With Donor Restrictions**	**2024**	2023
REVENUE AND SUPPORT				
Fees from government agencies (Note 14)	$ 65,444,259	$ -	**$ 65,444,259**	$ 58,382,336
Contributions	85,193	881,825	**967,018**	3,186,318
Program service fees	223,067		**223,067**	86,251
Miscellaneous	174,822		**174,822**	321,570
Rental income	105,195		**105,195**	144,725
Gain on investments	3,406		**3,406**	-
Interest and dividends	254		**254**	142
Net assets released from restrictions (Note 12)	763,601	(763,601)	-	-
TOTAL REVENUE AND SUPPORT	66,799,797	118,224	**66,918,021**	62,121,342
EXPENSES				
Program services	53,266,845		**53,266,845**	47,966,057
Support services	13,053,329		**13,053,329**	11,454,198
TOTAL EXPENSES	66,320,174	-	**66,320,174**	59,420,255
CHANGE IN NET ASSETS	479,623	118,224	**597,847**	2,701,087
NET ASSETS, BEGINNING OF YEAR	7,515,363	2,167,219	**9,682,582**	6,981,495
NET ASSETS, END OF YEAR	$ 7,994,986	$ 2,285,443	**$ 10,280,429**	$ 9,682,582

The accompanying notes are an integral part of these financial statements.

FELTON INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024
With comparative totals for the year ended June 30, 2023

	Children Youth and Family	Adult Services Division	Elder Services Division	Early Psychosis Division	Justice Services Division	Total Program Services	Support Services: Management and General	Support Services: Atlantic and Geary Street	Support Services: Fundraising	Training and Research	Total Support Services	Total Expenses 2024	Total Expenses 2023
Salaries	$ 9,950,550	$ 8,538,347	$ 7,161,364	$ 3,875,201	$ 3,891,189	$ 33,416,651	5,561,836	$ 186,343	$ 427,755	$ 190,064	$ 6,365,998	**$ 39,782,649**	$ 36,213,947
Payroll taxes	868,683	745,395	625,187	338,305	339,701	2,917,271	487,080	16,268	37,343	16,593	557,284	**3,474,555**	2,921,522
Employee benefits	881,619	756,498	634,497	343,343	344,759	2,960,716	792,936	16,510	37,899	16,840	864,185	**3,824,901**	2,811,185
Total personnel costs	11,700,852	10,040,240	8,421,048	4,556,849	4,575,649	39,294,638	6,841,852	219,121	502,997	223,497	7,787,467	**47,082,105**	41,946,654
Supportive housing expenses		4,099,479				4,099,479	802				802	**4,100,281**	4,596,693
Occupancy	463,514	646,693	273,609	249,102	298,805	1,931,723	698,977	591,954			1,290,931	**3,222,654**	3,552,940
Professional services	23,970	104,801	256,251	214,234	31,941	631,197	1,007,727	600	402	27,518	1,036,247	**1,667,444**	1,222,217
Construction expenses	1,402,272					1,402,272					-	**1,402,272**	94,356
IT development and maintenance	194,963	192,426	164,439	85,443	110,656	747,927	381,891		13,782	19,372	415,045	**1,162,972**	1,063,059
Program expenses	134,031	103,390	102,218	3,581	249,775	592,995	405,848		710		406,558	**999,553**	616,084
Contract services	5,000	562,967	47,742	1,118	148,967	765,794	880		14,531		15,411	**781,205**	711,686
Travel and conference	93,451	100,336	150,619	88,672	79,560	512,638	178,335	915	935	9,910	190,095	**702,733**	707,945
Insurance	98,222	238,582	131,762	58,661	82,634	609,861	31,531				31,531	**641,392**	569,652
Interest	11,365					11,365	52,590	432,508			485,098	**496,463**	542,940
Volunteer expenses	241,813	82,827	155,112			479,752			221		221	**479,973**	451,367
Meals		470,782		109		470,891					-	**470,891**	387,552
Depreciation						-	433,648				433,648	**433,648**	397,803
Communication	89,393	77,356	67,935	47,072	48,737	330,493	78,900	13,992	2,812	2,272	97,976	**428,469**	528,484
Management fees			86			86	363,694	11,350			375,044	**375,130**	255,172
Program supplies	373,014	10	315	59	1,605	375,003					-	**375,003**	312,391
Miscellaneous	76,072	7,968	62,058	7,140	11,577	164,815	168,722	20,445	546	1,747	191,460	**356,275**	192,078
Training and meetings	148,564	14,759	23,860	16,183	39,059	242,425	62,745	1,388	341	4,336	68,810	**311,235**	265,923
Equipment	130,701	25,287	19,663	17,945	12,789	206,385	12,450	11,940	409		24,799	**231,184**	330,702
Office supplies	64,021	20,336	33,345	18,205	15,695	151,602	32,662		508	229	33,399	**185,001**	212,933
Equipment rental	43,946	18,702	24,645	18,442	18,218	123,953	1,548		500	201	2,249	**126,202**	129,044
Audit fees						-	96,000				96,000	**96,000**	74,469
Printing	29,704	9,845	24,987	10,743	8,117	83,396	6,880		210	88	7,178	**90,574**	85,180
Subscriptions and publications	5,587	3,318	11,283	9,528	52	29,768	33,042		6,767	108	39,917	**69,685**	47,279
Property taxes	2,507	3,449				5,956	690	12,480			13,170	**19,126**	90,983
Postage	418	1,116	562	335		2,431	9,691	507	66	9	10,273	**12,704**	14,489
Fees and dues						-					-	**-**	20,180
TOTAL 2024 FUNCTIONAL EXPENSES	**$ 15,333,380**	**$ 16,824,669**	**$ 9,971,539**	**$ 5,403,421**	**$ 5,733,836**	**$ 53,266,845**	**$ 10,901,105**	**$ 1,317,200**	**$ 545,737**	**$ 289,287**	**$ 13,053,329**	**$ 66,320,174**	
TOTAL 2023 FUNCTIONAL EXPENSES	$ 12,439,889	$ 16,216,490	$ 8,518,254	$ 4,591,062	$ 6,200,362	$ 47,966,057	$ 9,037,675	$ 1,611,912	$ 457,878	$ 346,733	$ 11,454,198		$ 59,420,255

FELTON INSTITUTE, INC.

STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
With comparative totals for the year ended June 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ 597,847**	$ 2,701,087
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	**433,648**	397,803
(Gain) loss on investments	**(3,406)**	105,045
Amortization of right-of-use assets - operating leases	**1,393,124**	700,716
Reduction of lease liabilities - operating leases	**(1,406,007)**	(599,467)
(Increase) decrease in operating assets:		
Accounts receivable	**(437,150)**	(7,363,368)
Pledges receivable	**(70,000)**	-
Prepaid expenses	**28,242**	(474,210)
Increase (decrease) in operating liabilities:		
Accounts payable	**(117,333)**	1,037,081
Accrued liabilities and deferred revenue	**2,783,780**	2,269,533
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**3,202,745**	(1,225,780)
CASH FLOWS (TO) INVESTING ACTIVITIES:		
Purchase of property and equipment	**(514,885)**	(2,014,207)
Purchase of investments	**(51,826)**	-
Proceeds from sale of assets	**158**	-
NET CASH (USED) BY INVESTING ACTIVITIES	**(566,553)**	(2,014,207)
CASH FLOWS (TO) FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	**3,500,000**	3,100,000
Payments on line of credit	**(4,000,000)**	-
Proceeds from notes payable	**-**	6,318
Principal payments on notes payable	**(687,126)**	(184,566)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	**(1,187,126)**	2,921,752
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,449,066**	(318,235)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**734,502**	1,052,737
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 2,183,568**	$ 734,502
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of:	**$ 496,463**	$ 542,940
NON-CASH OPERATING ACTIVITIES:		
Right-of-use-assets/lease liabilities - operating lease from adoption of ASC-842	**$ -**	$ 4,487,393
Right-of-use-assets/lease liabilities - operating lease from new or renewal of leases	**$ 3,648,974**	$ -
NON-CASH INVESTING / FINANCING ACTIVITIES:		
Purchase of property with note payable	**$ -**	$ 486,174

The accompanying notes are an integral part of these financial statements.

1. Organization

Felton Institute, Inc. is a private, non-sectarian, not-for-profit, social service agency receiving funding from a number of sources, including individuals, private foundations and corporations, and local, state, and federal government. The mission of Felton Institute, Inc. is to strengthen families by providing effective, caring human services, with a special emphasis on service to low-income individuals and families, children, elderly, and the disabled. Services are provided in seven languages at five principal sites and numerous outstation locations throughout San Francisco and the greater Bay Area. Felton Institute, Inc. services are organized under four service divisions and one training and research division:

The Children, Youth, Family, and TAY Division - Felton Institute, Inc. provides comprehensive early care and education, inclusion and early intervention services for children birth to six years old, including children with special needs. Also providing outpatient behavioral/ mental health and case management services to children and youth 4-21 years old and their families. Additionally, Felton provides comprehensive case management, educational/ vocational, health, nutritional and parenting education services to pregnant and parenting teens up to the age of 24 years old. Felton Institute Inc strives to provide high quality services that meet the highest standards of care and have the greatest impact on the lives of those being served.

The Adult and TAY Division – responds by placing a particular emphasis on the needs of low-income individuals and families, people living with disabilities, and the deaf, with special focus on services to adults and TAY who are severely challenged by mental illness and/or substance abuse. Additionally, Felton Institute Inc provides 988 Suicide hotline services for individuals experiencing suicidal ideation, mental health crisis and/or substance use related issues. Also, Felton Institute Inc offers meals, short-term shelter and permanent housing for the unsheltered community in San Francisco.

The Senior Division - Felton's Senior Division specializes in mental health, workforce development, and community engagement, along with a full range of other aging services. The division operates in four Bay Area counties – San Francisco, Alameda, San Mateo, and Marin – helping older adults flourish in their communities with dignity, security, and a high quality of life.

Felton Institute, Inc. also provides aging services through case management for frail and cognitively impaired seniors and adults with disabilities who need connection to resources.

Justice Services Division - Felton Institute's Justice Services Division collaborates with various local agencies and officials to provide rapid response, community engagement, service linkage, and relationship-building assistance. Focus is given to those who are insecurely housed or unhoused, the formerly incarcerated, those with substance use and unaddressed mental health disorders. Taking a harm-reduction approach, Felton services include case management, assessments and wellness intervention in multiple Bay Area Counties.

continued

1. Organization, continued

The Early Psychosis Division – Felton Institute, Inc. operates two programs under this division (re)MIND, which is a breakthrough community partnership program for early intervention and treatment of psychosis and schizophrenia. And the BEAM program, which is an innovative, evidence-based program developed to diagnose and treat bipolar disorder I, the more severe form of the disease. Both programs provide treatment to adolescents and young adults so they can learn, manage their condition, and move towards remission and recovery. Felton Institute, Inc. operates these programs in multiple counties through-out the greater Bay Area, including San Francisco, San Mateo, Alameda, and Monterey County.

Training and Research – a division of the Felton Institute, Inc., offers professional development and behavioral health training for providers in a variety of Evidence-Based Practices (EBPs). Felton Institute, Inc. provides training in Motivational Care Management (MCM), Motivational Interviewing (MI), and Cognitive Behavioral Therapy for Psychosis (CBTp), as well as other best practices for the social environment.

Felton Institute, Inc. has developed research infrastructure through our Cloud-Based Integrated Reporting and Charting Environment (CIRCE). Guided by a commitment to positive outcomes, social justice, respect for diverse cultures, and client driven service, the Felton Institute, Inc. provides innovative, patient-centered solutions to agencies in California and across the nation.

Felton Institute, Inc. receives its funding from private contributions and from county and state government agencies, with certain portions of its funding originating from the federal government.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

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:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

continued

2. Summary of Significant Accounting Policies, continued

With Donor Restrictions. Net assets subject to 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 those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Felton Institute, Inc. has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less. Money market funds at securities institutions are reflected as investments, not cash equivalents, in these financial statements.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Management has evaluated the collectability of accounts receivable and deems them fully collectible. Therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investment in a Related Entity

Felton Institute, Inc. developed research infrastructure and its Cloud-Based Integrated Reporting and Charting Environment through its related entity, Circe Software, Inc. The investments in this entity relate to contributions made by Felton Institute, Inc. towards the development of this software.

Concentration of Credit Risks

Felton Institute, Inc. places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Felton Institute, Inc. has not incurred losses related to these investments.

continued

2. Summary of Significant Accounting Policies, continued

The primary receivable balance outstanding at June 30, 2024, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Felton Institute, Inc.'s receivables consist of earned fees from contract programs granted by governmental agencies.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Revenue and Revenue Recognition

Felton Institute, Inc. recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A large portion of Felton Institute, Inc.'s revenue is derived from federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Felton Institute, Inc. has incurred expenditures in compliance with specific contract or grant provisions. Amounts received in advance of the satisfaction of certain performance or costs conditions are recorded as deferred revenue in the Statement of Financial Position.

A portion of Felton Institute, Inc.'s revenue is also derived from fees for the provision of training services. These fees are recorded in the period in which the service is provided to the recipient.

Deferred Revenue

Deferred revenue consists of government contract amounts advanced and not yet expended for their specified purpose.

continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces a new impairment model, the current expected credit loss (CECL) model. The model applies to most assets that are measured at amortized cost and requires those assets to be presented at the net amount expected to be collected. In addition, credit losses on available-for-sale debt securities are to be recognized through an allowance account. ASU 2016-13 also expands existing disclosure requirements. For nonpublic entities, ASU 2019-10 delayed the effective date of ASU 2016-13, and related subsequent ASUs, to fiscal years beginning after December 15, 2022. Management has determined that the adoption would not have a significant impact on the amounts reported as revenue and accounts receivable in the financial statements for the year ended June 30, 2024.

Leases

Felton Institute, Inc. applies Accounting Standards Codification ("ASC") 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. Felton defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. Felton further determined some existing leases are operating leases, which are included in Right-of-Use ("ROU") assets and lease liabilities in the Statement of Financial Position.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. No donated material or services, which met the criteria for recognition, were received for the year ended June 30, 2024.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

continued

2. Summary of Significant Accounting Policies, continued

Level 1 inputs - quoted prices in active markets for identical assets
Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs - estimates using the best information available when there is little or no market

Felton Institute, Inc. is required to measure certain pledges receivable at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Income Taxes

Felton Institute, Inc. is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Felton Institute, Inc. in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Felton Institute, Inc.'s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Felton Institute, Inc.'s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Felton Institute, Inc. uses total direct costs to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Felton Institute, Inc.'s financial statements for the year ended June 30, 2023, from which the summarized information was derived.

continued

2. Summary of Significant Accounting Policies, continued

Reclassification

Certain amounts from the June 30, 2023 financial statements have been reclassified to conform to the June 30, 2024 presentation.

3. Liquidity and Availability of Resources

Felton Institute, Inc. regularly monitors its liquidity that is required to meet its operating needs and contractual commitments. Felton Institute, Inc.'s sources of liquidity at its disposal includes cash and cash equivalents, accounts receivable and pledges receivable.

For purposes of analyzing resources required to meet operating expense over a 12-month period, Felton Institute, Inc. considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, billable services, and fundraising. The Finance Committee of the Board of Directors meets regularly to review all financial aspects of the organization.

In addition to financial assets available to cover expenditures over the next 12 months, Felton Institute, Inc. operates with a budget that anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, 2024, the following table shows the total financial assets held by Felton Institute, Inc. and the amounts of those financial assets that could be readily available within one year of the statement of financial position date to meet general expenditures.

Cash and cash equivalents	$ 2,183,568
Accounts receivable	15,064,635
Pledges receivable (due within one year)	55,000
Total financial assets at year-end	17,303,203
Less: Cash with donor restrictions	(185,443)
Assets available to meet general expenditures within one year	$17,117,760

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2024 and are all deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2024. The total amount of pledges receivable at June 30, 2024 of $125,000, is expected to be collected as follow:

Within one year	$ 55,000
Within two year	70,000
	$125,000

continued

5. Investments

Investments at June 30, 2024 consist of the following:

Money market funds at a securities institution	$179,962

6. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2024:

	Level 1	**Level 2**	**Level 3**	**Total**
Pledges	$ -	$ -	$125,000	**$125,000**
Fair value at June 30, 2024	$ -	$ -	$125,000	**$125,000**

The fair value of pledges is measured on a non-recurring basis based on the value provided by the donor at the date of pledge and on an evaluation of their credit worthiness (Level 3 inputs).

7. Property and Equipment

Property and equipment at June 30, 2024 consist of the following:

Buildings	$ 7,929,212
Land	5,601,036
Facility improvements	1,453,202
Equipment and furnishings	122,327
Vehicles	72,501
	15,178,278
Less: accumulated depreciation	(3,953,764)
	$11,224,514

Depreciation expense for the year ended June 30, 2024 was $433,648.

continued

8. Accrued Liabilities

Accrued liabilities at June 30, 2024 consist of the following:

Accrued vacation	$2,035,755
Child development fund reserve	1,042,774
Accrued salaries	966,309
Contract cost settlement liability	529,956
Other accrued liabilities	339,186
	$4,913,980

9. Line of Credit

Felton Institute, Inc. has a variable rate, non-disclosable line of credit with a bank, in the amount of $4,000,000, with interest payments payable monthly using a rate of 2.9% points over the index ("the Margin"), resulting in an initial interest rate of 7.25% per annum, due October 2026. At June 30, 2024, there was an outstanding balance of $2,600,000 on the line of credit.

10. Right-of-Use Assets and Lease Liabilities - Operating Leases

Felton Institute, Inc. evaluated current contracts to determine which met the criteria of a lease. The ROU assets represents Felton Institute, Inc.'s right to use underlying assets for the lease term and the lease liabilities represent Felton Institute, Inc.'s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Felton Institute, Inc. made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised The lease expense will be recognized on a straight-line basis over the lease terms.

Felton Institute, Inc.'s operating leases consist of real property and office equipment.

The ROU assets and lease liabilities were determined based on the current terms in force as of June 30, 2024. No additional options have been included.

There were no non-cash financing transactions related to leasing during the year ended June 30, 2024. For the year ended June 30, 2024, the weighted average of the discount rate is 3%, and the weighted average of the remaining lease terms is approximately 2.9 years.

continued

10. Right-of-Use Assets and Lease Liabilities - Operating Leases, continued

Future maturities of the lease liabilities are as follows:

Year ending June 30,	
2025	$2,232,651
2026	2,206,070
2027	1,623,559
2028	395,135
Total lease payments	6,457,415
Less: present value discount	(326,522)
	$6,130,893

The underlying ROU assets related to the above liabilities are as follows:

ROU asset balance at July 1, 2023	$ 3,786,677
Additions	3,648,974
Less: amortization of lease	(1,393,124)
ROU asset balance at June 30, 2023	$ 6,042,527

Rent expense under operating leases for the year ended June 30, 2024 was $1,512,001.

11. Notes Payable

Notes payable at June 30, 2024 consist of the following:

Note payable to a bank, secured by real property, monthly payments of $32,925 with a current interest rate of 6.04%, due August 2028.	$4,439,875
Note payable to a bank, secured by real property, monthly payments of $9,685 with a current interest rate of 5.28%, due November 2042.	1,356,296
Note payable to a bank, secured by real property, monthly payments of $9,652 with a current interest rate of 5.93%, due February 2029.	1,338,938
	$7,135,109

continued

11. Notes Payable, continued

Maturities for notes payable are as follows:

Year ending June 30,	
2025	$ 215,961
2026	228,961
2027	242,746
2028	257,363
2029	5,090,046
Thereafter	1,100,032
	$7,135,109

In 2023, Felton Institute, Inc. signed a loan agreement for $576,580 with Low Income Investment Fund (the "Fund") related to the acquisition of property. Per the terms of the loan, $576,580 is the amount the Fund is willing to provide to Felton Institute, Inc. On January 19, 2023 the Fund advanced a total of $486,174 to Felton Institute, Inc. for the initial acquisition of property. The remaining unused balance of the loan is available to use in two ways: (1) monthly loan interest payments and the amount of the interest payment being added to the principal loan balance, or (2) a total of $70,226 available to be borrowed for building work, if needed. Felton Institute, Inc. opted to use a portion of the remaining unused balance to fund its interest payments due for March 2023 through June 2023. The balance of $492,492 at June 30, 2023 was paid in full in January 2024.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 are restricted for the following programs:

548 Delta property (period of use restriction)	$2,100,000
Stranahan Foundation	100,000
St Joseph's Health Support Alliance program	85,443
	$2,285,443

For the year ended June 30, 2024 net assets released from purpose restrictions were $763,601.

continued

13. Commitments and Contingencies

Contracts

Felton Institute, Inc.'s grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Felton Institute, Inc. has no provisions for the possible disallowance of program costs on its financial statements. Mental health cost settlement notifications are recognized as cost settlement expenses in the year the notification is received.

14. Fees from Government Agencies

Fees from government agencies for the year ended June 30, 2024 consist of the following:

Mental health services	$20,011,734
Child day care	15,763,869
Other	15,613,318
Homelessness prevention program	9,382,953
Suicide prevention	1,823,369
Senior services	1,007,028
Senior community service employment program	898,876
Teenage pregnancy and parenting	644,632
Foster grandparents	298,480
	$65,444,259

15. Employee Benefit Plan

Felton Institute, Inc. has a 403(b) tax-deferred annuity plan covering all employees, subject to certain eligibility requirements of one year of service in which 1,000 hours are worked. Plan contributions are fully vested after three years of service. Felton Institute, Inc. might make a discretionary matching contribution equal to a uniform percentage or dollar amount of an employee's elective deferral. Felton Institute, Inc. did not make any matching contributions for the year ended June 30, 2024.

16. Subsequent Events

In August 2024, Felton Institute finalized the purchase of its new property located at 401 Grand Avenue, Oakland. The property was purchased at a total cost of $6,875,000.

Management has evaluated subsequent events through December 13, 2024, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.