



**FELTON INSTITUTE, INC.**



**FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

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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, 2025, 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, 2025, 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 Auditing 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### 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.

## INDEPENDENT AUDITORS' REPORT

continued

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### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Felton Institute, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 9, 2025, 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*

Walnut Creek, California  
December 9, 2025

**FELTON INSTITUTE, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2025

With comparative totals at June 30, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2025</b>	<b>As Restated 2024</b>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 5,118,465	\$ 69,482	\$ 5,187,947	\$ 2,183,568
Accounts receivable	12,984,631		12,984,631	15,064,635
Pledges receivable (Note 4)	62,500		62,500	125,000
Prepaid expenses	569,157		569,157	640,696
Investments (Note 5)	68,013		68,013	179,962
Property and equipment (Note 7)	23,313,503	2,100,000	25,413,503	12,626,786
Right-of-use assets - operating leases (Note 10)	4,443,288		4,443,288	6,042,527
	<b>\$ 46,559,557</b>	<b>\$ 2,169,482</b>	<b>\$ 48,729,039</b>	<b>\$ 36,863,174</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,071,032	\$ -	\$ 3,071,032	\$ 1,520,422
Accrued liabilities (Note 8)	4,964,169		4,964,169	4,913,980
Deferred revenue (Note 2)	4,073,462		4,073,462	2,880,069
Line of credit (Note 9)			-	2,600,000
Notes payable (Note 11)	15,443,523		15,443,523	7,135,109
Lease liabilities - operating leases (Note 10)	4,668,348		4,668,348	6,130,893
	<b>32,220,534</b>	<b>-</b>	<b>32,220,534</b>	<b>25,180,473</b>
<b>NET ASSETS</b>				
Without donor restrictions	14,339,023		14,339,023	9,397,258
With donor restrictions (Note 12)		2,169,482	2,169,482	2,285,443
	<b>14,339,023</b>	<b>2,169,482</b>	<b>16,508,505</b>	<b>11,682,701</b>
	<b>\$ 46,559,557</b>	<b>\$ 2,169,482</b>	<b>\$ 48,729,039</b>	<b>\$ 36,863,174</b>

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

**FELTON INSTITUTE, INC.**

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2025  
With comparative totals for the year ended June 30, 2024

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2025</b>	<b>As Restated 2024</b>
<b>REVENUE AND SUPPORT</b>				
Fees from government agencies (Note 14)	\$ 70,600,527	\$ -	\$ 70,600,527	\$ 63,554,226
Fees from non government agencies	3,098,444		3,098,444	1,890,033
Rental income	1,070,268		1,070,268	105,195
Contributions	289,082	904,836	1,193,918	967,018
Program service fees	182,751		182,751	223,067
Miscellaneous	91,629		91,629	174,822
Interest and dividends	1,492		1,492	254
Gain on investments			-	3,406
Net assets released from restrictions (Note 12)	1,020,797	(1,020,797)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>76,354,990</b>	<b>(115,961)</b>	<b>76,239,029</b>	<b>66,918,021</b>
<b>EXPENSES</b>				
Program services	54,195,553		54,195,553	51,864,573
Support services	17,272,563		17,272,563	13,053,329
<b>TOTAL EXPENSES</b>	<b>71,468,116</b>	<b>-</b>	<b>71,468,116</b>	<b>64,917,902</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>4,886,874</b>	<b>(115,961)</b>	<b>4,770,913</b>	<b>2,000,119</b>
<b>OTHER CHANGES</b>				
Contract settlements	54,891		54,891	-
<b>CHANGE IN NET ASSETS</b>	<b>4,941,765</b>	<b>(115,961)</b>	<b>4,825,804</b>	<b>2,000,119</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>9,397,258</b>	<b>2,285,443</b>	<b>11,682,701</b>	<b>9,682,582</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 14,339,023</b>	<b>\$ 2,169,482</b>	<b>\$ 16,508,505</b>	<b>\$ 11,682,701</b>

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

FELTON INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

With comparative totals for the year ended June 30, 2024

	Program Services					Total Program Services	Support Services				Total Support Services	Total Expenses	
	Children Youth and Family	Adult Services Division	Elder Services Division	Early Psychosis Division	Justice Services Division		Management and General	Atlantic and Geary Street	Fundraising	Training and Research		2025	As Restated 2024
Salaries	\$ 10,479,697	\$ 8,332,097	\$ 9,265,733	\$ 3,519,419	\$ 4,767,150	\$ 36,364,096	\$ 6,175,985	\$ 209,377	\$ 478,998	\$ 235,709	\$ 7,100,069	\$ 43,464,165	\$ 39,782,649
Employee benefits	1,110,848	883,202	982,168	373,058	505,318	3,854,594	1,134,658	21,147	50,774	24,985	1,231,564	5,086,158	3,824,901
Payroll taxes	974,612	774,885	861,713	327,306	443,345	3,381,861	566,964	19,472	44,547	21,921	652,904	4,034,765	3,474,555
Total personnel costs	12,565,157	9,990,184	11,109,614	4,219,783	5,715,813	43,600,551	7,877,607	249,996	574,319	282,615	8,984,537	52,585,088	47,082,105
Occupancy	795,783	882,219	284,313	240,705	241,664	2,444,684	2,000,501	622,804			2,623,305	5,067,989	3,222,654
Professional services	60,809	363,605	116,187	109,525	30,972	681,098	2,250,767	440	3,923	8,404	2,263,534	2,944,632	1,667,444
IT development and maintenance	297,879	282,331	232,952	91,942	134,735	1,039,839	371,355	585	27,439	7,748	407,127	1,446,966	1,162,972
Supportive housing expenses		987,578				987,578	176				176	987,754	4,100,281
Contract services	95,372	540,725	56,404		255,533	948,034	10,968		8,594		19,562	967,596	781,205
Interest						-	220,591	685,739			906,330	906,330	496,463
Program expenses	258,631	105,940	194,818	33,820	271,403	864,612	35,349			200	35,549	900,161	999,553
Insurance	169,046	262,574	162,161	58,879	87,651	740,311	733				733	741,044	641,392
Travel and conference	105,628	176,178	88,478	23,283	97,779	491,346	205,052	4,025	271	282	209,630	700,976	702,733
Depreciation						-	644,045				644,045	644,045	433,648
Management fees		154				154	424,566		25,806		450,372	450,526	375,130
Meals		436,038				436,038					-	436,038	470,891
Volunteer expenses	143,711	88,077	146,407			378,195					-	378,195	479,973
Program supplies	360,957	1,147	845	17	1,777	364,743	22			119	141	364,884	375,003
Office supplies	99,387	51,894	66,021	29,730	35,091	282,123	60,473	571	726	801	62,571	344,694	288,279
Communication	57,771	70,620	61,688	31,977	29,421	251,477	42,212	13,533	1,000	1,774	58,519	309,996	428,469
Equipment	120,610	68,286	18,046	1,220	17,420	225,582	52,991	3,100			56,091	281,673	231,184
Miscellaneous	26,736	15,551	21,756	2,142	7,792	73,977	180,848	1,230	175	726	182,979	256,956	356,275
Training and meetings	54,167	21,223	36,811	12,653	25,248	150,102	76,184	1,246	229	4,973	82,632	232,734	311,235
Property taxes	73,553	3,512				77,065	709	97,334			98,043	175,108	19,126
Equipment rental	39,248	31,913	23,386	16,386	12,840	123,773	8,704		452	279	9,435	133,208	126,202
Audit fees						-	121,995				121,995	121,995	96,000
Subscriptions and publications	11,230	6,700	7,833	8,184	324	34,271	47,112		4,788	1,577	53,477	87,748	69,685
Construction expenses						-	1,780				1,780	1,780	-
<b>TOTAL 2025 FUNCTIONAL EXPENSES</b>	<b>\$ 15,335,675</b>	<b>\$ 14,386,449</b>	<b>\$ 12,627,720</b>	<b>\$ 4,880,246</b>	<b>\$ 6,965,463</b>	<b>\$ 54,195,553</b>	<b>\$ 14,634,740</b>	<b>\$ 1,680,603</b>	<b>\$ 647,722</b>	<b>\$ 309,498</b>	<b>\$ 17,272,563</b>	<b>\$ 71,468,116</b>	
<b>TOTAL 2024 FUNCTIONAL EXPENSES</b>	<b>\$ 13,931,108</b>	<b>\$ 16,824,669</b>	<b>\$ 9,971,539</b>	<b>\$ 5,403,421</b>	<b>\$ 5,733,836</b>	<b>\$ 51,864,573</b>	<b>\$ 10,901,105</b>	<b>\$ 1,317,200</b>	<b>\$ 545,737</b>	<b>\$ 289,287</b>	<b>\$ 13,053,329</b>		<b>\$ 64,917,902</b>

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

**FELTON INSTITUTE, INC.**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

With comparative totals for the year ended June 30, 2024

	2025	As Restated 2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,825,804	\$ 2,000,119
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	644,045	433,648
(Gain) loss on investments	-	(3,406)
Amortization of right-of-use assets - operating leases	2,337,090	1,393,124
Reduction of lease liabilities - operating leases	(2,200,396)	(1,406,007)
(Increase) decrease in operating assets:		
Accounts receivable	2,080,004	(437,150)
Pledges receivable	62,500	(70,000)
Prepaid expenses	71,539	28,242
Increase (decrease) in operating liabilities:		
Accounts payable	1,550,610	(117,333)
Accrued liabilities	50,189	1,517,705
Deferred revenue	1,193,393	1,266,075
	<b>10,614,778</b>	<b>4,605,017</b>
<b>CASH FLOWS (TO) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(8,274,512)	(1,917,157)
Purchase of investments	-	(51,826)
Proceeds from sale of investments	111,949	158
	<b>(8,162,563)</b>	<b>(1,968,825)</b>
<b>CASH FLOWS (TO) FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	-	3,500,000
Payments on line of credit	(2,600,000)	(4,000,000)
Proceeds from notes payable	3,500,000	-
Principal payments on notes payable	(347,836)	(687,126)
	<b>552,164</b>	<b>(1,187,126)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,004,379</b>	<b>1,449,066</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,183,568</b>	<b>734,502</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,187,947</b>	<b>\$ 2,183,568</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflects interest paid of:	<b>\$ 906,330</b>	<b>\$ 496,463</b>
<b>NON-CASH OPERATING ACTIVITIES:</b>		
Right-of-use-assets/lease liabilities - operating lease from new or renewal of leases	<b>\$ 737,851</b>	<b>\$ 3,648,974</b>
<b>NON-CASH INVESTING/FINANCING ACTIVITIES:</b>		
Acquisition of property through the issuance of a note payable	<b>\$ 5,156,250</b>	<b>\$ -</b>

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

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

The primary receivable balance outstanding at June 30, 2025, 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.

#### 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.

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **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, 2025.

#### **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:

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.

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### 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, 2024, from which the summarized information was derived.

#### Reclassification

Certain amounts from the June 30, 2024 financial statements have been reclassified to conform to the June 30, 2025 presentation.

#### Subsequent Events

Management has evaluated subsequent events through December 9, 2025, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

### 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, 2025, 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.

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources, continued

Cash and cash equivalents	\$ 5,187,947
Accounts receivable	12,984,631
Pledges receivable (due within one year)	<u>62,500</u>
Total financial assets at year-end	18,235,078
Less: Cash with donor restrictions	<u>(69,482)</u>
Assets available to meet general expenditures within one year	<u>\$18,165,596</u>

### 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, 2025 and are all deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2025. The total amount of pledges receivable at June 30, 2025 of \$62,500, is expected to be collected within one year.

### 5. Investments

Investments at June 30, 2025 consist of the following:

Money market funds at a securities institution	<u>\$68,013</u>
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### 6. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledges	\$ -	\$ -	\$62,500	<b>\$62,500</b>
Fair value at June 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$62,500</u>	<b><u>\$62,500</u></b>

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).

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 7. Property and Equipment

Property and equipment at June 30, 2025 consist of the following:

Buildings	\$14,822,248
Construction in progress	7,538,652
Land	5,601,036
Facility improvements	1,847,682
Equipment and furnishings	97,963
Vehicles	<u>72,501</u>
	29,980,082
Less: accumulated depreciation	<u>(4,566,579)</u>
	<u>\$25,413,503</u>

Depreciation expense for the year ended June 30, 2025 was \$644,045.

### 8. Accrued Liabilities

Accrued liabilities at June 30, 2025 consist of the following:

Accrued vacation	\$1,956,409
Other accrued liabilities	1,768,623
Accrued salaries	1,036,353
Child development fund reserve	<u>202,784</u>
	<u>\$4,964,169</u>

### 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, 2025, there was no outstanding balance on the line of credit.

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2025. No additional options have been included.

There were no non-cash financing transactions related to leasing during the year ended June 30, 2025. For the year ended June 30, 2025, the weighted average of the discount rate is 3%, and the weighted average of the remaining lease terms is approximately 2.9 years.

Future maturities of the lease liabilities are as follows:

<u>Year ending June 30,</u>	
2026	\$2,420,192
2027	1,857,821
2028	545,163
2029	67,704
2030	<u>30,656</u>
Total lease payments	4,921,536
Less: present value discount	<u>(253,188)</u>
	<u>\$4,668,348</u>

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

ROU asset balance at July 1, 2024	\$ 6,042,527
Additions	737,851
Less: amortization of lease	<u>(2,337,090)</u>
ROU asset balance at June 30, 2025	<u>\$ 4,443,288</u>

Rent expense under operating leases for the year ended June 30, 2025 was \$2,311,797.

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 11. Notes Payable

Notes payable at June 30, 2025 consist of the following:

Note payable to a bank, secured by real property, monthly payments of \$6,798 with a current interest rate of 6.65%, due August 2034.	\$ 5,095,064
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.	4,313,175
Note payable to a bank, secured by real property, with variable interest rate (currently 3.45%), due February 2034.	2,000,000
Note payable to a financial institution, secured by real property, bearing no interest, monthly payments of \$26,318, due February 2030.	1,421,053
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.	1,311,604
Note payable to a bank, secured by real property, monthly payments of \$9,652 with a current interest rate of 5.93%, due November 2029.	<u>1,302,627</u>
	<u>\$15,443,523</u>

Maturities for notes payable are as follows:

<u>Year ending June 30,</u>	
2026	\$ 2,577,989
2027	650,423
2028	670,782
2029	5,517,723
2030	382,914
Thereafter	<u>5,643,692</u>
	<u>\$15,443,523</u>

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 12. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2025 are restricted for the following programs:

548 Delta property (period of use restriction)	\$2,100,000
Metta Fund	52,039
Mission Promise Neighborhood	<u>17,443</u>
	<u>\$2,169,482</u>

For the year ended June 30, 2025 net assets released from purpose restrictions were \$1,020,797.

### 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.

#### Legal Matter

From time to time, Felton Institute, Inc. may be subject to a variety of claims and suits in the ordinary course of business. During the year ended June 30, 2025, management learned about a possible litigation. Even though, management is currently pursuing to defend the case, an estimated possible liability was recorded which is include in the Statement of Financial Position.

### 14. Fees from Government Agencies

Fees from government agencies for the year ended June 30, 2025 consist of the following:

Other	\$21,990,605
Child care	21,309,519
Mental health services	18,564,034
Homelessness prevention program	3,006,151
Senior program	1,944,805
Suicide prevention	1,737,283
Ombudsman services	1,061,598
Teenage pregnancy and parenting	730,252
Foster grandparents	<u>256,280</u>
	<u>\$70,600,527</u>

continued

# FELTON INSTITUTE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2025.

### 16. Restatement of Prior Year Financial Statements

The June 30, 2024 financial statements were restated to correct for an error of certain construction expenses that should need to be capitalized.

The effect of the restatement is as follows:

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Adjustment</u>
Property and equipment	<u>\$12,626,786</u>	<u>\$11,224,514</u>	<u>\$1,402,272</u>
Net assets without donor restriction	<u>\$9,397,258</u>	<u>\$7,994,986</u>	<u>\$1,402,272</u>
Construction expenses	<u>\$-</u>	<u>\$1,402,272</u>	<u>\$(1,402,272)</u>
Total expenses	<u>\$64,917,902</u>	<u>\$66,320,174</u>	<u>\$(1,402,272)</u>