Reimagine Network

Consolidated Financial Statements

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Reimagine Network

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Reimagine Network (a California nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Casa Maria del Rio and Casas del Rio, HUD entities, which statements reflect total assets of $2,308,059 and $1,572,556, respectively, as of August 31, 2020 and change in net assets of $56,035 and $179,223, respectively, for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the HUD entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reimagine Network as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the notes to the financial statements, during the year ended June 30, 2020, Reimagine Network adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)* and No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 22-23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Windes, Inc.

Irvine, California
June 22, 2021

REIMAGINE NETWORK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

ASSETS		
Cash and cash equivalents	$	2,195,621
Investments		541,634
Accounts receivable		1,272,405
Prepaid expenses and other current assets		53,789
Land, building, and equipment, net		12,721,206
Restricted deposits		512,021
Tenant security deposits held in trust		47,497
Funded interest holdback, net		1,174,835
TOTAL ASSETS	$	18,519,008

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	109,315
Accrued expenses and other current liabilities		685,580
Clients' fees received in advance		60,711
Tenant security deposits and other long-term liabilities		25,165
PPP loan advance		1,700,000
Note payable, net of debt issuance costs		7,755,892
Mortgage payable		1,126,010
		11,462,673
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS		
Net assets without donor restrictions		3,918,090
Net assets with donor restrictions		3,138,245
		7,056,335
TOTAL LIABILITIES AND NET ASSETS	$	18,519,008

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

REIMAGINE NETWORK

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Program service fees, net	$ 8,547,951	$ -	$ 8,547,951
Rent and other revenue	813,423	-	813,423
Grants and contributions	47,347	420,891	468,238
Investment income, net	59,783	-	59,783
Other income	50,100	-	50,100
Net assets released from restrictions	420,891	(420,891)	-
Total revenue	9,939,495	-	9,939,495
FUNCTIONAL EXPENSES			
Program services	9,342,406	-	9,342,406
Management and general	3,007,594	-	3,007,594
Total functional expenses	12,350,000	-	12,350,000
CHANGE IN NET ASSETS	(2,410,505)	-	(2,410,505)
NET ASSETS, BEGINNING OF PERIOD	6,328,595	3,138,245	9,466,840
NET ASSETS, END OF PERIOD	$ 3,918,090	$ 3,138,245	$ 7,056,335

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

REIMAGINE NETWORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
PERSONNEL EXPENSES			
Salaries & wages	$ 5,259,039	$ 2,150,075	$ 7,409,114
Employee benefits	1,119,221	332,237	1,451,458
Payroll taxes	401,813	148,482	550,295
Total personnel expenses	6,780,073	2,630,794	9,410,867
OTHER EXPENSES			
Consulting & professional fees	473,862	227,010	700,872
Telephone & utilities	274,119	26,647	300,766
Repairs & maintenance	273,762	3,820	277,582
Supplies	216,844	4,687	221,531
Transportation expenses	192,307	20,500	212,807
Miscellaneous expenses	157,493	27,652	185,145
Cafeteria expenses	184,057	70	184,127
Interest & bank charges	111,276	28,857	140,133
Insurance expenses	126,688	13,001	139,689
Rentals & leases	56,821	9,330	66,151
Computer expenses	61,183	2,862	64,045
Taxes, licenses, & fees	62,365	788	63,153
Property management fees	38,846	-	38,846
Depreciation & amortization	332,710	11,576	344,286
TOTAL EXPENSES	$ 9,342,406	$ 3,007,594	$ 12,350,000

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

REIMAGINE NETWORK

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (2,410,505)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	344,286
Net realized and unrealized losses on investments	(7,365)
Change in operating assets and liabilities:	
Accounts receivable	(179,149)
Prepaid expenses and other current assets	(15,877)
Tenant security deposits held in trust	(15,729)
Accounts payable	16,253
Accrued expenses and other current liabilities	(2,357)
Tenant security deposits and other long-term liabilities	(3,229)
Net Cash Used In Operating Activities	(2,273,672)
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvested interest and dividends	(24,272)
Proceeds from sale of investments	1,093,039
Net change in restricted deposits	(211,589)
Purchases of land, building, and equipment	(7,088,541)
Net Cash Used In Investing Activities	(6,231,363)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP loan advance	1,700,000
Proceeds from note payable, net of debt issuance costs	7,755,892
Funds placed in interest holdback	(1,174,835)
Payments on mortgage payable	(97,729)
Net Cash Provided By Financing Activities	8,183,328
NET CHANGE IN CASH AND CASH EQUIVALENTS	(321,707)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	2,517,328
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 2,195,621

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

REIMAGINE NETWORK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – Nature of the Organization

The Organization was formerly operated under the name Rehabilitation Institute of Orange County (RIO). Effective October 22, 2019, the directors of RIO formally approved and filed for a name change to Reimagine Network (RN). RN is a California nonprofit corporation that provides an array of services to children, adults and their families. The primary purpose of RN is to provide comprehensive rehabilitation services to handicapped and injured people in the community. RN's board of directors additionally control two Housing and Urban Development (HUD) entities and a separate nonprofit organization as described below.

Casa Maria del Rio (HUD entity) is a California nonprofit corporation and operates a 25-unit apartment complex located in Fullerton, California, under Section 811 of the National Affordable Housing Act and identified as HUD Project No. 143-HD001-WPD-NP. The Section 811 program is a federally assisted program designed to provide funding to develop and subsidize rental housing with the availability of supporting services for very low- and extremely low-income adults with disabilities. The financial statements of the HUD entity were audited in accordance with auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and conform to generally accepted accounting principles in the United States of America (US GAAP) and received an unmodified opinion.

Casas del Rio (HUD entity) is a California nonprofit corporation and operates a 40-unit apartment complex located in Orange, California, under Section 202 of the National Affordable Housing Act and identified as FHA Project No. 122-EH351-WHH-L8. The Section 202 program is a federally assisted program designed to provide housing for the elderly. The financial statements of the HUD entity were audited in accordance with auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and conform to generally accepted accounting principles in the United States of America (US GAAP) and received an unmodified opinion.

The Crippled Children's Society of Orange County (CCSOC) is a California nonprofit corporation that cooperates with state and local agencies, public boards, commissions, and authorities in securing assistance for and promoting the opportunities of handicapped persons.

Together, the above-described entities are hereafter referred to as "the Organization."

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standard

During the year ended June 30, 2020, the Organization adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

Basis of Consolidation

The consolidated financial statements include the accounts of the Organization. As permitted by FASB ASC Topic 810, Consolidation (ASC 810), the accounts of Casa Maria del Rio and Casas del Rio (HUD entities) are reported for the entities' fiscal year of September 1 through August 31, which differs from the fiscal year of RN and CCSOC, which is July 1 through June 30. The consolidated financial statements include the accounts of RN and CCSOC for the year ended June 30, 2020, and the accounts of the HUD entities for the year ended August 31, 2020. All material intercompany transactions and accounts have been eliminated in consolidation.

Basis of Presentation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Organization reports information regarding their financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

> ***Without Donor Restrictions*** – Net assets that are not subject to donor-imposed restrictions.
>
> ***With Donor Restrictions*** – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by either actions of the Organization or the passage of time. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. The Organization had no perpetually restricted net assets at June 30, 2020.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value at quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment. In addition to gains and losses on investment sale transactions, investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are comprised of amounts earned but not received as of June 30, 2020, primarily relating to services provided to residents. Accounts receivable are expected to be collected within one year. Management believes the amounts are collectible in full and, accordingly, no allowance for doubtful accounts has been provided.

Land, Building, and Equipment

Land, building, and equipment is stated at cost. Donated property and equipment is recorded at fair value at the time of the gift. Expenditures for major additions are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations for the respective period. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Depreciation is computed over the estimated useful lives ranging from 1 to 50 years for the individual assets. The Organization uses the straight-line method of depreciation.

Construction in Progress

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Impairment of Long-Lived Assets

The Organization reviews the carrying value of long-term assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment as of June 30, 2020.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Funded Interest Holdback

The Organization obtained a note payable for the construction of its new Santa Ana facility which was acquired in June 2020. (See Note 9.) As part of the note payable agreement, an interest holdback account was funded in the amount of $1,200,000. As interest is incurred on the note payable, the funded interest holdback asset account is reduced. The funded interest holdback asset is shown net of $25,265 of interest incurred on the funded note payable balance, which includes the interest holdback amount.

Revenue and Fees

The Organization receives service fees for providing various services to residents and rent revenue as the lessor of the HUD entities, which include assistance payments from HUD. Revenue for fees is recognized at the time the services are performed and collection is reasonably assured. Rent revenue are recognized on a monthly basis when collection is reasonably assured. All revenue the Organization receives in advance of fulfilling its performance obligations is presented as liabilities in the accompanying consolidated statement of financial position.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs of providing the Organization's programs and other activities have been presented in the consolidated statement of functional expenses. During the 12 month period, 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. Allocations are based on management's estimate of the benefit derived from costs as they relate to each activity. Significant expenses that are allocated include the following:

Expense	Method of Allocation
Rent and depreciation	Square footage
Other shared costs	Salaries per department

Debt Issuance Costs

Costs related to obtaining debt financing, other than those paid to the lender, are recorded as a direct reduction of the carrying value of the debt and are accreted over the term of the related debt using the interest method. Debt issuance costs, net of accumulated amortization, totaled $153,085 at June 30, 2020.

Income Taxes

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, are exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions. The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Risk

The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash and cash equivalents may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

RN's Community-based Adult Services (CBAS) program specializes in the care of brain injured adults and comprises $6,194,131 (61%) of total revenue for the year ended June 30, 2020. RN's Transitional Adult Program (TAP) program is designed to teach and maintain functional living skills for adults with developmental disabilities and comprises $1,709,918 (17%) of total revenue for the year ended June 30, 2020.

The HUD entities' sole assets are a 25-unit and 40-unit apartment project, respectively. The HUD entities' operations are concentrated in the multifamily real estate market. In addition, the HUD entities operate in a heavily regulated environment. The operations of the HUD entities are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Corporation is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 3 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 2,195,621
Investments	541,634
Accounts receivable	1,272,405
Restricted deposits	512,021
Tenant security deposits held in trust	47,497
Funded interest holdback, net	1,174,835
	5,744,013
Less amounts unavailable for general expenditure within one year due to:	
Amounts held in deposit	(559,518)
Contractual restrictions	(1,174,835)
Financial assets available for general expenditure within one year	$ 4,009,660

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – Investments

RN follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The Organization groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

RN's investments totaled $541,634 and consisted entirely of level 1 bonds measured at fair value on a recurring basis at June 30, 2020.

Investment income consists of the following:

Interest and dividends	$ 45,512
Realized and unrealized loss	14,271
Investment income, net	$ 59,783

NOTE 5 – Land, Building, and Equipment

Land, building, and equipment consists of the following:

Land and land improvements	$ 4,629,459
Building and building improvements	11,972,768
Furnishings and equipment	1,180,907
Auto equipment	249,749
Computer software	66,931
Other fixed assets	47,139
	18,146,953
Less accumulated depreciation and amortization	(9,778,731)
	8,368,222
Construction in progress	4,352,984
	$ 12,721,206

Depreciation and amortization expense totaled $344,286 for the year ended June 30, 2020.

Construction in progress consisted of the Santa Ana building purchase and related construction. Completion of the building is expected during the fiscal year ended June 30, 2021 at a total cost of approximately $8,800,000, which includes land valued at $2,593,500.

NOTE 6 – Restricted Deposits

Under the regulatory agreement, the HUD entities are required to set aside amounts for the replacement of property and other expenditures approved by HUD. Use of the residual receipts and replacement reserve accounts are contingent upon HUD's prior written approval. HUD-restricted deposits, which were $512,021 at June 30, 2020, are held in separate demand deposit accounts or other investment vehicles and generally are not available for operating purposes.

NOTE 7 – Tenant Security Deposits Held in Trust

The HUD entities have tenant security deposits of $47,497 at June 30, 2020, which are held in a separate demand deposit account, and are not available for operating purposes.

NOTE 8 – PPP Loan Advance

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the program are eligible to be forgiven if the proceeds are used for qualifying purposes and certain other conditions are met. On April 22, 2020, the Company received a Small Business Association (SBA) loan in the amount of $1,700,000 through the PPP. Management believes that the proceeds were used only for qualifying purposes; therefore, management anticipates that the loan will be substantially forgiven. However, any loan forgiveness is subject to final review and approval by the SBA. To the extent any amount is not forgiven by the SBA, the Company would be required to repay that portion at an interest rate of 1%, with entire principal and unpaid interest due April 2022.

NOTE 9 – Note Payable

In June 2020, the Organization entered into an agreement with a bank to finance the purchase and construction of its Santa Ana facility. The note provides for a borrowing limit of $10,000,000. As of June 30, 2020, the Organization had borrowings outstanding of $7,755,892 comprised of construction related advances of $6,555,892, and an interest holdback of $1,200,000, which was funded by the note (see Note 2, Funded Interest Holdback). The note balance is shown net of debt issuance costs totaling $153,085, which will be accreted to interest expense over the life of the note. No accretion expense was recognized for the year ended June 30, 2020.

Borrowings are secured by substantially all of the Organization's assets, bear interest at 5.75%, and mature on June 1, 2040. As stipulated by the agreement, a one-time $5,000,000 principal payment is due upon sale of its Orange facility, interest-only payments are due monthly through December 1, 2023 after which payments of $58,893 are monthly through May 1, 2040, with a final balloon payment due on June 1, 2040. The amount of the scheduled interest-only payments and the final balloon payment amounts are dependent on the amounts drawn by the Organization.

NOTE 10 – Mortgage Payable

The mortgage note payable of Casas del Rio is secured by an interest in land, buildings and furnishings and is payable in monthly installments of $17,213, including interest at 9.25% through March 1, 2028. Maturities of long-term debt in each of the next five years and thereafter are as follows:

Year Ending June 30,	
2021	$ 107,162
2022	117,506
2023	128,849
2024	141,286
2025	154,924
Thereafter	476,283
Total	$ 1,126,010

NOTE 11 – Net Assets with Donor Restrictions

The capital advances described in Note 12 have been restricted by HUD for recipients of housing assistance payments. These restrictions are in place for 40 years ending September l, 2037. The grant issued by the Community Redevelopment Agency of the City of Fullerton has the same restrictions as the HUD capital advance. These restrictions have been recorded as net assets with donor restrictions in accordance with U.S. GAAP.

Capital Advance from HUD	$ 2,424,700
Grants from City of Fullerton	713,545
Total Net Assets with Donor Restrictions	$ 3,138,245

NOTE 12 – Commitments and Contingencies

Capital Advance

HUD has provided long-term financing to Casa Maria del Rio through a capital advance in accordance with Section 811 of the National Affordable Housing Act of 1990. The capital advance is collateralized by a deed of trust on the property with the final maturity date of September 27, 2037. The capital advance bears no interest and repayment is not required so long as the housing remains available for very low-income persons with disabilities. Failure to keep the housing available for disabled persons would result in a violation of the terms of the capital advance. HUD may declare a default and require the entire capital advance to become due and payable. Upon such event of default, interest per annum at a rate of 7% on the entire capital advance from date of default would be payable on demand.

In addition to the above capital advance, a grant of $713,545 was received from the Community Redevelopment Agency of the City of Fullerton. (See Note 9.) The grant included land valued at $667,000 and other development costs, which were not covered by the HUD capital advance. This grant is secured by a deed of trust on the property. No repayment is required as long as the project provides affordable rental housing for persons with disabilities as in accordance with the agreement with HUD.

Government Grants

RN receives federal, state and local funds for specific purposes that are subject to review and audit by the contracting parties. Although such audits could generate expense disallowances under the terms of the contracts, management believes any potential disallowances will not be material.

RN currently has a grant from the California Department of Education, under the “Nutrition Services Division” to provide meals and refreshments for their clients. This contract period runs from July 1 to June 30 of each year. For the year ended June 30, 2020, the Organization invoiced and properly spent $150,891 on behalf of this grant.

NOTE 12 – Commitments and Contingencies (Continued)

Operating Leases

The Organization is committed under noncancelable operating leases for office equipment expiring at various dates through March 2022. The scheduled minimum lease payments under the lease terms are as follows:

Year Ending June 30,	
2021	$ 13,149
2022	3,524
Total	$ 16,673

Total rental expense for property and equipment was $52,362 during the year ended June 30, 2020.

Litigation

From time to time, the Organization is involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's consolidated statement of financial position or activities.

Risks Associated with the Impact of COVID-19

The spread of the coronavirus has resulted in federal, state and local governments mandating various restrictions on public gatherings and stay-at-home orders. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization's business could be significant and have a material impact on its financial position and operating results. Certain events and programming have been postponed or rescheduled to accommodate remote attendance. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and financial statements. Subsequent to June 30, 2020, the Organization terminated 95 employees due to the COVID-19 pandemic which resulted in the long-term suspension of several major programs.

NOTE 12 – Commitments and Contingencies (Continued)

Pension Plan

RN currently has a 401(k) plan for all eligible employees. The plan provides for an employer match of 100% of employees' contribution up to 4% of their salary. The Organization made $213,266 in employer matching contributions for the 401(k) for the year ended June 30, 2020.

RN also has a deferred compensation 457(b) plan for the benefit of the Institute's key employees and management who contribute materially to the continued growth, development, and future success of the Institute. RN will make non-elective annual contributions to the plan on behalf of the key employees and management, subject to Board approval. The Organization made $23,950 in employer profit-sharing contributions for the 457(b) for the year ended June 30, 2020.

The HUD entities' employees of Buckingham participate in a 401(k) plan by deferring a percentage of their wages. There is no employer match.

NOTE 13 – Agreement for Sale of Main Campus

On November 26, 2019, the Organization entered into a non-binding contract to sell its main campus and transfer its HUD properties in Orange to an unrelated entity for $9,000,000. Both the sale of the HUD properties and the main campus in Orange are expected to occur before the end of 2023. The Organization's operations will continue unchanged until the sale of the main campus occurs and the Organization moves to a new location. During the year ended June 30, 2020, the buyer paid a nonrefundable deposit of $50,100, which is included in other income in the consolidated statement of activities.

NOTE 14 – Related-Party Transactions

The contracts for ground maintenance at the HUD entities were awarded to RN, whose members are also directors of the HUD entities. Total expenses for the year ended August 31, 2020 is $6,675.

NOTE 15 – Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2021, the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

REIMAGINE NETWORK

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	Reimagine Network	HUD Entity Casa Maria del Rio	HUD Entity Casas del Rio	Crippled Children's Society of Orange County	Eliminations	Total
ASSETS						
Cash and cash equivalents	$ 1,888,723	$ 88,095	$ 162,231	$ 56,572	$ -	$ 2,195,621
Investments	541,634	-	-	-	-	541,634
Accounts receivable	1,255,773	15,181	1,451	-	-	1,272,405
Prepaid expenses and other current assets	50,077	1,528	2,184	-	-	53,789
Land, property, and equipment, net	9,670,779	1,966,417	1,084,010	-	-	12,721,206
Restricted deposits	-	219,809	292,212	-	-	512,021
Tenant security deposits held in trust	-	17,029	30,468	-	-	47,497
Funded interest holdback, net	1,174,835	-	-	-	-	1,174,835
TOTAL ASSETS	$ 14,581,821	$ 2,308,059	$ 1,572,556	$ 56,572	$ -	$ 18,519,008

LIABILITIES AND NET ASSETS

	Reimagine Network	HUD Entity Casa Maria del Rio	HUD Entity Casas del Rio	Crippled Children's Society of Orange County	Eliminations	Total
LIABILITIES						
Accounts payable	$ 102,386	$ 3,534	$ 3,395	$ -	$ -	$ 109,315
Accrued expenses and other current liabilities	643,069	14,543	27,968	-	-	685,580
Clients' fees received in advance	60,711	-	-	-	-	60,711
Tenant security deposits and other long-term liabilities	-	7,856	17,309	-	-	25,165
PPP loan advance	1,700,000	-	-	-	-	1,700,000
Note payable, net of debt issuance costs	7,755,892	-	-	-	-	7,755,892
Mortgage payable	-	-	1,126,010	-	-	1,126,010
TOTAL LIABILITIES	10,262,058	25,933	1,174,682	-	-	11,462,673
COMMITMENTS (Note 12)						
NET ASSETS						
Net assets (deficit) without donor restrictions	4,319,763	(856,119)	397,874	56,572	-	3,918,090
Net assets (deficit) with donor restrictions	-	3,138,245	-	-	-	3,138,245
RESTATED NET ASSETS	4,319,763	2,282,126	397,874	56,572	-	7,056,335
TOTAL LIABILITIES AND NET ASSETS	$ 14,581,821	$ 2,308,059	$ 1,572,556	$ 56,572	$ -	$ 18,519,008

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

REIMAGINE NETWORK

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Reimagine Network	HUD Entity Casa Maria del Rio	HUD Entity Casas del Rio	Crippled Children's Society of Orange County	Eliminations	Consolidating Total
REVENUE						
Program service fees, net	$ 8,547,951	$ -	$ -	$ -	$ -	$ 8,547,951
Rent and other revenue, net	25,324	239,678	548,421	-	-	813,423
Grants, contributions, and other revenue	467,371	-	-	867	-	468,238
Investment income, net	59,543	61	93	86	-	59,783
Other income	50,100	-	-	-	-	50,100
Total revenue	9,150,289	239,739	548,514	953	-	9,939,495
FUNCTIONAL EXPENSES						
Program services	8,789,411	183,704	369,291	-	-	9,342,406
Management and general	3,007,594	-	-	-	-	3,007,594
Total functional expenses	11,797,005	183,704	369,291	-	-	12,350,000
CHANGE IN NET ASSETS	(2,646,716)	56,035	179,223	953	-	(2,410,505)
NET ASSETS, BEGINNING OF PERIOD	6,966,479	2,226,091	218,651	55,619	-	9,466,840
NET ASSETS, END OF PERIOD	$ 4,319,763	$ 2,282,126	$ 397,874	$ 56,572	$ -	$ 7,056,335

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