



Report of Independent Auditors on the Financial Statements of
SWEETWATER SPECTRUM, INC.

June 30, 2015 and 2014



SWEETWATER SPECTRUM, INC.
REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sweetwater Spectrum, Inc.

We have audited the accompanying statement of financial position of Sweetwater Spectrum, Inc., as of June 30, 2015 and 2014, and the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Sweetwater Spectrum, Inc. as of June 30, 2015 and 2014, and the statements of activities, functional expense, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Metz & Associates PLLC". The signature is written in a cursive, flowing style.

Phoenix, Arizona
September 10, 2015

SWEETWATER SPECTRUM, INC.
Statements of Financial Position
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 778,596	\$ 708,330
Accounts receivable	833	-
Grants receivable	-	25,000
Pledges receivable, current portion, net of allowance for doubtful accounts	<u>1,500</u>	<u>69,000</u>
Total current assets	780,929	802,330
Land, buildings and equipment	9,756,669	9,751,991
Less: accumulated depreciation	<u>(701,722)</u>	<u>(409,803)</u>
Net property and equipment	9,054,947	9,342,188
Pledges receivable, net of current portion, allowance for doubtful accounts and present value discount	1,414	8,916
Beneficial interest in assets held by Community Foundation	<u>9,206</u>	<u>9,860</u>
Total assets	\$ <u>9,846,496</u>	\$ <u>10,163,294</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,178	\$ 17,514
Accrued paid time off	26,090	8,163
Prepaid tenant rent	52,858	40,004
Deferred grant revenue	36,855	-
Current portion of mortgage payable	<u>80,697</u>	<u>123,568</u>
Total current liabilities	211,678	189,249
Tenant security deposits	9,750	9,750
Loans payable, related parties, net of discount	853,402	1,156,152
Mortgage payable, net of current portion	<u>1,578,345</u>	<u>1,953,648</u>
Total liabilities	2,653,175	3,308,799
Net Assets:		
Unrestricted net assets	7,190,407	6,751,579
Temporarily restricted net assets	<u>2,914</u>	<u>102,916</u>
Total net assets	<u>7,193,321</u>	<u>6,854,495</u>
Total liabilities and net assets	\$ <u>9,846,496</u>	\$ <u>10,163,294</u>

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

SWEETWATER SPECTRUM, INC.
Statements of Activities
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Revenue and support:		
Donations	\$ 453,941	\$ 766,575
Grants	5,000	-
In-kind contributions	38,936	46,400
Rental income, net of discounts and vacancies	491,254	429,541
Interest income	438	672
Gain/(loss) on sale of donated stock	(1,095)	1,891
Other income	33,928	22,423
Debt forgiven	<u>350,000</u>	<u>1,600,000</u>
Total unrestricted revenue and support	1,372,402	2,867,502
Net assets released from restrictions	<u>197,777</u>	<u>386,383</u>
Total unrestricted revenue and support and net assets released from restrictions	1,570,179	3,253,885
Expenses:		
Program services	863,779	788,336
Management and general	155,502	253,143
Fundraising	<u>112,070</u>	<u>54,610</u>
Total expenses	<u>1,131,351</u>	<u>1,096,089</u>
Increase in unrestricted net assets	438,828	2,157,796
Changes in temporarily restricted net assets:		
Grants	97,775	-
Net assets released from restrictions	<u>(197,777)</u>	<u>(386,383)</u>
Decrease in temporarily restricted net assets	<u>(100,002)</u>	<u>(386,383)</u>
Increase in net assets	338,826	1,771,413
Net Assets, Beginning of Year	<u>6,854,495</u>	<u>5,083,082</u>
Net Assets, End of Year	\$ <u>7,193,321</u>	\$ <u>6,854,495</u>

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

SWEETWATER SPECTRUM, INC.
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 163,589	\$ 28,480	\$ 30,080	\$ 222,149
Payroll tax	12,167	2,157	2,241	16,565
Total personnel	<u>175,756</u>	<u>30,637</u>	<u>32,321</u>	<u>238,714</u>
Supplies	10,434	6,584	4,322	21,340
Advertising and marketing	-	-	5,708	5,708
Farm	19,200	-	-	19,200
Outside services	1,460	11,436	26,116	39,012
Professional fees	9,801	15,765	25,812	51,378
Communication	6,222	626	626	7,474
Printing and copying	210	440	1,030	1,680
Occupancy	67,663	2,007	-	69,670
Postage	-	640	790	1,430
Insurance	46,870	5,945	5,944	58,759
Interest	53,388	74,374	-	127,762
Other operating expense	90,996	3,173	4,408	98,577
Travel	-	865	4,993	5,858
Equipment rental/maintenance	92,055	815	-	92,870
Depreciation	289,724	2,195	-	291,919
Total expenses	<u>\$ 863,779</u>	<u>\$ 155,502</u>	<u>\$ 112,070</u>	<u>\$ 1,131,351</u>

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

SWEETWATER SPECTRUM, INC.
Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 147,884	\$ 34,257	\$ 20,274	\$ 202,415
Payroll tax	9,092	3,282	4,292	16,666
Employee benefits	—	2,310	1,525	3,835
Total personnel	<u>156,976</u>	<u>39,849</u>	<u>26,091</u>	<u>222,916</u>
Supplies	12,173	5,202	616	17,991
Advertising and marketing	199	—	2,463	2,662
Farm	14,875	—	—	14,875
Outside services	10,436	11,860	14,795	37,091
Professional fees	3,000	51,674	—	54,674
Communication	4,259	3,706	—	7,965
Event expense	—	—	119	119
Printing and copying	327	—	5,518	5,845
Occupancy	83,992	—	—	83,992
Postage	6	500	628	1,134
Insurance	12,244	15,551	—	27,795
Interest	106,432	115,206	—	221,638
Merchant and bank fees	—	225	1,325	1,550
Other operating expense	50,962	2,875	1,812	55,649
Travel	162	1,636	1,243	3,041
Equipment rental/maintenance	44,269	2,664	—	46,933
Depreciation	<u>288,024</u>	<u>2,195</u>	<u>—</u>	<u>290,219</u>
Total expenses	<u>\$ 788,336</u>	<u>\$ 253,143</u>	<u>\$ 54,610</u>	<u>\$ 1,096,089</u>

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

SWEETWATER SPECTRUM, INC.
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in net assets	\$ 338,826	\$ 1,771,413
Depreciation	291,919	290,219
Donated marketable equity securities	(50,566)	(193,541)
Gain/(loss) on sale of donated securities	(1,095)	1,891
Discounted interest on notes payable, related parties	47,250	60,032
Debt forgiven	(350,000)	(1,600,000)
Change in beneficial interest in assets held by Community Foundation	654	(228)
(Increase) decrease in:		
Accounts receivable	(833)	-
Grants receivable	25,000	225,000
Pledges receivable	75,002	161,383
Deposits	-	4,849
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,336)	(1,429)
Accrued paid time off	17,927	6,432
Prepaid tenant rents	12,854	21,174
Deferred grant revenue	36,855	-
Tenant security deposits	<u>-</u>	<u>1,950</u>
Net Cash Provided by Operating Activities	<u>441,457</u>	<u>749,145</u>
Cash Flows from Investing Activities:		
Proceeds from sale of marketable equity securities	51,661	191,650
Purchase of land, buildings and equipment	<u>(4,678)</u>	<u>(116,426)</u>
Net Cash Provided by Investing Activities	<u>46,983</u>	<u>75,224</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable, related parties	-	950,000
Payments on mortgage payable	<u>(418,174)</u>	<u>(1,417,385)</u>
Net Cash Used by Financing Activities	<u>(418,174)</u>	<u>(467,385)</u>
Increase in Cash and Cash Equivalents	70,266	356,984
Cash and Cash Equivalents, Beginning of Year	<u>708,330</u>	<u>351,346</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>778,596</u></u>	\$ <u><u>708,330</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW:		
Contributions of marketable equity securities, including collection of pledges receivable and loan proceeds	\$ <u>51,661</u>	\$ <u>191,650</u>
Discounted interest on notes payable, related parties	\$ <u>47,250</u>	\$ <u>60,032</u>
Debt forgiven by related parties	\$ <u>350,000</u>	\$ <u>1,600,000</u>
Cash paid for interest	\$ <u>74,374</u>	\$ <u>115,206</u>

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

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Sweetwater Spectrum, Inc. (hereafter "the Corporation"; formerly Woven Shade, Inc.; a California nonprofit public benefit corporation) was founded in May 2009 to maximize individual development and independence of persons with autism by providing an array of state-of-the-art residential options and exposure to new opportunities. The Corporation's major sources of income are from contributions and rental income.

Basis of Accounting – The accounts of the Corporation are maintained, and the financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation – In accordance with generally accepted accounting principles, the Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2015 and 2014, there were no permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results may differ from those estimates.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk – Financial instruments which potentially subject the Corporation to concentrations of credit risk include cash deposits and investments maintained in excess of Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC") limits throughout the year. At June 30, 2015 and 2014, the Corporation had \$205,708 and \$295,389, respectively, on deposit in excess of federally insured limits.

Grants Receivable – It is the practice of the Corporation to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and, based on subsequent collections, management believes all amounts will be collected in full.

Land, Buildings and Equipment – Land, buildings and equipment are recorded at cost; donated assets are capitalized at fair value at the date of receipt. Repairs, maintenance, and minor replacements are expensed as incurred. For financial reporting purposes, depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from five to thirty years. The Corporation capitalizes its property and equipment in excess of \$5,000.

Impairment of Long-Lived Assets – The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Assets Held by Community Foundations – Certain funds are held by a community foundation (Foundation) in an expendable trust fund for the benefit of the Corporation. The transactions with the Foundation are deemed to be reciprocal and, therefore, the value of the funds held by the Foundation are recognized as an asset (beneficial interest in assets held by community foundations) by the Corporation.

Donated Assets and Services – Donated non-cash assets are recorded as contributions at their estimated fair values at the date of donation. 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 their fair values in the period received.

Support and Revenue – Contributions are recognized as support when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of any donor-imposed restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Corporation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

Advertising Cost – The Corporation expenses advertising and promotion costs as incurred. Advertising and promotion expense was \$5,708 and \$2,662 for the years ended June 30, 2015 and 2014, respectively.

Excise Tax – The Corporation is exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and is classified as a public charity as described in section 509(a)1 and 170(b)(1)(A)(vi) of the IRC. The Corporation is not subject to the two percent (one percent if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined by the IRC.

NOTE B – FAIR VALUE ESTIMATES

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1. These assets and liabilities are where values are based on unadjusted quoted prices for identical assets in an active market the Corporation has the ability to access.

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE B – FAIR VALUE ESTIMATES (Continued)

Level 2. These are assets and liabilities where values are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Beneficial interest in assets held by Community Foundation is valued at the Corporation's pro-rata share of the community foundation's investment pools. The unobservable inputs are the underlying assets at the community foundation and follow their investment policies.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2015 and 2014.

Assets at Fair Value as of June 30, 2015			
	Total	Levels 1 & 2	Level 3
Beneficial interest in assets held by Community Foundation:	\$ <u>9,206</u>	\$ <u>0</u>	\$ <u>9,206</u>
Assets at Fair Value as of June 30, 2014			
	Total	Levels 1 & 2	Level 3
Beneficial interest in assets held by Community Foundation:	\$ <u>9,860</u>	\$ <u>0</u>	\$ <u>9,860</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (level 3) inputs:

	2015	2014
Beginning balance	\$ 9,860	\$ 9,632
Unrealized gains and (losses) relating to investments still held at the reporting date	(143)	699
Investment and support fees	(511)	(471)
Purchases	<u>—</u>	<u>—</u>
Ending Balance	\$ <u>9,206</u>	\$ <u>9,860</u>

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE C – PLEDGES RECEIVABLE

The Corporation had recorded the following receivables as of June 30, 2015 and 2014:

	Current Portion	Long-term Portion	Total
June 30, 2015			
Pledges receivable	\$ 1,500	\$ 1,572	\$ 3,072
Less: allowance for doubtful accounts	–	–	–
Less: present value discount	–	158	158
	<u>1,500</u>	<u>1,414</u>	<u>2,914</u>
June 30, 2014			
Pledges receivable	\$ 69,000	\$ 10,000	\$ 79,000
Less: allowance for doubtful accounts	–	–	–
Less: present value discount	–	1,084	1,084
	<u>69,000</u>	<u>8,916</u>	<u>77,916</u>

In the opinion of management, the allowances for doubtful accounts and present value discounts accurately reflect the expected collectability of related receivables.

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION

In December 2012 the Corporation transferred \$10,000 to the Community Foundation Sonoma County (the “Foundation”) in order to establish The Sweetwater Spectrum Fund (the “Fund”), an expendable Agency fund maintained by the Foundation. The purpose of the Fund is to promote and further the Community Foundation’s charitable purposes and shall be used to support the charitable activities and/or programs of the Corporation. The assets of the Fund will, at all times, be the property of the Foundation and will be administered by the Foundation’s Board of Directors who has sole variance power to modify any restrictions or conditions imposed upon the Fund or its assets. The Fund is an expendable fund and therefore the Foundation may make distributions out of the Fund’s principal and income in any such amounts as shall be deemed prudent by the Foundations Board of Directors consistent with applicable law. All distributions from the Fund shall be made to the Corporation and shall be used by the Corporation for its charitable activities and/or programs. The balance of the Fund at June 30, 2015 and 2014 was \$9,206 and \$9,860, respectively.

NOTE E – LAND, BUILDINGS AND EQUIPMENT

In 2009, the Corporation began planning of a residential community for adults with autism. On December 27, 2010, the Corporation purchased a nearly three-acre property in Sonoma, California, and began construction of homes and a community center. During the year ended June 30, 2013, construction was completed and assets were placed in service.

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE E – LAND, BUILDINGS AND EQUIPMENT (Continued)

Land, buildings and equipment consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,455,048	\$ 1,455,048	Permanent
Buildings and improvements	8,215,709	8,211,031	30 years
Furniture and equipment	<u>85,912</u>	<u>85,912</u>	5 years
	<u>\$ 9,756,669</u>	<u>\$ 9,751,991</u>	

Depreciation charged to income was \$291,919 and \$290,219 for the years ended June 30, 2015 and 2014, respectively.

NOTE F – MORTGAGE PAYABLE

On May 1, 2012, the Corporation signed a loan agreement for a bank construction loan up to \$4,000,000, secured by a deed of trust, fixture filing, assignment of rents and security agreement. During the construction period, the loan bore interest at the rate of prime (also called "Construction Index") plus 1.5% per annum. The interest rate could not fall below 4.75% or exceed 11.95% per annum. Interest-only payments were required after the initial disbursement date through the construction loan maturity date of June 1, 2014, or the completion of construction.

On May 1, 2013, the bank accepted the construction/improvements and converted the loan to a commercial real estate loan, secured by the deed of trust, fixture filings, assignment of rents and security agreement. The mortgage bears interest in accordance with the loan agreement at 3.75% per annum. Principal and interest payments are due through the loan maturity date of June 1, 2022.

The balance outstanding on the loan as of June 30, 2015 and 2014 was:

	<u>2015</u>	<u>2014</u>
Outstanding balance	\$ 1,659,042	\$ 2,077,216
Less: current portion	<u>80,697</u>	<u>123,568</u>
Net long-term portion	<u>\$ 1,578,345</u>	<u>\$ 1,953,648</u>

The future minimum liabilities for the loan for the current and succeeding years are as follows:

Year ending	
June 30,	
2016	\$ 80,697
2017	83,988
2018	87,237
2019	90,613
2020	93,987
Thereafter	<u>1,222,520</u>
	<u>\$ 1,659,042</u>

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE G – LOANS PAYABLE, RELATED PARTIES

The Corporation (Borrower) has entered into loan agreements with Board members (Lenders) and other related parties to assist with the construction, development, repair, maintenance, and operation of the residential care facility in Sonoma, California for individuals with autism as follows as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Loan of \$250,000 dated December 17, 2010. Provided the Lenders' dependent signs a lease with the Borrower, the Lenders shall discharge and forgive the loan in the amount of \$50,000 per year at the anniversary date of the lease. In the event the Lenders or Lenders' dependent do not enter into a lease or Lender terminates the lease, upon written notice, Lender shall be entitled to call the loan, and the loan shall be due and payable within 18 months of applicable notice. If the Lenders or Lenders' dependent sign a lease, but prior to lease maturity the Borrower terminates the lease, the loan, less amounts already forgiven, shall be due and payable within 12 months of the lease termination date.	\$ 50,000	\$ 150,000
Loan effective December 20, 2010, with conditional loan payments up to \$602,290. Provided the Lenders' dependent signs a lease with the Borrower, the Lenders shall discharge each tranche of the loan at the anniversary of the move-in date. In the event the Lenders or Lenders' dependent do not enter into a lease or Lender terminates the lease, upon written notice, Lender shall be entitled to call the loan, and the loan shall be due and payable within 18 months of applicable notice. If the Lenders or Lenders' dependent sign a lease, but prior to lease maturity the Borrower terminates the lease, the loan, less amounts already forgiven, shall be due and payable within 12 months of the lease termination date.	602,290	602,290
Loan effective July 10, 2012, with conditional loan payments up to \$750,000. Provided the Lenders' dependent signs a lease with the Borrower, the Lenders shall discharge each tranche of the loan at the anniversary of the move-in date. In the event the Lenders or Lenders' dependent do not enter into a lease or Lender terminates the lease, upon written notice, Lender shall be entitled to call the loan, and the loan shall be due and payable within 18 months of applicable notice. If the Lenders or Lenders' dependent sign a lease, but prior to lease maturity the Borrower terminates the lease, the loan, less amounts already forgiven, shall be due and payable within 12 months of the lease termination date.	<u>250,000</u>	<u>500,000</u>
Total loans payable, related parties	902,290	1,252,290
Discount on 0% interest loans	<u>(48,888)</u>	<u>(96,138)</u>
	<u>\$ 853,402</u>	<u>\$ 1,156,152</u>

SWEETWATER SPECTRUM, INC.
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

NOTE G – LOANS PAYABLE, RELATED PARTIES (Continued)

The loans bear no interest; as a result, a discount of 6% per annum has been applied against the loans as follows:

Year ending June 30, 2016	\$ <u>48,888</u>
	\$ <u>48,888</u>

During the years ended June 30, 2015 and 2014, \$36,137 and \$46,400, respectively, in discounted interest was recorded as an in-kind contribution.

NOTE H – IN-KIND CONTRIBUTIONS

Accounting principles for non-profit organizations require donated services which require specific expertise or enhance a non-financial asset be recorded in the financial statements at their fair market value. In-kind services received by the Corporation for the years ended June 30, 2015 and 2014, are:

	<u>2015</u>	<u>2014</u>
Catering	\$ 2,799	\$ –
Discount on notes payable, related parties (see Note G)	<u>36,137</u>	<u>46,400</u>
	\$ <u>38,936</u>	\$ <u>46,400</u>

In addition, many individuals have donated significant amounts of their time in organizational governance, program services and resource development efforts. No amounts have been reflected in the statements for these donated services as they did not meet the accounting principles criteria for recognition.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by time and/or purpose and consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Time-restricted, grants and pledges receivable	\$ <u>2,914</u>	\$ <u>102,916</u>

The Corporation fulfilled the use restrictions of the following temporarily restricted items and they were released to unrestricted net assets during the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Collection of pledges receivable	\$ <u>197,777</u>	\$ <u>386,383</u>

NOTE J – RELATED PARTY TRANSACTIONS

The Corporation has entered into agreements for loan payables to several Board Members (see Note G) totaling \$902,290 and \$1,252,290, net of discount of \$48,888 and \$96,138 at June 30, 2015 and 2014, respectively.

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NOTE K – UNCERTAIN TAX POSITIONS

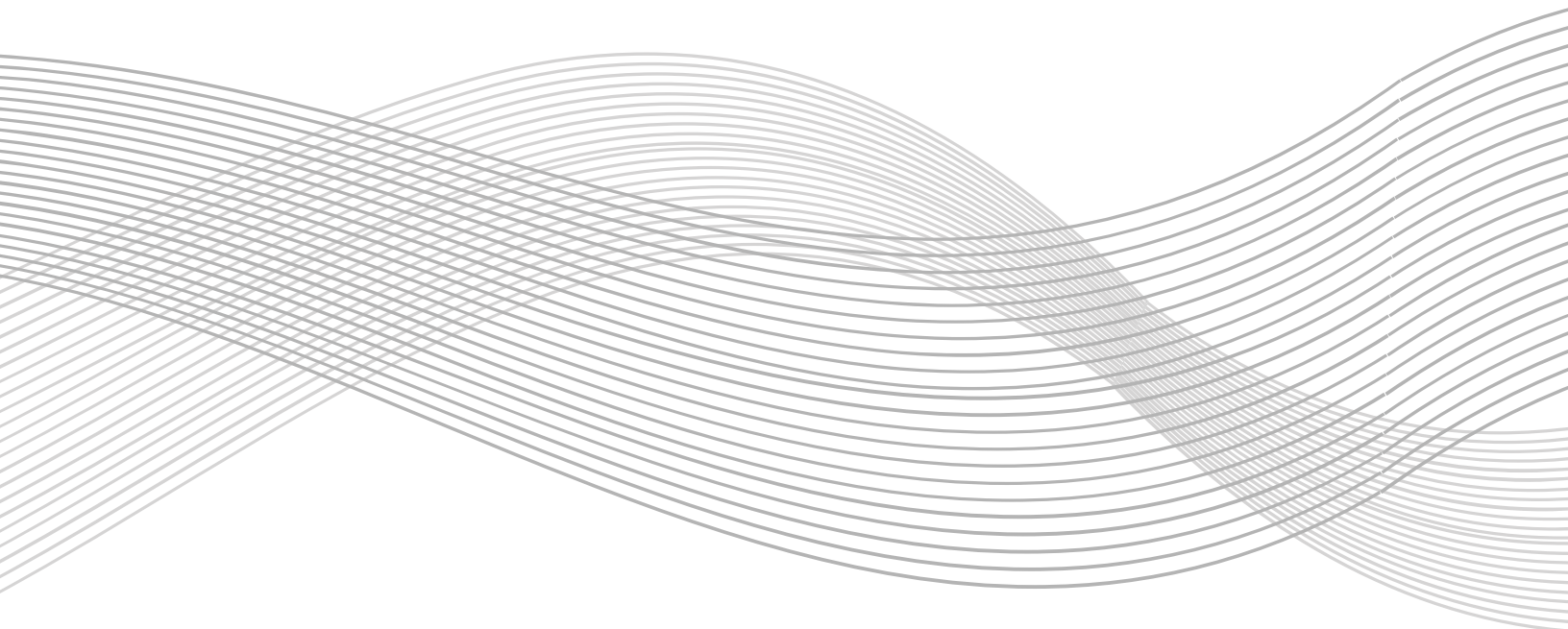
The Corporation has implemented ASC 740-10, the generally accepted accounting guidance for uncertainty in income taxes. As of June 30, 2015, the Corporation had made no changes in the purpose, character or method of operations, and therefore there were no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NOTE L – RISKS AND UNCERTAINTIES

The Corporation's investments are exposed to various risks such as interest rate, market and credit due to the level of risk associated with these investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the Corporation's investment account balances and the amounts reported in the accompanying financial statements.

NOTE M – SUBSEQUENT EVENTS

The Corporation evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through September 10, 2015, which is the date the financial statements were available to be issued.



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