

**Sweetwater Spectrum, Inc.**  
**Financial Statements**

**For the Years Ended**  
**June 30, 2020 and 2019**  
**Together with Independent Accountants' Review Report**

# Sweetwater Spectrum, Inc.

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175 Concourse Blvd, Suite A  
Santa Rosa, CA 95403  
t: (707) 577-8806  
f: (707) 577-1417  
[www.dbmcpa.com](http://www.dbmcpa.com)

## ***Independent Accountants' Review Report***

To the Board of Directors of  
Sweetwater Spectrum, Inc.  
Sonoma, California

We have reviewed the accompanying financial statements of Sweetwater Spectrum, Inc., which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountants' Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Dillwood Burkel & Millar, LLP*

Santa Rosa, California  
October 28, 2020

**Sweetwater Spectrum, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 353,257	\$ 938,079
Restricted cash	162,982	81,531
Accounts receivable	903	28,382
Investments	196,111	-
Prepaid expenses and other current assets	<u>1,587</u>	<u>3,012</u>
Total current assets	714,840	1,051,004
<b>Property and equipment, net</b>	<u>7,684,333</u>	<u>7,876,309</u>
<b>Total assets</b>	<u>\$ 8,399,173</u>	<u>\$ 8,927,313</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	61,415	\$ 47,433
Deferred rental income	4,154	1,109
Loans payable, current maturities, net of amortization of loan fees	<u>63,406</u>	<u>36,418</u>
Total current liabilities	128,975	84,960
<b>Loans payable, net of current maturities and loan fees</b>	405,524	1,177,931
<b>Tenant security deposits</b>	<u>9,400</u>	<u>10,700</u>
<b>Total liabilities</b>	543,899	1,273,591
<b>Net assets</b>		
Without donor restrictions	7,692,292	7,572,191
With donor restrictions	<u>162,982</u>	<u>81,531</u>
Total net assets	<u>7,855,274</u>	<u>7,653,722</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,399,173</u>	<u>\$ 8,927,313</u>

*The accompanying notes are an integral part of this statement.  
See accompanying Independent Accountants' Review Report.*

**Sweetwater Spectrum, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenue and support</b>		
Contributions	\$ 520,178	\$ 346,746
Grants	70,926	-
Special events	1,745	331,802
Rental income, net of discounts	577,350	586,200
Farm income	11,916	59,352
Other income	6,140	1,510
Net assets released from restrictions	<u>18,549</u>	<u>4,934</u>
 Total revenue and support without donor restrictions	 1,206,804	 1,330,544
<b>Expenses</b>		
Program services	900,638	932,838
Management and general	96,491	94,326
Fundraising	<u>89,574</u>	<u>141,551</u>
 Total expenses	 <u>1,086,703</u>	 <u>1,168,715</u>
 <b>Increase in net assets without donor restrictions</b>	  120,101	  161,829
<b>Changes in net assets with donor restrictions</b>		
Contributions and grants	100,000	4,150
Net assets released from restrictions	<u>(18,549)</u>	<u>(4,934)</u>
 <b>Increase (decrease) in net assets with donor restrictions</b>	  <u>81,451</u>	  <u>(784)</u>
 <b>Increase in net assets</b>	  201,552	  161,045
 <b>Net assets, beginning of year</b>	  <u>7,653,722</u>	  <u>7,492,677</u>
 <b>Net assets, end of year</b>	  <u>\$ 7,855,274</u>	  <u>\$ 7,653,722</u>

*The accompanying notes are an integral part of this statement.  
See accompanying Independent Accountants' Review Report.*

**Sweetwater Spectrum, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 213,908	\$ 35,000	\$ 53,435	\$ 302,343
Payroll tax	17,498	2,754	4,254	24,506
Total personnel	<u>231,406</u>	<u>37,754</u>	<u>57,689</u>	<u>326,849</u>
Partner organization staff incentives	94,101	-	-	94,101
Outside services	85,490	183	1,200	86,873
Utilities	53,665	-	-	53,665
Insurance	37,901	4,369	4,930	47,200
Repairs and maintenance	45,040	-	-	45,040
Professional fees	8,264	16,880	6,877	32,021
Interest expense	26,643	2,005	-	28,648
Miscellaneous	15,626	4,981	60	20,667
Materials and supplies	11,439	1,150	5,444	18,033
Telephone and internet	8,644	870	1,423	10,937
Farm	10,216	-	-	10,216
Meals, food and catering	3,721	5,016	410	9,147
Advertising and marketing	-	-	5,675	5,675
Merchant and bank fees	-	1,243	2,893	4,136
Property taxes	-	1,536	-	1,536
Rental expense	-	-	1,300	1,300
Printing and copying	750	123	338	1,211
Professional development	240	-	548	788
Postage	-	203	584	787
Travel and entertainment	161	56	203	420
	<u>401,901</u>	<u>38,615</u>	<u>31,885</u>	<u>472,401</u>
Depreciation	262,067	19,726	-	281,793
Amortization	5,264	396	-	5,660
Total expenses	<u>\$ 900,638</u>	<u>\$ 96,491</u>	<u>\$ 89,574</u>	<u>\$ 1,086,703</u>

*The accompanying notes are an integral part of this statement.  
See accompanying Independent Accountants' Review Report.*

**Sweetwater Spectrum, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 223,429	\$ 36,182	\$ 62,880	\$ 322,491
Payroll tax	18,536	2,762	4,830	26,128
Total personnel	<u>241,965</u>	<u>38,944</u>	<u>67,710</u>	<u>348,619</u>
Partner organization staff incentives	89,831	-	-	89,831
Outside services	61,659	88	5,150	66,897
Insurance	49,254	4,673	8,072	61,999
Utilities	51,829	-	-	51,829
Repairs and maintenance	46,273	-	-	46,273
Interest expense	41,328	2,728	-	44,056
Meals, food and catering	18,735	3,736	19,992	42,463
Professional fees	11,857	16,595	6,371	34,823
Farm	28,952	-	-	28,952
Materials and supplies	13,800	1,335	9,494	24,629
Miscellaneous	8,740	4,147	1,686	14,573
Rental expense	3,840	-	7,148	10,988
Telephone and internet	6,164	555	885	7,604
Advertising and marketing	-	-	5,375	5,375
Merchant and bank fees	-	152	5,196	5,348
Printing and copying	1,835	116	938	2,889
Travel and entertainment	-	85	1,745	1,830
Property taxes	-	1,286	-	1,286
Professional development	-	-	1,270	1,270
Postage	-	176	519	695
	<u>434,097</u>	<u>35,672</u>	<u>73,841</u>	<u>543,610</u>
Depreciation	256,362	19,296	-	275,658
Amortization	414	414	-	828
Total expenses	<u>\$ 932,838</u>	<u>\$ 94,326</u>	<u>\$ 141,551</u>	<u>\$ 1,168,715</u>

*The accompanying notes are an integral part of this statement.  
See accompanying Independent Accountants' Review Report.*

# Sweetwater Spectrum

## Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
	<i>Increase (decrease) in cash</i>	
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 201,552	\$ 161,045
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	287,453	276,072
Use of contributed assets	60	1,686
Decrease (increase) in operating assets		
Accounts receivable	27,479	(23,709)
Prepaid expenses	1,365	16,378
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	13,982	15,447
Deferred rental income	3,045	(53,602)
Deferred grant revenue	-	(35,000)
Tenant security deposits	(1,300)	-
<b>Net cash provided by operating activities</b>	<u>533,636</u>	<u>358,317</u>
<b>Cash flows from investing activities</b>		
Purchase of marketable securities	(196,111)	-
Purchase of property and equipment	(89,817)	-
<b>Net cash used in investing activities</b>	<u>(285,928)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Repayments of long-term debt principal balance	(751,079)	(35,562)
<b>Net cash used in financing activities</b>	<u>(751,079)</u>	<u>(35,562)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(503,371)	322,755
<b>Cash and cash equivalents balance</b>		
At beginning of year	1,019,610	696,855
At end of year	<u>\$ 516,239</u>	<u>\$ 1,019,610</u>
Unrestricted cash and cash equivalents	\$ 353,257	\$ 938,079
Restricted cash and cash equivalents	162,982	81,531
<b>Total cash and cash equivalents</b>	<u>\$ 516,239</u>	<u>\$ 1,019,610</u>
<b>Supplemental cash flows information</b>		
Cash paid for interest	\$ 28,648	\$ 46,273

*The accompanying notes are an integral part of this statement.*

*See accompanying Independent Accountants' Review Report.*



# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 1. 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, or other intellectual / developmental disabilities, 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.

### Note 2. Significant Accounting Policies

#### 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

#### 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, 2020, the Corporation had \$128,000 on deposit in excess of FDIC or SIPC insurance limits.

#### Restricted Cash

Restricted cash represents cash balances restricted by donors. As of June 30, 2020 and 2019, the Corporation had \$162,982 and \$81,531, respectively, included in its bank accounts that were considered restricted by donor stipulations.

# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 2. Significant Accounting Policies, *continued*

#### Investments

Investments, which include equity securities, government securities and corporate bonds are carried at fair value. Unrealized gains and losses are included in the statement of activities and changes in net assets.

#### Fair Value Measurements

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment. As of June 30, 2020, all of the investments maintained by the Corporation were Level 1 investments. The Corporation did not have any investments at June 30, 2019.

#### Accounts Receivable

It is the practice of the Corporation to expense uncollectible accounts 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.

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 2. Significant Accounting Policies, *continued*

#### Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as June 30, 2020, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the balance sheet date.

Cash	\$ 516,239
Accounts Receivable	903
Investments	<u>196,111</u>
Total financial assets at year end	713,253
Less those unavailable for general expenditures within one year, due to:	
Purpose-restricted funds	<u>(162,982)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 550,271</u>

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Based on the overall risk and return objectives of Sweetwater Spectrum, Inc., the Corporation has determined that investments should be managed with an overall asset allocation of 60% in equity and 40% in fixed income securities, using low cost index funds and index exchange funds.

#### Property 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 5 to 30 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.

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## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 2. Significant Accounting Policies, *continued*

#### Revenue Recognition

Contributions are recognized as support when received or unconditionally promised. Contributions are recorded as unrestricted or restricted support depending on the existence of any donor-imposed restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Lease agreements with tenants are renewed on an annual basis. Rental income is recognized when earned. Tenants' rental prepayments are recorded as deferred rental income until the rental income is earned. Rental income is reported net of discounts on community fees. The discounts are offered for the purposes of making the housing more accessible to families of limited economic means. Discounts awarded are based on a sliding scale of need, and once awarded, are periodically reviewed and can be adjusted.

#### Donated Assets and Services

Donated long-lived 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.

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 established by the Financial Accounting Standards Board (FASB) for recognition.

#### 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 expenses were \$5,675 and \$5,375 for the years ended June 30, 2020 and 2019, respectively.

# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 2. Significant Accounting Policies, *continued*

#### Income Taxes

Sweetwater Spectrum, Inc. is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2020, the Corporation had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

The Corporation determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2020, the Corporation has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Corporation's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

#### 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 based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the collectability of accounts receivables, and depreciable lives of buildings and equipment. Actual results could differ from those estimates.

#### Adopted Accounting Pronouncement

In December 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, Revenue from Contracts with Customers (Topic 606): *Identifying Performance Obligations and Licensing*, which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The ASU was adopted as of July 1, 2019. There was no material impact on the Corporation's previously reported changes in net assets or net assets balances upon adoption of the new standard.

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

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

#### Accounting Pronouncements Adopted, *continued*

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance about whether a transfer of assets, or a reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Corporation follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. There was no material impact on the Corporation's previously reported changes in net assets or net assets balances upon adoption of the new standard.

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Corporation is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

### Note 3. Investments

Investments stated at fair value as of June 30, 2020 include the following. There were no investments held by the Corporation at June 30, 2019.

	<u>Cost</u>	<u>Fair Market Value</u>
Exchange traded funds	\$ 196,180	\$ 196,111
	<u>\$ 196,180</u>	<u>\$ 196,111</u>

Investment income for the year ended June 30, 2020 consisted of the following:

Interest and dividend income	\$ 2,403
Net realized and unrealized loss	<u>(281)</u>
	<u>\$ 2,122</u>

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 4. Land, Buildings and Equipment

In 2009, the Corporation began the 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.

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

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 8,211,668	\$ 8,158,921
Furniture and equipment	91,779	85,912
Vehicles	13,787	13,787
	<u>8,317,234</u>	<u>8,258,620</u>
Accumulated depreciation	<u>(2,119,152)</u>	<u>(1,837,359)</u>
Net depreciable assets	6,188,082	6,421,261
Land	1,455,048	1,455,048
Construction in progress	<u>31,203</u>	<u>-</u>
	<u>\$ 7,684,333</u>	<u>\$ 7,876,309</u>

Depreciation expense totaled \$281,793 and \$275,658 for the years ended June 30, 2020 and 2019, respectively.

### Note 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent the following as of June 30:

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 23,665	\$ 27,408
Accrued payroll	19,248	10,317
Accrued vacation	16,896	8,956
FSA deduction	<u>1,606</u>	<u>752</u>
	<u>\$ 61,415</u>	<u>\$ 47,433</u>

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 6. Loans Payable

On May 1, 2013, the bank accepted the construction/improvements and converted a construction loan to a commercial real estate loan, secured by the deed of trust, fixture filings, assignment of rents and security agreement.

On September 20, 2016, the loan was refinanced with a commercial bank. As a part of the refinancing process, the old loan was paid off and the loan origination fees associated with the old loan were written off. The new loan bears interest at 3.47% per annum, maturing on September 10, 2041. The loan requires monthly principal and interest payments of \$6,608. The loan is collateralized by the real property.

With the approval of Board members, the Corporation made payments of \$250,000 and \$450,000 against the outstanding loan balance on July 19, 2019 and January 16, 2020, respectively. If the Corporation continues to make the required monthly principal and interest payments, the loan will be paid off by 2027.

The future minimum liabilities for the loan, after giving effect to the above refinancing, are as follows:

	Principal	Loan Origination Fees	Principal, Net of Loan Origination Fees	Interest	Future Minimum Payments
2021	\$ 63,915	\$ (509)	\$ 63,406	\$ 15,381	\$ 78,787
2022	66,168	(509)	65,659	13,128	78,787
2023	68,501	(509)	67,992	10,795	78,787
2024	70,916	(509)	70,407	8,380	78,787
2025	73,416	(509)	72,907	5,879	78,787
Thereafter	129,576	(1,017)	128,559	4,006	132,565
	<u>\$ 472,492</u>	<u>\$ (3,562)</u>	<u>\$ 468,930</u>	<u>\$ 57,569</u>	<u>\$ 526,499</u>

Loan origination fees are amortized using the straight-line method over the term of the loan, which approximates the amortization using the effective interest rate method.

### Note 7. Paycheck Protection Program Loan

In May 2020, the Corporation applied for and received a Paycheck Protection Program (“PPP”) loan through the Small Business Administration in relation to the coronavirus pandemic (See Note 11). The Corporation received \$57,756. If the Corporation meets certain criteria the loan may be fully forgiven. As of June 30, 2020 the Corporation had calculated the approved expenses required by the PPP loan for forgiveness, and are reasonably certain the entire loan amount would be forgiven. As such, the Corporation has reported the \$57,756 of the PPP loan as government grants on the Statement of Activities and Changes in Net Assets.



# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions can be restricted for specific purposes or time period. Net assets with donor restrictions are released from restrictions when expenses are incurred or specific events occur. The Corporation had net assets released from program restrictions in the amount of \$18,549 and \$4,934 for the years ended June 30, 2020 and 2019, respectively.

### Note 9. Licensing Agreement with Sweetwater Spectrum South

During the year ended June 30, 2017, the Corporation entered into a Business Material Licensing Agreement and a Fiscal Sponsorship Grant Agreement with an unrelated entity named Sweetwater Spectrum South (collectively the "Agreements"). According to the agreements, Sweetwater Spectrum South will replicate certain features of the Corporation's operating model by using certain licensed materials owned by the Corporation under certain agreed upon terms, including a licensing fees and royalty payment schedule.

In addition, the Corporation agrees to be the fiscal sponsor of Sweetwater Spectrum South (the "Organization") during the period when the Organization applies for its own tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Until the Organization obtains its tax-exempt status, the Corporation will receive contributions on behalf of the Organization. At June 30, 2020 and 2019, donations received on behalf of the Organization totaled \$81,530 was included in net assets with donor restrictions.

### Note 10. Solar Facility Installation and Power Purchase Agreement

In May 2019, the Corporation entered into a solar facility installation and power purchase agreement with an unrelated third party. Under the agreement, the Corporation allows the third party to install a solar facility at its property. In exchange, the Corporation will receive the power generated by the solar facility, which is expected to account for 60% of the Corporation's energy needs. The Agreement calls for quarterly payments for 20 years. The Corporation has the option to purchase the solar facility at fair market value at the end of 6 years through the end of the 20-year term.

Future minimum payments under this agreement are as follows for the years ending June 30:

2021	\$	32,026
2022		32,745
2023		33,480
2024		34,230
2025		34,998
Thereafter		<u>629,842</u>
	\$	<u>797,321</u>

# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

### Note 11. Contingency

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Corporation. However, the financial impact and duration cannot be reasonably estimated at this time.

### Note 12. Subsequent Events

Subsequent to year-end in August and September 2020, the Corporation received 3 contributions in the amount of \$600,000 each, for its ongoing capital campaign to construct the 5th building in the complex.

The Corporation evaluated subsequent events from July 1, 2020 through October 28, 2020, the date which the financial statements were available to be issued, and determined that other than the contributions received subsequent to year-end as discussed above, there are no material subsequent events that required recognition or additional disclosure in these financial statements.