

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

**For the Years Ended**  
**June 30, 2021 and 2020**  
**Together with Independent Accountants' Review Report**

# Sweetwater Spectrum, Inc.

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## Table of contents

	<u>Page</u>
Independent Accountants' Review Report	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to the Financial Statements	7

## ***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 statements of financial position as of June 30, 2021 and 2020, 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.

We are required to be independent of Sweetwater Spectrum, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### ***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  
January 11, 2022

# Sweetwater Spectrum, Inc.

## Statements of Financial Position As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 406,721	\$ 353,257
Restricted cash	1,927,044	162,982
Accounts receivable	-	903
Investments	317,226	196,111
Prepaid expenses and other current assets	<u>900</u>	<u>1,587</u>
Total current assets	2,651,891	714,840
<b>Property and equipment, net</b>	<u>7,618,984</u>	<u>7,684,333</u>
<b>Total assets</b>	<u>\$ 10,270,875</u>	<u>\$ 8,399,173</u>
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 102,731	\$ 61,415
Deferred rental income	7,294	4,154
Loans payable, current maturities, net of amortization of loan fees	<u>65,659</u>	<u>63,406</u>
Total current liabilities	175,684	128,975
<b>Loans payable, net of current maturities and loan fees</b>	340,091	405,524
<b>Tenant security deposits</b>	<u>10,400</u>	<u>9,400</u>
<b>Total liabilities</b>	526,175	543,899
<b>Net assets</b>		
Without donor restrictions	7,817,656	7,692,292
With donor restrictions	<u>1,927,044</u>	<u>162,982</u>
Total net assets	<u>9,744,700</u>	<u>7,855,274</u>
<b>Total liabilities and net assets</b>	<u>\$ 10,270,875</u>	<u>\$ 8,399,173</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenue and support</b>		
Contributions	\$ 512,365	\$ 520,178
Rental income, net of discounts	585,800	577,350
Grants	59,247	70,926
Investment income	59,428	2,122
Farm income	13,720	11,916
Special events	-	1,745
Other income	-	4,018
Net assets released from restrictions	<u>65,920</u>	<u>18,549</u>
 Total revenue and support without donor restrictions	 1,296,480	 1,206,804
<b>Expenses</b>		
Program services	966,304	900,638
Management and general	113,399	96,491
Fundraising	<u>91,413</u>	<u>89,574</u>
 Total expenses	 <u>1,171,116</u>	 <u>1,086,703</u>
 <b>Increase in net assets without donor restrictions</b>	 125,364	 120,101
<b>Changes in net assets with donor restrictions</b>		
Contributions and grants	1,829,982	100,000
Net assets released from restrictions	<u>(65,920)</u>	<u>(18,549)</u>
 <b>Increase in net assets with donor restrictions</b>	 <u>1,764,062</u>	 <u>81,451</u>
 <b>Increase in net assets</b>	 1,889,426	 201,552
 <b>Net assets, beginning of year</b>	 <u>7,855,274</u>	 <u>7,653,722</u>
 <b>Net assets, end of year</b>	 <u>\$ 9,744,700</u>	 <u>\$ 7,855,274</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, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 245,293	\$ 41,332	\$ 56,311	\$ 342,936
Payroll tax	19,366	3,159	4,371	26,896
Total personnel	<u>264,659</u>	<u>44,491</u>	<u>60,682</u>	<u>369,832</u>
Partner organization staff incentives	93,884	-	-	93,884
Outside services	79,950	381	-	80,331
Utilities	69,177	-	-	69,177
Professional fees	32,446	31,903	4,751	69,100
Insurance	47,203	4,408	5,878	57,489
Repairs and maintenance	41,439	-	-	41,439
Materials and supplies	14,219	3,509	8,088	25,816
Interest expense	14,908	1,122	-	16,030
Telephone and internet	10,329	960	1,280	12,569
Farm	12,213	-	-	12,213
Meals, food and catering	4,717	2,190	264	7,171
Advertising and marketing	-	-	5,444	5,444
Merchant and bank fees	-	1,967	3,451	5,418
Property taxes	-	1,596	-	1,596
Travel and entertainment	-	543	94	637
Postage	-	68	565	633
Professional development	-	-	479	479
Printing and copying	-	-	437	437
Miscellaneous	14,453	186	-	14,639
	<u>434,938</u>	<u>48,833</u>	<u>30,731</u>	<u>514,502</u>
Depreciation	266,234	20,040	-	286,274
Amortization	473	35	-	508
Total expenses	<u>\$ 966,304</u>	<u>\$ 113,399</u>	<u>\$ 91,413</u>	<u>\$ 1,171,116</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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
Professional fees	8,264	16,880	6,877	32,021
Insurance	37,901	4,369	4,930	47,200
Repairs and maintenance	45,040	-	-	45,040
Materials and supplies	11,439	1,150	5,444	18,033
Interest expense	26,643	2,005	-	28,648
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
Travel and entertainment	161	56	203	420
Postage	-	203	584	787
Professional development	240	-	548	788
Printing and copying	750	123	338	1,211
Rental expense	-	-	1,300	1,300
Miscellaneous	15,626	4,981	60	20,667
	<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

## Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<i>Increase (decrease) in cash</i>	
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 1,889,426	\$ 201,552
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	286,782	287,453
Use of contributed assets	-	60
Decrease in operating assets		
Accounts receivable	903	27,479
Prepaid expenses	687	1,365
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	41,316	13,982
Deferred rental income	3,140	3,045
Tenant security deposits	1,000	(1,300)
<b>Net cash provided by operating activities</b>	<u>2,223,254</u>	<u>533,636</u>
<b>Cash flows from investing activities</b>		
Purchase of marketable securities	(121,115)	(196,111)
Purchase of property and equipment	<u>(220,925)</u>	<u>(89,817)</u>
<b>Net cash used in investing activities</b>	<u>(342,040)</u>	<u>(285,928)</u>
<b>Cash flows from financing activities</b>		
Repayments of long-term debt principal balance	<u>(63,688)</u>	<u>(751,079)</u>
<b>Net cash used in financing activities</b>	<u>(63,688)</u>	<u>(751,079)</u>
<b>Net increase (decrease) in cash and cash equivalent</b>	1,817,526	(503,371)
<b>Cash and cash equivalents balance</b>		
At beginning of year	516,239	1,019,610
At end of year	<u>\$ 2,333,765</u>	<u>\$ 516,239</u>
Unrestricted cash and cash equivalents	\$ 406,721	\$ 353,257
Restricted cash and cash equivalents	1,927,044	162,982
<b>Total cash and cash equivalents</b>	<u>\$ 2,333,765</u>	<u>\$ 516,239</u>
<b>Supplemental cash flows information</b>		
Cash paid for interest	\$ 16,030	\$ 28,648

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, 2021 and 2020

### 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 Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Grants are recognized as support when earned in accordance with the terms of each grant or agreement. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are without donor restrictions include revenues generated from all activities other than grants and contributions which are purpose or time restricted. Net assets without donor restrictions are available for all operations conducted by the Corporation, for future use in operations in accordance with a board approved plan of action, and investment in property and equipment.

*Net assets with donor restrictions* - Net assets with restrictions include unconditional contributions and grant revenues with purpose or time restrictions with regards to how the funds can be used. Such restrictions can be temporary or permanent. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Changes in Net Assets as net assets released from restrictions. It is the Corporation's policy that if the donor restrictions are met within the same reporting period, the contributions are reported as increases of net assets without 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.

#### Restricted Cash

Restricted cash represents cash balances restricted by donors. As of June 30, 2021 and 2020, the Corporation had approximately \$1,927,044 and \$162,982, 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, 2021 and 2020

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

#### 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, 2021 and 2020, the Corporation had approximately \$1,993,000 and \$128,000, respectively, on deposit in excess of FDIC or SIPC insurance limits.

#### 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, 2021 and 2020, all of the investments maintained by the Corporation were Level 1 investments.

#### 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.

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## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

#### 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.

#### 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. 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.

# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

#### Donated Assets and Services, *continued*

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 \$5,444 and \$5,675 for the years ended June 30, 2021 and 2020, respectively.

#### 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, 2021, 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, 2021, 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.

# Sweetwater Spectrum, Inc.

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## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

#### Pronouncements Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("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.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets ("ASU 2020-07"), to increase transparency and comparability among organizations by requiring contributed nonfinancial assets to be presented as a separate line item in the statement of activities, and additional disclosures. The adoption of ASU 2020-07 is effective for the Corporation beginning July 1, 2021. The Corporation is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

#### Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported changes in net assets or total net asset balances.

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

### Note 3 Liquidity and Availability of Financial Assets

The following reflects the Corporation's financial assets as of June 30, 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.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,333,765	\$ 516,239
Accounts receivable	-	903
Investments	<u>317,226</u>	<u>196,111</u>
Total financial assets at year-end	2,650,991	713,253
Less those unavailable for general expenditures within one year, due to:		
Funds restricted by donors	<u>(1,927,044)</u>	<u>(162,982)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 723,947</u>	<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.

### Note 4. Investments

Investments stated at fair value as of June 30 include the following:

	<u>2021</u>		<u>2020</u>	
	Cost	Fair Market Value	Cost	Fair Market Value
Exchange traded funds	<u>\$ 263,811</u>	<u>\$ 317,226</u>	<u>\$ 196,180</u>	<u>\$ 196,111</u>
	<u>\$ 263,811</u>	<u>\$ 317,226</u>	<u>\$ 196,180</u>	<u>\$ 196,111</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 5,892	\$ 2,403
Net realized and unrealized gain (loss)	<u>53,536</u>	<u>(281)</u>
	<u>\$ 59,428</u>	<u>\$ 2,122</u>

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

### Note 5. 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>2021</u>	<u>2020</u>
Buildings and improvements	\$ 8,307,075	\$ 8,211,668
Furniture and equipment	111,779	91,779
Vehicles	13,787	13,787
	<u>8,432,641</u>	<u>8,317,234</u>
Accumulated depreciation	<u>(2,405,426)</u>	<u>(2,119,152)</u>
Net depreciable assets	6,027,215	6,188,082
Land	1,455,048	1,455,048
Construction in progress	<u>136,721</u>	<u>31,203</u>
	<u>\$ 7,618,984</u>	<u>\$ 7,684,333</u>

Depreciation expense totaled \$286,274 and \$281,793 for the years ended June 30, 2021 and 2020, respectively.

### Note 6. Accounts Payable and Accrued Expenses

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

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 68,214	\$ 23,665
Accrued payroll	13,427	20,854
Accrued vacation	<u>21,090</u>	<u>16,896</u>
	<u>\$ 102,731</u>	<u>\$ 61,415</u>

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

### For the Years Ended June 30, 2021 and 2020

#### Note 7. Loan Payable

The Corporation has a loan payable with a commercial bank. The 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, 2020 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 are as follows:

	<u>Principal</u>	<u>Loan Origination Fees</u>	<u>Principal, Net of Loan Origination Fees</u>	<u>Interest</u>	<u>Future Minimum Payments</u>
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	5,880	78,787
2026	76,005	(509)	75,496	3,291	78,787
Thereafter	53,796	(507)	53,289	714	54,003
	<u>\$ 408,802</u>	<u>\$ (3,052)</u>	<u>\$ 405,750</u>	<u>\$ 42,188</u>	<u>\$ 447,938</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.

Subsequent to year-end in July 2021, the Corporation paid an additional \$50,000 on the principal of the outstanding loan.

#### Note 8. Paycheck Protection Program Loan

In May 2020, the Corporation applied for and received a Paycheck Protection Program ("PPP") loan in the amount of \$57,576 through the Small Business Administration in relation to the coronavirus pandemic (see Note 12). The Corporation met the criteria for the loan to be fully forgiven and had the loan forgiven in April 2021. The loan forgiveness was reported as a government grant on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2020.

In February 2021, the Corporation applied for and received a second PPP loan in the amount of \$59,247. If the Corporation meets certain criteria the loan may be fully forgiven. As of June 30, 2021 the Corporation had calculated the approved expenses required by the second PPP loan for forgiveness, and are reasonably certain the entire loan amount would be forgiven. As such, the amount of the second PPP loan was reported as a government grant on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021. Subsequent to year-end in December 2021, the loan was fully forgiven.

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

### For the Years Ended June 30, 2021 and 2020

#### Note 9. 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 \$65,920 and \$18,549 for the years ended June 30, 2021 and 2020, respectively.

The Corporation has plans to construct an additional residential building on its campus, which when completed would expand capacity from 16 residents to 20. Restricted donations specific to this capital campaign totaling \$1,778,980 were received during year ended June 30, 2021. Construction is projected to commence in calendar year 2022.

Net assets with donor restrictions are available for the following as of June 30:

	<u>2021</u>	<u>2020</u>
New building campaign	\$ 1,778,982	\$ -
Sweetwater South	82,530	81,530
Debt repayment	50,000	-
Replication	12,255	62,506
Farm use	<u>3,277</u>	<u>18,946</u>
Total net assets with donor restrictions	<u>\$ 1,927,044</u>	<u>\$ 162,982</u>

#### Note 10. 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, 2021 and 2020, donations received on behalf of the Organization totaled \$82,530 and \$81,530, respectively, and were included in net assets with donor restrictions.

# Sweetwater Spectrum, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

### Note 11. Solar Facility Installation and Power Purchase Agreements

In August 2012 and May 2019, the Corporation entered into two solar facility installation and power purchase agreements with an unrelated third party. Under the agreements, the Corporation allows the third party to install solar facilities on its property. In exchange, the Corporation will receive the power generated by the solar facilities, which are expected to account for over 95% of the Corporation's energy needs. The Agreements call for quarterly payments for 20 years starting from 2013 and 2020, respectively. The Corporation has the option to purchase the solar facilities at fair market value at the end of 6 years through the end of the 20-year term.

Future minimum payments under these agreements are as follows for the years ending June 30:

2022	\$	43,617
2023		44,514
2024		45,428
2025		46,363
2026		47,317
Thereafter		<u>666,963</u>
	\$	<u>894,202</u>

### Note 12. 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.

Although not directly impacted through June 30, 2021, operations and business results of the Corporation could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, the Corporation has implemented safety measures to protect employees and will continue to review them as needed.

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 13. Subsequent Events

The Corporation evaluated subsequent events from July 1, 2021 through January 11, 2022, the date which the financial statements were available to be issued, and determined that other than the pay down of loan payable as discussed in Note 6 and the PPP loan forgiveness as discussed in Note 8, there are no material subsequent events that required recognition or additional disclosure in these financial statements.