

BAY AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012**

**IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013 WITH SUMMARIZED
COMPARATIVE TOTALS FOR 2012**

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Bay Area Community Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated statement of cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 on the effectiveness of the Organization'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

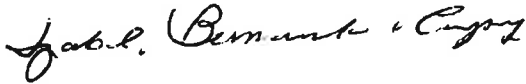
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Community Services, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Bay Area Community Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Area Community Services, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Bay Area Community Services, Inc.'s 2012 consolidated financial statements, and our report dated November 2, 2012, expressed an unqualified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.



San Francisco, California
December 19, 2013

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

Assets:	<u>2013</u>	<u>2012</u>
Cash and cash equivalents (Note 2)	\$ 1,727,785	\$ 800,890
Accounts receivable	218,557	92,800
Support receivable - contracts	879,499	1,617,356
Pledges	-	30,000
Prepaid and deposits	90,599	91,980
Property and equipment (Note 3 and 13)	4,031,161	3,745,113
Contributed real estate	27,200	27,200
Total Assets	\$ <u>6,974,801</u>	\$ <u>6,405,339</u>
Liabilities and Net Assets:		
Accounts payable	\$ 811,674	\$ 865,130
Accrued liabilities	949,599	987,774
Client deposits	29,471	29,300
Unearned support	117,460	-
Short and long term debt	1,511,471	1,628,875
Total Liabilities	<u>3,419,675</u>	<u>3,511,079</u>
Net Assets		
Unrestricted	3,477,372	2,778,321
Temporarily restricted	77,754	115,939
Total Net Assets	<u>3,555,126</u>	<u>2,894,260</u>
Total Liabilities and Net Assets	\$ <u>6,974,801</u>	\$ <u>6,405,339</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
PUBLIC SUPPORT AND OTHER REVENUE				
Public Support:				
Contributions	\$ 116,875	\$ 54,394	\$ 171,269	\$ 154,600
Foundations	48,058	223,600	271,658	322,695
United Way	-	209	209	-
Government contracts	7,184,243	-	7,184,243	7,842,874
Total public support	<u>7,349,176</u>	<u>278,203</u>	<u>7,627,379</u>	<u>8,320,169</u>
Other Revenue:				
Program service fee	1,110,322	-	1,110,322	962,075
Investment/interest income	6,266	-	6,266	638
Miscellaneous	192,961	-	192,961	29,300
Forgiveness of HCD loan	84,744	-	84,744	-
In-kind contributions	120,804	-	120,804	187,200
Total other revenue	<u>1,515,097</u>	<u>-</u>	<u>1,515,097</u>	<u>1,179,213</u>
Net assets released from restriction (Note 8)	<u>316,388</u>	<u>(316,388)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>9,180,661</u>	<u>(38,185)</u>	<u>9,142,476</u>	<u>9,499,382</u>
EXPENSES				
Program services	7,536,775	-	7,536,775	8,367,649
Management and general	853,380	-	853,380	859,955
Fund-raising	91,455	-	91,455	43,629
TOTAL EXPENSES	<u>8,481,610</u>	<u>-</u>	<u>8,481,610</u>	<u>9,271,233</u>
CHANGE IN NET ASSETS	<u>699,051</u>	<u>(38,185)</u>	<u>660,866</u>	<u>228,149</u>
NET ASSETS, beginning of year	<u>2,778,321</u>	<u>115,939</u>	<u>2,894,260</u>	<u>2,666,111</u>
NET ASSETS, end of year	<u>\$ 3,477,372</u>	<u>\$ 77,754</u>	<u>\$ 3,555,126</u>	<u>\$ 2,894,260</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012

	Program Services				Management and General		2013	2012
	Mental Health	Older Adults	Youth	Total Programs	General	Fund-raising	Total Expenses	Total Expenses
EXPENSES:								
Salaries	\$ 2,193,855	\$ 695,320	\$ 376,618	\$ 3,265,793	\$ 437,946	\$ 56,687	\$ 3,760,426	\$ 3,670,096
Employee benefits	612,285	152,762	18,166	783,213	127,424	14,504	925,141	521,723
Payroll taxes	248,757	79,497	40,438	368,692	43,680	6,560	418,932	485,323
Contracted services	640,134	111,980	164,295	916,409	21,247	3,074	940,730	715,244
Supplies	122,307	30,509	16,144	168,960	6,941	51	175,952	657,588
Telephone	40,122	16,404	4,966	61,492	3,192	507	65,191	98,039
Postage	1,365	5,190	416	6,971	1,641	1,037	9,649	6,287
Occupancy	578,982	53,785	7,171	639,938	38,155	3,000	681,093	1,054,804
Equipment	230,254	15,042	3,667	248,963	68,363	1,448	318,774	555,620
Printing and publications	5,421	8,101	2,640	16,162	299	2,827	19,288	17,118
Transportation	110,029	146,888	17,198	274,115	2,896	172	277,183	612,560
Conferences	28,097	8,106	3,586	39,789	12,447	1,588	53,824	39,291
Client services	395,490	-	-	395,490	-	-	395,490	318,978
Insurance	25,911	3,058	2,814	31,783	7,612	-	39,395	41,999
Interest	-	-	-	0	12,765	-	12,765	12,690
Miscellaneous	12,523	17,844	12,804	43,171	38,534	-	81,705	48,599
In-kind	-	120,804	-	120,804	-	-	120,804	187,200
EXPENSES BEFORE DEPRECIATION	5,245,532	1,465,290	670,923	7,381,745	823,142	91,455	8,296,342	9,043,159
DEPRECIATION OF BUILDINGS AND EQUIPMENT	154,523	507	-	155,030	30,238	-	185,268	228,074
TOTAL EXPENSES	\$ 5,400,055	\$ 1,465,797	\$ 670,923	\$ 7,536,775	\$ 853,380	\$ 91,455	\$ 8,481,610	\$ 9,271,233

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 660,866	\$ 228,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	185,268	228,074
Net loss on sale of assets	-	42,314
Decrease (increase) in:		
Accounts and contracts receivable	612,100	(931,988)
Pledges	30,000	(30,000)
Inventory	-	7,726
Prepaid and deposits	1,381	6,055
Increase (decrease) in:		
Accounts payable	(53,456)	463,386
Accrued liabilities and deposits	(38,004)	(77,124)
Unearned support	117,460	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,515,615</u>	<u>(63,408)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(471,316)</u>	<u>(380,818)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(471,316)</u>	<u>(380,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	<u>(117,404)</u>	<u>(166,844)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(117,404)</u>	<u>(166,844)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	926,895	(611,070)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>800,890</u>	<u>1,411,960</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,727,785</u></u>	<u><u>\$ 800,890</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest and mortgage interest	<u><u>\$ 83,841</u></u>	<u><u>\$ 96,058</u></u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: GENERAL

Bay Area Community Services, Inc. (BACS) is a not-for-profit corporation organized to provide a variety of social services to Alameda County residents, who are either elderly or adults who suffer from severe or persistent mental illness.

BACS is funded principally by contracts from various governmental agencies. It also receives support from foundations, individual donations and client fees.

BACS operates the following programs:

Crisis Residential Program - provides crisis treatment services for adults with severe and persistent mental illness. Funding is provided by Alameda County.

Case Management - provides supportive services such as daily living skills and linkages to numerous community resources to adults with severe and persistent mental illness throughout Alameda County. Funding is provided by Alameda County.

Supported Independent Living Program - provides transitional housing and supportive services to adults with mental illness enabling them to live independently. Funding is provided by grants, rental fees and service fees. This program also includes the activities of East Bay Transitional Homes, Inc. (EBTH), a related legal corporation established by BACS to develop a Housing and Urban Development (HUD) Section 202 housing project.

Wellness Centers - provide a constellation of wellness and recovery programs to adults with severe and persistent mental illness. These programs include Wellness Recovery Action Plans, employment services, case management, psychiatric and community integration. Program activities provide hope for adults with serious mental illness and support empowerment, self-responsibility, and achieving a meaningful role in life. Funding is provided by Alameda County, by the cities of Alameda, Hayward, Fremont, Union City, Dublin, and by contributions from individuals, community organizations and foundations.

North County Senior Homeless Program - provides supportive services such as daily living skills, housing placements, access to health care and linkages to numerous community resources to seniors with severe and persistent mental illness who are homeless or at risk of becoming homeless in North Alameda County. Funding is provided by rental fees and Alameda County.

Senior Nutrition Program The Senior Nutrition Program continues to serve nearly 110,000 hot meals annually to older adults in the Meals on Wheels program and 90,000 meals through congregate meal programs. The program, funded by Alameda County Area Agency on Aging relies heavily on program fees and fund raising to close the gap between the actual costs and the contract awards. ACMOW provides a substantial award each year.

Care Management - provides in-home assessment, arrangement of needed services, and ongoing monitoring for low and moderate income elderly to prevent elder abuse and premature institutionalization. Funding is provided by Alameda County Area Agency on Aging, County of Alameda, foundations and contributions.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: GENERAL (Continued)

Adult Day Care Center - provides specialized group socialization activities to older adults in Oakland, Alameda, Fremont, Union City and Newark. Funding is provided by Alameda County Area Agency on Aging, Alameda County General Fund, California Department of Education Nutrition Services, and ADSNAC, cities of Fremont and Union City, Regional Center of the East Bay, Veterans Administration, service fees and donations.

Lavender Seniors -Provides advocacy, direct services, and supports to frail LGBT Seniors who are isolated and in need of a friendly visitor and other natural supports so they stay in their homes and out of institutions. Funding provided by County of Alameda Area Agency on Aging, City of Fremont, and donations.

Friendly Visitor Program - Provides advocacy, direct services, and supports to frail seniors who are isolated and in need of a friendly visitor and other natural supports so they stay in their homes and out of institutions. Funding provided by City of Hayward.

Youth Development Services -Provide individualized placement and support services as well as prevention services for disenfranchised youth and young adults through programs such as prevention and early intervention, employment and other supports. The programs seek to improve education, employment, and wellness outcomes for youth and families in the East Bay through integrated culturally appropriate programs. Funding provided by County of Alameda, Oakland Privacy Industry Council, LaClinica De La Raza and donations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes on net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grant and Contract Revenue Recognition

The majority of BACS revenue is derived from cost reimbursement contracts. Advances received on these contracts are recorded as deferred revenue and recognized as revenue as allowable costs are incurred. Revenue from fee for service contracts is recognized when services are provided.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of the donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by the fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

In-Kind Support

BACS records various types of in-kind support. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in expenses or property and equipment.

Additionally, BACS receives some contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying consolidated financial statements (Note 7).

Pledges Receivable

Promises to give are considered fully collectible within one year.

Allowance for Bad Debts

Although BACS is on the allowance method, management has determined that an allowance for bad debts is not required currently.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is valued at the lower of cost or market, with cost determined on the first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition. Donated assets are recognized at market value at the time of donation. Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives of fifteen to forty years and three to five years, respectively.

**BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases meeting certain criteria are considered to be capital leases and the related asset and lease obligations are recorded at their present value in the financial statements. Other leases not meeting such criteria are considered to be operating leases and the related rentals are charged to expense as incurred.

Income Tax Status

BACS has received notice of exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 2370(d) of the California Revenue and Taxation Code. Management believes BACS has no uncertain tax positions as of June 30, 2012.

Principles of Consolidation

The consolidated financial statements include the accounts of Bay Area Community Services, Inc., and East Bay Transitional Homes, Inc. All significant interrelated items and transactions have been eliminated in the consolidation.

Overhead Allocation of Indirect Expenses

BACS makes an overhead allocation of indirect expenses which are included in management and general expenses to various program services based on direct expenses for each program. Indirect rates for the years ended June 2013, and 2012, were 10.50% and 10.80% respectively.

Comparative Financial Information

The financial statements include certain summarized comparative information from the prior year. This information is not presented by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. This information should be read in conjunction with the BACS'S financial statements for the year ended June 30, 2012 from which the comparative information was extracted.

NOTE 3: PROPERTY AND EQUIPMENT

The property fund includes all property and equipment owned by BACS. Property, equipment and accumulated depreciation consist of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2013 Net</u>	<u>2012 Net</u>
Land	\$ 1,332,028	\$ -	\$ 1,332,028	\$ 1,332,028
Buildings	3,515,601	2,040,552	1,475,049	1,582,439
Improvements	1,915,629	730,590	1,185,038	756,957
Equip & Furniture	286,612	247,566	39,046	73,689
Total	\$ <u>7,049,870</u>	\$ <u>3,018,708</u>	\$ <u>4,031,161</u>	\$ <u>3,745,113</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$185,268 and \$228,074 respectively.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4: CONTRIBUTED REAL ESTATE

On March 10, 1994, BACS received an 8% interest in a residence located in Kensington, California. The University of California received a 92% interest and the donors retained a life interest in the property. At the time of the death of the donors, the house is to be sold and the 8% interest in the sales proceeds is restricted to use for the Towne House Creative Living Center.

NOTE 5: SHORT AND LONG-TERM DEBT

Notes Payable and long-term debt at June 30, 2013, consisted of the following:

Mortgages Payable:

Bank Loan, due 05/31/16, at an interest rate of 7.44% due monthly in installments of \$3,941.28, secured by the Townhouse CLC property.	\$ 511,837
Loan from the City of Hayward, at an interest rate of 0%, secured by Atherton property with no payments and balance due at sale.	29,565
Loan from the City of Hayward, accrue annual interest at rate of 5%, secured by Atherton property with balance due at sale.	41,138
Loan from City of Pleasanton Housing and Community Development, at an interest rate of 0%, secured by the Railroad Avenue/Pleasanton property, with no payments in this fiscal year. Due Date 05/01/07.	27,893
Loan from State of California Housing and Community Development /SUHRP, at an interest rate of 3%, secured by Railroad Avenue/Pleasanton properties, with \$1,074 in annual interest payments accrued. Due Date 06/30/21.	35,800
Loan from State of California Housing and Community Development, at an interest rate of 3%, secured by the Kennedy Ave, Livermore properties, with \$6,300 in annual interest payments accrued. Due Date 06/30/41.	210,000
Loan from U.S. Department of Housing and Urban Development, at an interest rate of 9.25%, secured by the Humphrey Lane-79 th Avenue property, with monthly Principal and interest payments of \$3,935. Due Date 05/01/25.	340,238
Loan from the City of Oakland, at an interest rate of 3%, secured by the Humphrey Lane – 79 th Avenue property, with \$1,500 in interest-only payments this fiscal year. Due date 12/31/27.	50,000
Total Mortgages	<u>\$ 1,246,471</u>

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5: SHORT AND LONG-TERM DEBT (Continued)

Notes Payable:

West America – Note Payable with an annual percentage rate of 4.75%.
Maturity 09/21/2017. 240,000

City of San Leandro Note Payable – Capital Improvement Loan Woodroe.
Maturity Date 04/21/2028. Total loan \$25,000. Loan balance retired over 20 years
at 5% annually on anniversary date of loan. 25,000

Total Notes Payable \$ 265,000

BACS has various notes outstanding, most of which are collateralized by real property. During the year of 2013 and 2012, interest expense on these notes was \$83,841 and \$96,058 respectively. The notes bear interest at rates between 3% and 9.25% and mature through 2041 as follows:

<u>Year Ending June 30:</u>	<u>2013</u>	<u>2012</u>
2013	0	272,630
2014	25,412	33,805
2015	27,699	35,326
2016	30,193	37,057
2017	272,963	39,274
2018	35,898	0
Thereafter	1,119,306	1,210,783
	<u>1,511,471</u>	<u>1,628,875</u>
Less: Current Portion	(25,412)	(272,630)
Long-term Portion	<u>\$ 1,486,059</u>	<u>\$ 1,356,245</u>

NOTE 6: LEASE COMMITMENTS

Operating Leases

BACS is the lessee of certain non-cancelable real properties and equipment.

Minimum annual rentals for such leases are as follows:

<u>Year Ending June 30:</u>	
2014	\$ 425,326
2015	411,147
2016	291,819
2017	116,153
Total	<u>\$ 1,244,445</u>

Rent expense for the years ended June 30, 2013 and 2012 was \$487,130 and \$551,309 respectively for non-cancelable operating leases.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7: IN-KIND CONTRIBUTIONS

Senior Nutrition and Adult Day Care received use of space for meal sites and parking with a rental value of \$120,804 and \$187,200 for 2013 and 2012, respectively.

Other services, not recognized in the financial statements, were received by BACS that had an estimated value of \$274,955 and \$249,577 in 2013 and 2012, respectively.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions temporarily restricted to the following uses or activities:

	2013	2012
OAP Programs	\$ 16,104	\$ 50,307
Towne House Wellness Center	3,648	0
ADC – Fremont	0	15,485
VALLEY Wellness Center	12,578	6,748
Nutrition	45,424	43,399
Total	\$ 77,754	\$ 115,939

Net assets of \$316,388 and \$313,615 were released from donor restrictions during the year of 2013 and 2012, respectively by incurring expenses satisfying the restricted purposes as follows:

	2013	2012
East Bay Community Services	\$ 3,609	\$ 0
Towne House Wellness	7,755	21,395
Supported Independent Living	377	1,450
Senior Nutrition	134,683	219,206
Adult Day Care – Oakland	865	4,550
Adult Day Care – Fremont	15,485	0
Lavender Seniors	58,336	10,527
OAP Programs	95,278	56,487
Total	\$ 316,388	\$ 313,615

NOTE 9: CONTINGENT LIABILITIES

BACS grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly, the Agency has no provision for the possible disallowance of program costs on their consolidated financial statements.

**BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10: COMPLIANCE WITH ALAMEDA COUNTY CONTRACTUAL TERMS

At June 30, 2013 and 2012, BACS is in compliance with conditions and terms of its Mental Health contract with Alameda County except as follows:

<u>Resolution Number</u>	<u>Organization Number</u>	<u>Program</u>	<u>Compliance Deviation</u>
E94-0003	911	Mental Health	Woodroe Place is now accessible to handicapped individuals

Note: The construction project at Woodroe Place was substantially completed June 2013 and allowed access for handicapped individuals.

**NOTE 11: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS
IN EXCESS OF INSURED LIMITS**

BACS maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013 and 2012, BACS uninsured cash balances before reconciling items total \$863,800 and \$158,723 respectively.

NOTE 12: CONCENTRATION OF CONTRACT REVENUE

BACS receives approximately 90% of its government contracts revenue from County of Alameda from ten contracts.

NOTE 13: RESTRICTED ASSETS

BACS holds title to real property located at 40963 Grimmer Blvd., Fremont which is subject to Declaration of Title Restrictions executed between the City of Fremont and Bay Area Community Services (BACS) and recorded July 25, 2000 in Alameda County records. At June 30, 2013, the real property had a net book value of \$1,425,386.

NOTE 14: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through December 19, 2013, the date the consolidated financial statements were available to be issued.

IZABAL, BERNACIAK & COMPANY
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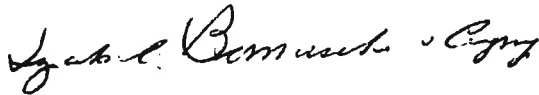
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**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

Our report on our audit of the consolidated financial statements of Bay Area Community Services, Inc. for the year ended June 30, 2013 appears on page one. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



San Francisco, California
December 19, 2013

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY RESOLUTION NUMBER FOR ALAMEDA COUNTY
FOR THE YEAR ENDED JUNE 30, 2013

	Mental Health Services	Senior Nutrition	Adult Day Care Fremont	Adult Day Care Oakland	Care Management 28213/2	Total
	28262/32	28213-2	28213/2	28213/2	28213/2	
	28361/78A-1	28799-24	28799/24	28799/24	28799/24	
	28771/37 A-C					
SUPPORT AND REVENUE						
Foundation	\$ -	\$ 112,800	\$ -	\$ -	\$ -	\$ 112,800
Federal	-	-	20,640	-	-	20,640
State of California	-	-	11,421	16,179	-	27,600
County of Alameda	5,471,106	227,926	23,949	63,905	130,260	5,917,146
City of Alameda	25,961	-	-	-	-	25,961
City of Fremont	23,415	-	29,246	-	-	52,661
City of Hayward	14,110	-	-	-	-	14,110
City of Dublin	10,000	-	-	-	-	10,000
City of Union City	5,000	-	9,000	-	-	14,000
City of Oakland	-	32,800	-	-	-	32,800
Client/Program participation	57,208	89,957	182,987	222,555	-	552,707
Other (including Intra-agency transactions)	57,356	2,166	37,070	9,754	9,309	115,655
In-kind revenue	-	258,305	9,631	91,503	-	359,439
Total Support and Revenue	5,664,156	723,954	323,944	403,896	139,569	7,255,519
EXPENSES						
Salaries	2,142,897	239,851	148,486	141,670	79,051	2,751,955
Employee benefits	854,350	63,404	60,975	67,998	23,659	1,070,386
Contracted services	624,025	19,641	21,710	27,748	306	693,430
Supplies	120,952	7,941	9,745	10,631	592	149,861
Telephone	37,791	4,687	2,204	4,886	2,972	52,540
Postage	1,343	330	327	600	179	2,779
Occupancy	556,383	12,050	20,649	103	12,000	601,185
Equipment	224,199	7,743	2,314	4,006	996	239,258
Printing and publication	5,421	968	791	175	5	7,360
Transportation	110,029	50,425	14,403	20,007	5,779	200,643
Conferences	28,081	2,832	1,831	1,009	234	33,987
Client services	395,490	-	-	-	-	395,490
Insurance	15,138	1,455	449	456	349	17,847
Miscellaneous	10,984	10,075	562	458	185	22,264
In-kind expenses	-	258,305	9,631	91,503	-	359,439
Administrative Overhead	-	-	-	-	-	-
Indirect costs	537,073	44,247	29,867	32,646	13,262	657,095
Total Expenses	5,664,156	723,954	323,944	403,896	139,569	7,255,519
EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY RESOLUTION NUMBER FOR ALAMEDA COUNTY
FISCAL AGENT AND CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2013

	LAVENDER SENIORS 28213-2 28799-24	EAST BAY YOUTH & FAMILY INITIATIVE WIA GRANT 28010-5	EAST BAY YOUTH & FAMILY INITIATIVE SASYEP 2887-09	Total
SUPPORT AND REVENUE				
Contribution	13,136	-	-	13,136
Foundation	45,200	-	-	45,200
County of Alameda	14,758	246,507	134,496	395,761
City of Alameda	-	-	-	-
City of Fremont	5,963	-	-	5,963
Client/Program participation	648	-	-	648
Other (including Intra-agency transactions)	384	10,674	-	11,058
In-kind revenue	36,320	-	-	36,320
Total Support and Revenue	116,409	257,181	134,496	508,086
EXPENSES				
Salaries	28,075	138,959	59,843	226,877
Employee benefits	3,192	23,663	6,935	33,790
Contracted services	25,888	74,199	59,215	159,302
Supplies	1,274	5,635	2,913	9,822
Telephone	510	1,107	198	1,815
Postage	3,712	134	115	3,961
Occupancy	4,600	1,577	200	6,377
Equipment	130	1,145	642	1,917
Printing and publication	5,587	925	-	6,512
Transportation	667	8,143	1,827	10,637
Conferences	1,810	1,578	288	3,676
Insurance	-	-	2,070	2,070
Miscellaneous	4,644	116	250	5,010
In-kind expenses	36,320	-	-	36,320
Total Expenses	116,409	257,181	134,496	508,086
EXCESS OF REVENUE OVER EXPENSES	- \$	- \$	- \$	- \$

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY RESOLUTION NUMBER FOR STATE OF CALIFORNIA
HOUSING AND COMMUNITY DEVELOPMENT
FOR THE YEAR ENDED JUNE 30, 2013

	SIL Kennedy Street 90-CHRP-R-047	SIL Railroad Ave. 90-HRL-S-307	2013 Total
SUPPORT AND REVENUE			
State of California-HCD	\$ -	\$ 9,416	\$ 9,416
Client/Program participation	20,023	28,868	48,891
Forgiveness of HCD loan	-	84,744	84,744
Miscellaneous (including intra agency transfers)	132	308	440
Total Support and Revenue	<u>20,155</u>	<u>123,336</u>	<u>143,491</u>
EXPENSES			
Salaries	857	1,442	2,299
Employee benefits	165	277	442
Management Fees	3,000	3,000	6,000
Supplies	250	57	307
Postage	3	2	5
Occupancy	30,645	30,310	60,955
Equipment	497	-	497
Insurance	1,512	3,193	4,705
Miscellaneous	772	1,164	1,936
Total Expenses	<u>37,701</u>	<u>39,445</u>	<u>77,146</u>
Excess revenue over expenses	<u>(17,546)</u>	<u>83,891</u>	<u>66,345</u>
State Revenue Uncollected Pr Years	(11,234)	(20,541)	(31,775)
Debt reduction	-	(94,160)	(94,160)
Property Acquired	(605)	-	(605)
Depreciation-Bldg Improvements	11,430	12,189	23,619
Depreciation-Building	5,314	7,434	12,748
Change in Fund Balance	4,905	(95,078)	(90,173)
Net Change	<u>\$ (12,641)</u>	<u>\$ (11,187)</u>	<u>\$ (23,828)</u>

See notes to financial statements

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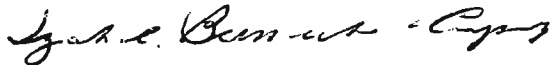
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**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

We have audited the consolidated financial statements of Bay Area Community Services, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated December 19, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and their records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



San Francisco, California
December 19, 2013

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Pass-Through the County of Alameda:				
Nutrition Services	93.045	PSA091213	\$ 207,928	\$ -
Senior Grants ADC (Fremont and Oakland)	93.044	PSA091112	65,269	-
Care Management	93.044	PSA091112	50,260	-
Lavender Seniors	93.044	PSA091112	14,758	-
Pass-Through the State of California, Dept of Education:				
Nutrition Services Incentive Program	93.053	N/A	27,600	-
Subtotal CFDA Cluster 93.044 & 93.045 & 93.053			<u>365,813</u>	<u>-</u>
Pass-Through the County of Alameda:				
Highway to Work	93.858		<u>47,383</u>	<u>47,652</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>413,196</u>	<u>47,652</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct program:				
Low income Housing Assistance (Note A)	14.182	121-EH123	340,238	-
Pass-Through the Housing Authority:				
County of Alameda	14.856	CA39-K087	<u>12,743</u>	<u>-</u>
Subtotal CFDA Cluster 14.182 & 14.856			<u>352,981</u>	<u>-</u>
Direct program:				
Low Income Housing Assistance (Note E)	14.157	121-EH123	145,395	-
Pass-Through Community Development Block Grants from:				
City of Alameda	14.218	B-03-MC-08-0007	25,961	-
City of Dublin	14.218	B-03-MC-08	10,000	-
City of Fremont	14.218	B-03-08-0011	83,562	-
City of Union City	14.218	B-03-MC-08-0012	14,000	-
City of Oakland	14.218	B-03-MC-08-0013	32,800	-
City of Pleasanton (Note B)	14.218	B-03-MC-08	27,893	-
County of Alameda	14.218	B-00-UC-00-1417	<u>165,097</u>	<u>-</u>
Total Community Development Block Grants (Subtotal CFDA 14.218)			<u>359,313</u>	<u>-</u>
Pass-Through the State of California:				
HCD Community Development (Note C)	14.235	EHAP CA39-P91-1013 Contract #91-HRL-PH007	35,800	267,058
Subtotal CFDA 14.235			<u>35,800</u>	<u>-</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>893,489</u>	<u>267,058</u>
<u>DEPARTMENT OF LABOR EMPLOYMENT TRAINING</u>				
Pass-Through the County of Alameda				
Workforce Investment Act - Youth Activities	17.259	N/A	246,507	-
<u>DEPARTMENT OF EDUCATION</u>				
Pass-Through the State of California				
Rehabilitation Services	84.126	N/A	3,200	-
<u>DEPARTMENT OF VETERAN AFFAIRS</u>				
Direct:				
Veterans Medical Health Benefits	64.009	N/A	<u>20,840</u>	<u>-</u>
SUBTOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 1,577,032</u>	<u>\$ 314,710</u>
<u>STATE AWARDS ONLY</u>				
Alameda County Behavioral Health Care Services		HE08-144 (A,B)	\$ -	\$ 5,471,108
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 1,577,032</u>	<u>\$ 5,785,818</u>

Note A: Outstanding loan balances

Loan funds borrowed in 2013

Note B: Outstanding loan balances

Loan funds borrowed in 2013

Note C: Outstanding loan balances

Loan funds borrowed in 2013

Note E: This program is under East Bay Transitional Homes, Inc.

Note D: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bay Area Community Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note F: Significant accounting policies used in preparation of this schedule are the same policies used in preparation of the financial statements and are summarized in Note 2 of the Notes to the financial statements.

See notes to financial statements

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bay Area Community Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Bay Area Community Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Area Community Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bay Area Community Services, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California
December 19, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Bay Area Community Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Area Community Services, Inc.'s major federal programs for the year ended June 30, 2013. Bay Area Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bay Area Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular a-133)*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Bay Area Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of Bay Area Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bay Area Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Bay Area Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bay Area Community Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bay Area Community Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

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San Francisco, California
December 19, 2013

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNQUALIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	NONE
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
2. Type of Compliance Report Major Programs	UNQUALIFIED
3. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Programs:	14.157 Supportive Housing For the Elderly 14.218 Community Development Block Grants <u>Section 8 – Project-Based Cluster</u> 14.182 New Construction & Substantial Rehab. 14.856 Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation
5. Dollar Threshold for Type A Programs	\$300,000
6. Auditee Qualification	LOW RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	NONE REPORTED
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in OMB A-133 Subpart E.510a	NONE REPORTED

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

There were no findings noted for the year ended June 30, 2012.