

BAY AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

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

**BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

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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, 2015, 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, 2015, 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 October 12, 2015, 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 2014 consolidated financial statements, and our report dated October 6, 2014, 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, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.

A handwritten signature in black ink, appearing to read "Gabriel Bernant".

San Francisco, California
October 12, 2015

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014

Assets:	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 1,131,840	\$ 1,503,028
Accounts receivable	51,645	161,605
Support receivable - contracts	1,891,799	2,001,407
Prepaid and deposits	56,741	75,186
Property and equipment, net	4,665,871	4,304,738
Contributed real estate	<u>27,200</u>	<u>27,200</u>
Total Assets	\$ <u>7,825,096</u>	\$ <u>8,073,164</u>
 Liabilities and Net Assets:		
Accounts payable	\$ 334,523	\$ 843,513
Accrued liabilities	745,399	1,054,447
Client deposits	34,127	36,952
Unearned support	294,733	295,240
Short and long term debt	<u>1,138,884</u>	<u>1,167,845</u>
Total Liabilities	<u>2,547,666</u>	<u>3,397,997</u>
 Net Assets		
Unrestricted	5,158,287	4,579,892
Temporarily restricted	<u>119,143</u>	<u>95,275</u>
Total Net Assets	<u>5,277,430</u>	<u>4,675,167</u>
 Total Liabilities and Net Assets	 \$ <u>7,825,096</u>	 \$ <u>8,073,164</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
PUBLIC SUPPORT AND OTHER REVENUE				
Public Support:				
Contributions	\$ 123,572	\$ 9,988	\$ 133,560	\$ 148,069
Foundations	-	82,656	82,656	239,391
Government contracts	10,021,062	-	10,021,062	10,381,708
Total public support	10,144,634	92,644	10,237,278	10,769,168
Other Revenue:				
Program service fee	977,580	-	977,580	1,125,015
Investment/interest income	424	-	424	341
Miscellaneous	266,383	-	266,383	198,208
Other fees	44,206	-	44,206	321,480
In-kind contributions	402,199	-	402,199	312,230
Total other revenue	1,690,792	-	1,690,792	1,957,274
Net assets released from restriction	68,776	(68,776)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	11,904,202	23,868	11,928,070	12,726,442
EXPENSES				
Program services	10,311,977	-	10,311,977	10,671,970
Supportive services:				
Management and general	971,465	-	971,465	875,705
Fundraising	42,365	-	42,365	58,726
TOTAL EXPENSES	11,325,807	-	11,325,807	11,606,401
CHANGE IN NET ASSETS	578,395	23,868	602,263	1,120,041
NET ASSETS, beginning of year	4,579,892	95,275	4,675,167	3,555,126
NET ASSETS, end of year	\$ 5,158,287	\$ 119,143	\$ 5,277,430	\$ 4,675,167

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014

	Program Services			Supportive Services			2015 Total Expenses	2014 Total Expenses
	Mental Health	Older Adults	Housing	Total Programs	Management and General	Fundraising		
EXPENSES:								
Salaries	\$ 2,917,999	\$ 504,567	\$ 431,584	\$ 3,854,150	\$ 612,196	\$ 17,630	\$ 4,483,976	\$ 4,731,686
Employee benefits	529,971	73,923	90,117	694,011	65,379	672	760,062	621,089
Payroll taxes	332,766	57,914	48,999	439,679	65,192	2,018	506,889	508,758
Contracted services	798,419	77,468	508,639	1,384,526	29,272	6,359	1,420,157	1,873,767
Supplies	126,414	23,526	36,969	186,909	3,712	596	191,217	249,484
Telephone	55,565	7,863	13,506	76,934	7,435	784	85,153	91,936
Postage	1,967	961	597	3,525	2,936	280	6,741	9,580
Occupancy	615,417	66,492	691,511	1,373,420	41,019	2,400	1,416,839	1,174,380
Equipment	410,765	37,292	95,534	543,591	95,158	1,220	639,969	774,408
Printing and publications	49,542	5,199	375	55,116	2,285	9,623	67,024	75,975
Transportation	137,271	43,948	81,564	262,783	7,019	7	269,809	319,441
Conferences	56,767	5,663	2,708	65,138	21,508	603	87,249	181,090
Client services	453,543	1,222	253,986	708,751	-	-	708,751	336,095
Insurance	21,526	2,513	20,149	44,188	10,363	-	54,551	49,200
Interest	-	-	488	488	806	-	1,294	11,726
Miscellaneous	9,003	1,069	2,298	12,370	4,654	173	17,197	73,958
In-kind	-	72,080	330,119	402,199	-	-	402,199	312,230
EXPENSES BEFORE DEPRECIATION	6,516,935	981,700	2,609,143	10,107,778	968,934	42,365	11,119,077	11,394,803
DEPRECIATION OF BUILDINGS AND EQUIPMENT	141,675	-	62,524	204,199	2,531	-	206,730	211,598
TOTAL FUNCTIONAL EXPENSES	\$ 6,658,610	\$ 981,700	\$ 2,671,667	\$ 10,311,977	\$ 971,465	\$ 42,365	\$ 11,325,807	\$ 11,606,401

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 602,263	\$ 1,120,041
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	206,730	211,598
Decrease (increase) in:		
Accounts and contracts receivable	219,568	(1,064,956)
Prepaid and deposits	18,445	15,413
Increase (decrease) in:		
Accounts payable	(508,990)	31,839
Accrued liabilities and deposits	(311,873)	112,329
Unearned support	(507)	177,780
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>225,636</u>	<u>604,044</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(567,863)</u>	<u>(485,175)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(567,863)</u>	<u>(485,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	<u>(28,961)</u>	<u>(343,626)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(28,961)</u>	<u>(343,626)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(371,188)	(224,757)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,503,028</u>	<u>1,727,785</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,131,840</u></u>	<u><u>\$ 1,503,028</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest and mortgage interest	<u><u>\$ 76,028</u></u>	<u><u>\$ 92,306</u></u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: ORGANIZATION

Bay Area Community Services, Inc. (BACS) is a not-for-profit corporation organized to provide a variety of behavioral health and social services to individuals including teens, adults, older adults, and families. 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 individuals with severe and persistent mental illness. Funding is provided by the County of origin for the person served.

Case Management - provides clinical care coordination such as assessment, treatment, and brokerage to numerous community resources to individuals 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 a variety of challenges enabling them to live independently. Funding is provided by grants, rental fees and service fees. This program includes the activities of East Bay Transitional Homes, Inc. (EBTH) and Bay Area Community Services Housing Corporation (BACSHC), both related legal corporations established by BACS to support housing as well as a Housing and Urban Development (HUD) Section 202 housing project.

Wellness Centers - provide a constellation of wellness and recovery programs to individuals with behavioral health challenges. These programs include Wellness Recovery Action Plans, employment services, case management, psychiatric and community integration. Program activities provide hope for individuals and support empowerment, self-responsibility, and achieving a meaningful role in life. Funding is provided by Alameda County, Union City and by contributions from individuals, community organizations and foundations.

North County Housing Connect Program - provides intensive care coordination services such as daily living skills, housing navigation, access to health care and linkages to numerous community resources to adults and elders with severe and persistent mental illness who are homeless or at risk of becoming homeless in Northern Alameda County. Funding is provided by rental fees and Alameda County.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1: ORGANIZATION (Concluded)

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

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

Winter Shelter – A winter shelter for homeless adults during the winter located at the Henry J. Robinson Multi-Service Center in Oakland. Program funded by City of Oakland.

Housing Fast Support Network/Henry Robinson Multi Service Center - provides interim housing and supportive services to 137 single adult homeless individuals at any point in time at the Henry J. Robinson Multi-Service Center. This is funded by a U.S. Department of Housing and Urban Development ("HUD") Continuum of Care under the Housing and Community Development Act of 1974, by the City of Oakland and Alameda County.

Preventive Engagement Program - a new program for BACS in Solano County. Provides prevention and early intervention services to adults who are experiencing their first crisis or are exiting hospitalization and need support to prevent relapse. Funding provided by Solano County.

Hope Intervention Program - a new program for BACS in Alameda County. Provides prevention and early intervention services to teens and young adults who are experiencing their first crisis or are exiting hospitalization and need support to prevent relapse. Funding provided by Alameda County through SB 82.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

BACS 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, BACS 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's 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.

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).

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2015.

Principles of Consolidation

The consolidated financial statements include the accounts of Bay Area Community Services, Inc., East Bay Transitional Homes, Inc., and Bay Area Community Services Housing Corporation. 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 2015, and 2014, were 11.23% and 12.65% respectively.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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, 2014 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>2015 Net</u>	<u>2014 Net</u>
Land	\$ 1,388,528	\$ -	\$ 1,388,528	\$ 1,332,028
Buildings	3,984,629	2,267,709	1,716,920	1,367,659
Improvements	2,440,153	882,877	1,557,276	1,597,561
Equipment & Furniture	268,876	265,729	3,147	7,490
Total	<u>\$ 8,082,186</u>	<u>\$ 3,416,315</u>	<u>\$ 4,665,871</u>	<u>\$ 4,304,738</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$206,730 and \$211,598 respectively.

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.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 5: SHORT AND LONG-TERM DEBT

Mortgages Payable and Notes Payable at June 30, 2015, 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.	\$ 493,158
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.	305,783
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 Payable	<u>\$1,122,634</u>

Notes Payable:

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.	16,250
Total Notes Payable	<u>\$ 16,250</u>

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

BACS has various notes outstanding, most of which are collateralized by real property. During the fiscal year of 2015 and 2014, interest expense on these notes was \$76,028 and \$91,866 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>2015</u>	<u>2014</u>
2015	0	28,949
2016	31,454	31,443
2017	34,178	34,346
2018	36,851	37,136
2019	40,390	35,289
2020	43,833	43,833
Thereafter	952,178	956,849
	1,138,884	1,167,845
Less: Current Portion	(31,454)	(28,949)
Long-term Portion	\$ 1,107,430	\$ 1,138,896

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>	
2016	\$ 231,264
2017	109,648
2018	8,748
Total	\$ 349,660

Rent expense for the years ended June 30, 2015 and 2014 was \$189,884 and \$497,321 respectively for non-cancelable operating leases.

NOTE 7: IN-KIND CONTRIBUTIONS

BACS's Adult Day Care program received use of space for meal sites and parking for a value of \$72,080 and \$119,562 for 2015 and 2014, respectively. The Henry Robinson Hotel program received meals valued at \$330,119 and \$192,668 for 2015 and 2014.

Other services, not recognized in the financial statements, were received by BACS that had an estimated value of \$57,179 and \$389,431 in 2015 and 2014, respectively.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
SIL Programs	\$ 4,045	\$ 0
OAP Programs	65,642	71,331
Towne House Wellness Center	7,247	0
ADC – Oakland	30,765	15,000
VALLEY Wellness Center	10,444	8,944
Case Management	1,000	0
Total	\$ <u>119,143</u>	\$ <u>95,275</u>

Net assets of \$68,776 and \$248,994 were released from donor restrictions during the year of 2015 and 2014, respectively by incurring expenses satisfying the restricted purposes as follows:

	2015	2014
East Bay Community Services	\$ 0	\$ 11,000
Wellness Centers	2,238	16,292
Supported Independent Living	35	2,685
Senior Nutrition	0	147,534
Adult Day Care – Oakland	0	22,200
The Henry Robinson Hotel	0	1,685
Adult Day Care – Fremont	15,758	16,130
Lavender Seniors	0	20,511
OAP Programs	50,745	10,957
Total	\$ <u>68,776</u>	\$ <u>248,994</u>

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, BACS 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, 2015

**NOTE 10: 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, 2015 and 2014, BACS uninsured cash balances before reconciling items total \$302,733 and \$1,014,587 respectively.

NOTE 11: CONCENTRATION OF CONTRACT REVENUE

BACS receives approximately 76% of its government contracts revenue from County of Alameda from five contracts.

NOTE 12: RESTRICTED ASSETS

BACS holds title to real property located at 40963 Grimmer Blvd., Fremont, CA which is subject to Declaration of Title Restrictions executed between the City of Fremont and BACS and was recorded on July 25, 2000 in Alameda County records. At June 30, 2015, the real property had a net book value of \$1,910,734.

NOTE 13: SUBSEQUENT EVENTS

BACS's management has evaluated its subsequent events through October 12, 2015, the date the consolidated financial statements were available to be issued.

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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, 2015 appears on pages one and two. 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
October 12, 2015

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY RESOLUTION NUMBER FOR ALAMEDA COUNTY
FOR THE YEAR ENDED JUNE 30, 2015

	Mental Health Services	Adult Day Care-Fremont	Adult Day Care-Oakland	Care Management	Total
	BHSVC 10088	SOCSEA 11006	SOCSEA 11006	SOCSEA 11019	
	29309/7;29351/34	29358/5	29358/5	29358/5	
	2,10&11,8	29484/4	29484/4	29484/4	
SUPPORT AND REVENUE					
Foundation	\$ -	\$ -	\$ -	\$ -	-
Federal	-	29,400	-	-	29,400
State of California	-	2,844	2,719	-	5,563
County of Alameda	6,877,770	46,230	87,986	222,602	7,234,588
City of Fremont	-	29,701	-	-	29,701
City of Union City	5,000	9,000	-	-	14,000
Client/Program participation	46,969	247,384	239,077	-	533,430
Medicare Claims	25,521	-	-	-	25,521
Other (including Intra-agency transactions)	26,600	2	21	40,270	66,893
In-kind revenue	-	34,937	94,322	-	129,259
Total Support and Revenue	6,981,860	399,498	424,125	262,872	8,068,355
EXPENSES					
Salaries	2,693,676	181,936	176,499	143,519	3,195,630
Employee benefits	809,446	43,023	52,932	35,881	941,282
Contracted services	784,418	15,214	15,544	42,474	857,650
Supplies	117,224	12,249	10,673	346	140,492
Telephone	53,193	2,647	2,601	2,066	60,507
Postage	1,606	444	442	68	2,560
Occupancy	737,129	31,038	640	4,020	772,827
Equipment	373,806	14,652	13,247	576	402,281
Printing and publication	43,311	1,469	729	3,000	48,509
Transportation	128,948	21,367	19,701	2,881	172,897
Conferences	55,186	2,173	1,959	972	60,290
Client services	449,677	-	-	28	449,705
Insurance	21,081	1,076	1,076	360	23,593
Miscellaneous	8,745	466	462	141	9,814
In-kind expenses	-	34,937	94,322	-	129,259
Indirect costs	704,414	36,807	33,298	26,540	801,059
Total Expenses	6,981,860	399,498	424,125	262,872	8,068,355
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, 2015

	SIL Kennedy Street 90-CHRP-R-047	SIL Railroad Ave. 90-HRL-S-307	2015 Total
SUPPORT AND REVENUE			
Client/Program participation	\$ 21,240	\$ 29,159	\$ 50,399
Miscellaneous (including intra agency transfers)	6,117	296	6,413
Total Support and Revenue	<u>27,357</u>	<u>29,455</u>	<u>56,812</u>
 EXPENSES			
Contracted Services	3,620	3,035	6,655
Supplies	25	21	46
Telephone	28	-	28
Postage	12	4	16
Occupancy	11,200	6,769	17,969
Equipment	98	1,123	1,221
Insurance	2,055	3,274	5,329
Expenses before Depreciation	<u>17,038</u>	<u>14,226</u>	<u>31,264</u>
 Depreciation-Bldg Improvements	7,881	12,628	20,509
Depreciation-Building	5,314	7,434	12,748
Depreciation-Equipment	121		121
Total Depreciation	<u>13,316</u>	<u>20,062</u>	<u>33,378</u>
Total Expenses	<u>\$ 30,354</u>	<u>\$ 34,288</u>	<u>\$ 64,642</u>

See notes to financial statements

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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, 2015, and have issued our report thereon dated October 12, 2015, 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
October 12, 2015

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<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>County Expenditures</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass-Through the County of Alameda:					
Senior Grants ADC (Fremont and Oakland)	93.044	PSA0915	\$ 90,240	\$ -	\$ 43,976
Pass-Through the State of California, Dept of Education:					
Nutrition Services Incentive Program	93.053	N/A	5,563	-	-
Subtotal CFDA Cluster 93.044 & 93.053			<u>95,803</u>	<u>-</u>	<u>43,976</u>
Pass-Through the County of Alameda:					
Care Management	93.041	PSA0915	51,766	-	170,836
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>95,803</u>	<u>-</u>	<u>43,976</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct program:					
Low income Housing Assistance (Note A)	14.182	121-EH123	305,783	-	-
Pass-Through the Housing Authority:					
County of Alameda	14.856	CA39-K067	15,997	-	-
Subtotal CFDA Cluster 14.182 & 14.856			<u>321,780</u>	<u>-</u>	<u>-</u>
Direct program:					
Low income Housing Assistance (Note E)	14.157	121-EH123	165,423	-	-
Pass-Through Community Development Block Grants from:					
City of Fremont	14.218	B-03-06-0011	29,701	-	-
City of Union City	14.218	B-03-MC-06-0012	14,000	-	-
City of San Leandro	14.218	B-03-MC-06	1,250	-	-
City of Pleasanton (Note B)	14.218	B-03-MC-06	27,893	-	-
Total Community Development Block Grants (Subtotal CFDA 14.218)			<u>72,844</u>	<u>-</u>	<u>-</u>
Pass-Through the State of California					
HCD Community Development (Note C)	14.235		35,800	-	-
Pass-Through the City of Oakland					
HCD City of Oakland	14.235		1,831,919	-	268,943
Subtotal CFDA 14.235			<u>1,867,719</u>	<u>-</u>	<u>268,943</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,427,766</u>	<u>-</u>	<u>268,943</u>
DEPARTMENT OF VETERAN AFFAIRS					
Direct:					
Veterans Medical Health Benefits	64.009	N/A	29,400	-	-
SUBTOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 2,552,969</u>	<u>\$ -</u>	<u>\$ 312,919</u>
STATE AWARDS ONLY					
Alameda County Behavioral Health Care Services		Master 900107	\$ -	\$ 6,877,770	\$ -
Solano County Mental Health Services				400,278	
				<u>7,278,048</u>	
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 2,552,969</u>	<u>\$ 7,278,048</u>	<u>\$ 312,919</u>

- Note A:** Outstanding loan balances \$ 305,783
- Loan funds borrowed in 2015 \$ -
- Note B:** Outstanding loan balances \$ 27,893
- Loan funds borrowed in 2015 \$ -
- Note C:** Outstanding loan balances \$ 35,800
- Loan funds borrowed in 2015 \$ -
- 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.

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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, 2015, 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 October 12, 2015.

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.

A handwritten signature in black ink, appearing to read "Jacob E. Bernhardt".

San Francisco, California
October 12, 2015

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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, 2015. 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, 2015.

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.



San Francisco, California
October 12, 2015

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
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	UNMODIFIED
3. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Programs:	14.235 – SUPPORTIVE HOUSING PROGRAM
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, 2015

There were no findings noted for the year ended June 30, 2014.

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of Bay Area Community Services Housing Corporation (BACSHC), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statements referred to above present fairly, in all material respects, the financial position of BACSHC as of June 30, 2015, 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.

A handwritten signature in cursive script, appearing to read "Jacob L. Bernanke" followed by a small mark.

San Francisco, California
October 12, 2015

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

Assets:

Cash and Cash Equivalents	\$ 16,345
Accounts Receivable	1,020
Property and Equipment (net of accumulated depreciation of \$12,377)	<u>513,151</u>

TOTAL ASSETS	\$ <u>530,516</u>
---------------------	--------------------------

Liabilities and Net Assets

Liabilities:

Accounts Payable	\$ 1,646
Tenant Deposits	<u>500</u>

Total Liabilities	<u>2,146</u>
--------------------------	---------------------

Net Assets:

Unrestricted Net Assets	528,370
Temporarily Restricted	<u>0</u>

Total Net Assets	<u>528,370</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>530,516</u>
---	--------------------------

See notes to financial statements

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 534,347	\$ 0	\$ 534,347
Tenant Rents	28,787	0	28,787
In-Kind	<u>1,200</u>	<u>0</u>	<u>1,200</u>
Total Support and Revenue	<u>564,334</u>	<u>0</u>	<u>564,334</u>
Net Assets released from:			
Satisfaction of restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>564,334</u>	<u>0</u>	<u>564,334</u>
<u>EXPENSES</u>			
Program Services	34,764	0	34,764
Supporting Services:			
Management and General	1,200	0	1,200
Fundraising	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>35,964</u>	<u>0</u>	<u>35,964</u>
CHANGES IN NET ASSETS	528,370	0	528,370
Net Assets, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
NET ASSETS - AT END OF YEAR	<u>\$ 528,370</u>	<u>\$ 0</u>	<u>\$ 528,370</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Contracted Services	\$ 102	\$ 0	\$ 0	\$ 102
Postage	1	0	0	1
Occupancy	19,473	0	0	19,473
Depreciation	12,377	0	0	12,377
Equipment	876	0	0	876
Insurance	900	0	0	900
Miscellaneous	1,035	0	0	1,035
In-Kind Management Fee	0	1,200	0	1,200
Total Functional Expenses	\$ 34,764	\$ 1,200	\$ 0	\$ 35,964

See notes to financial statements

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$ 528,370
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>	
Depreciation	12,377
<i>Decrease/(increase) in assets:</i>	
Accounts Receivable	(1,020)
<i>Increase/(decrease) in liabilities:</i>	
Accounts Payable	1,646
Tenant Deposits	500
	<hr/>
Net Cash Provided by Operating Activities	541,873

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Property and Equipment	<hr/> (525,528)
Net Cash Used by Investing Activities	<hr/>(525,528)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Increase/(Decrease) in Cash and Cash Equivalents	16,345
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CASH AND CASH EQUIVALENTS:

Beginning of Year	<hr/> 0
END OF YEAR	\$ <hr/><hr/>16,345

See notes to financial statements

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1: ORGANIZATION

Bay Area Community Services Housing Corporation (BACSHC) is a not-for-profit corporation organized to provide housing and housing related services, including the rehabilitation and construction of low to moderate income and affordable housing, for behavioral health individuals including teens, adults, older adults, and families. BACSHC is committed to improve the quality of life for individuals in Alameda County, Solano County and the surrounding areas in the state of California.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

BACSHC prepares its financial statements using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

Basis of Presentation

BACSHC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015, BACSHC did not have any temporarily or permanently restricted net assets.

Income Tax Status

BACSHC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provisions for federal income taxes in the accompanying financial statements. BACSHC is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes BACSHC has no uncertain tax positions as of June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses as of the date and for the period presented. Actual results could differ from these estimates.

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

BACSHC considers all accounts receivable to be fully collectable; accordingly no allowance for doubtful accounts is required. If amounts become uncollectable, they will be charged to operations when that determination is made.

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair value at the date of the donation. Purchased equipment is recorded at cost.

Revenue Recognition

Contributions receivable are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing BACSHC's housing programs and other activities have been allocated on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

In-kind Support

BACSHC records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and BACSHC would have purchased the goods or services if they did not receive them as contributions.

Advertising Costs

The production costs of advertising are expensed as incurred. During the year ended June 30, 2015, advertising costs charged to expense totaled \$0.

BAY AREA COMMUNITY SERVICES HOUSING CORPORATION
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Note 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of rents collectible from tenants as of June 30, 2015 in the amount of \$1,020.

Note 4: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation as of June 30, 2015:

Land	\$	56,500
Building and Improvements		<u>469,028</u>
Subtotal		525,528
Less: Accumulated Depreciation		<u>(12,377)</u>
Net Property and Equipment	\$	<u>513,151</u>

Depreciation expense for the year ended June 30, 2015 was \$12,377.

Note 5: RELATED PARTY TRANSACTIONS

Bay Area Community Services (BACS) carries out the management functions for BACSHC. BACS and BACSHC have common board members. During the year, BACS purchased the Amber House in Oakland, California for \$534,347 and transferred the property to BACSHC.

In the first year of BACSHC's incorporation, BACSHC recognized a management fee of \$100 per month as in-kind from BACS. For the fiscal year ended June 30, 2015, BACSHC recognized in-kind management fees of \$1,200.

Note 6: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through October 12, 2015, the date the financial statements were available to be issued.