

BAY AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

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

**BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

TABLE OF CONTENTS

<u>Consolidated Financial Statements</u>	<u>Page</u>
Independent Auditor's Report.....	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to the Consolidated Financial Statements	7-18
 <u>Supplementary Information</u>	
Independent Auditor's Report on Additional Information	19
Schedule of Operation by Resolution Number for Alameda County	20
Operations by Resolution Number for State of California – Housing and Community Development.....	21
Report on Schedule of Expenditures of Federal and Non-Federal Awards Required by the Uniform Guidance	22
Schedule of Expenditures of Federal and Non-Federal Awards	23
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 <i>Government Auditing Standards</i>	24-25
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	26-27
Schedule of Findings and Questioned Costs.....	28
Schedule of Prior Year Findings and Questioned Costs.....	29

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

TEL: (415) 896-5551
FAX: (415) 896-0584

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, 2019, 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, 2019, 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.

Adoption of New Accounting Standard

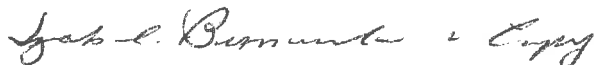
As discussed in Note 2 to the financial statements, Bay Area Community Services, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020, 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 2018 consolidated financial statements, and our report dated December 19, 2018, 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.



San Francisco, California
January 29, 2020

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

Assets:	2019	2018
Cash and cash equivalents	\$ 2,451,751	\$ 3,393,973
Accounts receivable	693,154	366,366
Support receivable - contracts	7,093,803	3,948,410
Prepaid and deposits	87,499	85,968
Property and equipment, net	20,347,302	17,692,769
Contributed real estate	27,200	27,200
Total Assets	\$ 30,700,709	\$ 25,514,686
 Liabilities and Net Assets:		
Accounts payable	\$ 472,033	\$ 382,028
Accrued liabilities	2,363,465	1,807,088
Client deposits	71,983	38,445
Unearned support	125,383	303,011
Short and long term debt	726,662	758,275
Investment in fixed assets	5,186,060	3,664,785
Total Liabilities	8,945,586	6,953,632
 Net Assets		
Without donor restrictions	10,399,752	8,552,870
With donor restrictions	11,355,371	10,008,184
Total Net Assets	21,755,123	18,561,054
 Total Liabilities and Net Assets	 \$ 30,700,709	 \$ 25,514,686

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
PUBLIC SUPPORT AND OTHER REVENUE				
Public Support:				
Contributions	\$ 297,557	\$ 155,574	\$ 453,131	\$ 643,052
Contributions - Adolescent Treatment Center	-	-	-	8,750,000
Foundations	11,000	5,717,109	5,728,109	895,340
Government contracts	31,707,623	-	31,707,623	20,209,298
Total public support	32,016,180	5,872,683	37,888,863	30,497,690
Other Revenue:				
Program service fee	2,009,037	-	2,009,037	1,923,464
Investment/interest income	3,176	-	3,176	2,241
Miscellaneous	216,578	-	216,578	62,316
Other fees	230,725	-	230,725	616,100
In-kind contributions	-	-	-	232,324
Total other revenue	2,459,516	-	2,459,516	2,836,445
Net assets released from restrictions	4,525,496	(4,525,496)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	39,001,192	1,347,187	40,348,379	33,334,135
EXPENSES				
Program services	34,917,876	-	34,917,876	20,334,010
Supportive services:				
Management and general	2,180,186	-	2,180,186	1,328,519
Fundraising	56,248	-	56,248	57,445
TOTAL EXPENSES	37,154,310	-	37,154,310	21,719,974
CHANGE IN NET ASSETS	1,846,882	1,347,187	3,194,069	11,614,161
NET ASSETS, beginning of year	8,552,870	10,008,184	18,561,054	6,946,893
NET ASSETS, end of year	\$ 10,399,752	\$ 11,355,371	\$ 21,755,123	\$ 18,561,054

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.

	Program Services			Supportive Services			2018 Total Expenses
	Mental Health	Older Adults	Housing	Total Programs	Management and General	Fundraising	
EXPENSES:							
Salaries	\$ 9,451,552	\$ 190,597	\$ 2,790,405	\$ 12,432,554	\$ 1,104,648	\$ 34,250	\$ 9,427,310
Employee benefits	1,324,060	61,431	363,640	1,749,131	144,158	3,018	1,251,306
Payroll taxes	782,214	16,382	213,741	1,012,337	77,705	2,877	766,361
Contracted services	864,924	15,447	511,284	1,391,655	205,240	6,405	1,174,608
Supplies	551,325	27,404	331,986	910,715	89,568	216	430,990
Telephone	146,199	4,779	35,630	186,608	19,873	1,060	157,791
Postage	435	51	90	576	1,538	-	14,866
Occupancy	1,285,670	4,351	3,474,059	4,764,080	175,612	3,368	3,092,930
Equipment	924,397	497	345,105	1,269,999	111,472	-	814,253
Printing and publications	97,115	434	12,418	109,967	29,672	4,720	124,161
Transportation	504,273	24,043	70,842	599,158	18,813	-	373,779
Conferences	113,327	2,582	6,082	121,991	67,061	-	148,388
Client services	1,692,209	1,235	8,133,724	9,827,168	7,966	-	2,560,284
Insurance	25,889	724	36,258	62,871	25,419	334	77,379
Interest	-	-	338	338	17,540	-	16,010
Miscellaneous	25,912	2,169	12,957	41,038	83,901	-	40,369
Bad Debt Expense	-	-	-	-	-	-	55,233
In-kind	-	-	-	-	-	-	232,324
Total Expenses							
Before Depreciation	17,789,501	352,126	16,338,559	34,480,186	2,180,186	56,248	21,308,342
Depreciation Expense	105,983	2,424	329,283	437,690	-	-	411,632
TOTAL FUNCTIONAL EXPENSES	\$ 17,895,484	\$ 354,550	\$ 16,667,842	\$ 34,917,876	\$ 2,180,186	\$ 56,248	\$ 21,719,974

5

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,194,069	\$ 11,614,161
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	437,690	411,632
Decrease (increase) in:		
Accounts and contracts receivable	(3,472,181)	306,076
Prepaid and deposits	(1,531)	(14,642)
Increase (decrease) in:		
Accounts payable	90,005	(198,514)
Accrued liabilities and deposits	589,915	618,829
Unearned support	(177,628)	110,737
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>660,339</u>	<u>12,848,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in Fixed Assets	1,521,275	883,711
Purchase of property and equipment	(3,092,223)	(9,633,008)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,570,948)</u>	<u>(8,749,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	(31,613)	(2,038,064)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(31,613)</u>	<u>(2,038,064)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(942,222)	2,060,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,393,973</u>	<u>1,333,055</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,451,751</u></u>	<u><u>\$ 3,393,973</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest and mortgage interest	<u><u>\$ 38,709</u></u>	<u><u>\$ 99,917</u></u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: GENERAL

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:

Adolescent Treatment Center dba Thunder Road - residential youth program provides a transformational intervention experience. Services are community-restoring, family-driven, and safety oriented. Supports include therapy groups, anger management, relapse prevention, one-on-one time with a recovery counselor, and psychiatric services. Funding provided by Alameda County.

Adult Day Center - provides specialized group socialization activities to older adults with centers in Oakland. Funding is provided ADSNAC, service fees and donations.

Berkeley Pathways STAIR Center - rapid re-housing program that helps people transition from encampments into permanent housing. We move people off the streets into temporary housing in West Berkeley, where we support them with mental health, hygiene, health, and job needs. Funded by City of Berkeley.

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.

Crisis Residential Programs - provides crisis treatment services for individuals with severe and persistent mental illness. Funding is provided by the County of origin for the person served.

Don Brown Housing Fast - a rapid re-housing program that helps people transition from encampments into permanent housing. We move people off the streets into temporary housing in Contra Costa County, where we support them with mental health, hygiene, health, and job needs.

Forensic Innovation Re-entry Services Team - funded by the Mentally Ill Offender Criminal Reduction fund in Solano County, the FIRST program serves mentally ill adults who are exiting an incarceration or to avoid an incarceration. Services include jail avoidance, reentry planning, and case management.

Forensic Re-Entry and Empowerment Program - provides case and care management for individuals with severe mental illness who are re-entering the community from jail/prison.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: GENERAL (Continued)

Full Service Partnerships - programs help community members who need the most assistance, supporting individuals in every aspect of their life, breaking mental health, housing, and community barriers that hold people back. Combines community-based housing/financial support, intensive mental health, case management, substance use, primary care, and psychiatric support.

Hope Intervention Program - 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.

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.

Housing Fast Support Network/The Holland Hotel - provides interim housing and supportive services to 90 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.

Housing Navigation Programs and Housing Education & Counseling - classes that cover everything you need to know about finding and keeping housing; classes include how to fill out applications, how to adjust to permanent housing, good relationships with landlords, and more. There is also individual housing counseling available.

Housing Resource Center (HRC) - a housing hub that coordinates all County resources to connect high needs individuals with housing. Includes housing navigation services, streamlined access to shelters and housing, legal workshops, and more.

Landlord Liaison & Housing Subsidy Management - incentives and support to help landlords in our community fill their units with people in need. We provide guaranteed, permanent rental assistance, access to an incentive fund, transitional and ongoing support for tenants, mediation for landlord/tenant relationships, and a 24/7 hotline for emergencies.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1: GENERAL (Concluded)

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.

Prevention Engagement Program (PEP) - provides prevention and early intervention services to 120 adults (18+), aiming to prevent or reduce inpatient stays. PEP serves those who are experiencing their first acute mental health crisis or are exiting psychiatric hospitalization and need support to prevent relapse. Services occur in Solano County with an average duration of 3 to 6 months.

Solano Housing Advocacy, Permanency, and Engagement - provides housing support and mental health services to adults in Solano County who need access and support to stabilize their housing and prevent hospitalization.

Success at Generating Empowerment Program - provides support to adults living with mental illness who are in process of obtaining social security benefits and who need case management and care coordination to help stay engaged until benefits are obtained.

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.

Whole Person Care - holistic wraparound services for people who are housing insecure and dealing with chronic physical/behavioral health diagnoses that are un-treated in Solano County. Whole Person Care programs coordinate primary care, behavioral health, social services, and housing supports. This integrated approach to managing care improves physical and mental health for the individual, while utilizing public resources more efficiently.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective December 15, 2018, BACS adopted FASB Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. BACS's net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, BACS's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

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

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.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

Accounts receivable/Support receivable

Support receivables are primarily from governmental agencies. BACS considers these receivables to be fully collectible; accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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.

Assets purchased with unrestricted general funds and assets donated to the Agency are depreciated through the statement of activities. Assets purchased with grant funds are recorded as revenue and expensed in the period of acquisition through the statement of activities. The corresponding capitalization and depreciation for these grant purchases is accounted for through increases and decreases in investment in fixed assets liability in the statement of activities.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

Principles of Consolidation

The consolidated financial statements include the accounts of Bay Area Community Services, Inc., East Bay Transitional Homes, Inc., Bay Area Community Services Housing Corporation, and Adolescent Treatment Center dba Thunder Road. 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 30, 2019 and 2018, were 6.77% and 10.53%, 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, 2018 from which the comparative information was extracted.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Some categories of expenses are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Expense allocation, which includes compensation and benefits, is allocated on the basis of estimates of time.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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>2019 Net</u>	<u>2018 Net</u>
Land	\$ 4,804,758	\$ -	\$ 4,804,758	\$ 4,353,258
Buildings	12,693,649	3,307,109	9,386,540	8,699,101
Improvements	7,403,882	1,247,882	6,156,000	4,640,407
Equipment & Furniture	131,129	131,125	4	4
Total	<u>\$ 25,033,418</u>	<u>\$ 4,686,116</u>	<u>\$ 20,347,302</u>	<u>\$ 17,692,769</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$437,690 and \$411,632 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.

NOTE 5: 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>	
2020	\$ 233,402
2021	102,449
2022	97,300
2023	100,300
2024	16,800
Total	<u>\$ 550,251</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$83,399 and \$80,803 respectively for non-cancelable operating leases.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6: SHORT AND LONG-TERM DEBT

Mortgages Payable and Notes Payable at June 30, 2019, consisted of the following:

Mortgages Payable:

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. BACS formally requested principal forgiveness on the long-term debt with City of Pleasanton on October 10, 2016. A request was made to use the funds in lieu of repayment towards maintenance and needed renovations on the Pleasanton Apartments. \$ 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. 30,930

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 06/01/41. 210,000

Loan from U.S. Department of Housing and Urban Development, at an interest rate of 9.25%, secured by the Humphrey Lane - 79th Avenue property, with monthly principal and interest payments of \$3,935. Due Date 05/01/25. 214,543

Loan from the City of Oakland, at an interest rate of 3%, secured by the Humphrey Lane - 79th Avenue property, with \$1,500 in interest only payments this fiscal year. Due date 12/31/27. 50,000

Bank Loan, due 4/1/26, at an interest rate of 5.20% due monthly in an installment of \$1,172, secured by the 98th Avenue Property. 182,046

Total Mortgages Payable \$715,412

Notes Payable

City of San Leandro Note Payable - Capital Improvement Loan Woodroe. Maturity Date 4/21/28. Total loan \$25,000. Loan balance retired over 20 years at 5% annually on anniversary date of loan. \$ 11,250

Total Notes Payable \$ 11,250

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6: SHORT AND LONG-TERM DEBT (Concluded)

BACS has various notes outstanding, most of which are collateralized by real property. During the fiscal years of 2019 and 2018, interest expense on these notes were \$38,709 and \$99,917, 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>2019</u>	<u>2018</u>
2019	\$ -	\$ 31,762
2020	34,520	34,661
2021	37,528	37,673
2022	40,815	40,964
2023	44,409	44,562
2024	48,336	-
Thereafter	521,054	568,653
	<u>726,662</u>	<u>758,275</u>
Less: Current Portion	(34,520)	(31,762)
Long-term Portion	<u>\$ 692,142</u>	<u>\$ 726,513</u>

NOTE 7: IN-KIND CONTRIBUTIONS

BACS's Adult Day Care program received use of space for meal sites and parking for a value of \$0 and \$29,004 for 2019 and 2018, respectively. The Henry Robinson Hotel program received meals valued at \$0 and \$203,320 for 2019 and 2018.

NOTE 8: LINE OF CREDIT

BACS has a secured line of credit with WestAmerica Bank, which provides borrowings up to \$1,000,000. Interest is payable monthly at the bank index rate plus 0.50%, which as of June 30, 2019 was 7.00%. The line of credit matures on February 28, 2020. The outstanding balance as of June 30, 2019 was \$0.

BACS has an additional secured line of credit with WestAmerica Bank, which has credit limit of \$1,175,000. The line of credit bears interest at the prime rate plus 1.00%, which as of June 30, 2019 was 7.50%. The line of credit matures on February 28, 2020. The outstanding balance as of June 30, 2019 was \$0.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Towne House Wellness Centers	\$ 36,800	\$ 32,240
Valley Wellness Center	13,444	13,444
South County Wellness	1,500	1,500
Housing Funds - SF Foundation	240,773	-
Housing Project Funds	152,471	100,000
Housing Funds - Kaiser Foundation	1,440,383	-
Adult Day Care – Oakland	-	42,333
Adult Day Care – Fremont	-	5,689
Fairfield Property - Solano County	720,000	720,000
Adolescent Treatment Center	8,750,000	9,092,978
Total	\$ 11,355,371	\$ 10,008,184

Net assets of \$4,525,496 and \$176,038 were released from donor restrictions during the year of 2019 and 2018, respectively by incurring expenses satisfying the restricted purposes as follows:

	2019	2018
Supported Independent Living Programs	\$ 500	\$ 56,383
Towne House Wellness Centers	-	8,199
Housing SF Foundation	1,382,539	-
Housing Fast Support & Project Funds	3,433	20,100
Housing -The Holland	132,609	-
Housing - Kaiser Foundation	2,582,617	1,579
Housing - Berkeley Stair	25,100	-
ADC - Oakland	43,833	-
Housing - Outdoor Navigation	5,000	-
ADC - Fremont	5,689	-
Adolescent Treatment Center	344,176	89,777
Total	\$ 4,525,496	\$ 176,038

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limited to their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 2,451,751
Accounts Receivable	693,154
Support receivable - contracts	7,093,803
Total Financial Assets	<u>10,238,708</u>

Less those unavailable for general expenditures within one year due to:

Cash restricted by donor for specific uses	(11,355,371)
add back: amounts available for general expenditure in following year	<u>11,355,371</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,238,708</u>
--	----------------------

BACS has \$10,238,708 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$2,451,751. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

BACS has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$6,192,000. BACS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of liquidity management, as noted in Note 8: Line of Credit, BACS has also established secured Line of Credits with financial institutions to aid in cash needs.

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, 2019 and 2018, BACS uninsured cash balances before reconciling items total \$2,197,744 and \$2,558,795, respectively.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12: 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.

NOTE 13: CONCENTRATION OF CONTRACT REVENUE

BACS receives approximately 50% of its government contracts revenue from five contracts with County of Alameda.

NOTE 14: RESTRICTED ASSETS

Bay Area Community Services Housing Corporation (BACSHC) holds title to real property located at 345 Travis Blvd., Fairfield, CA. As of June 30, 2017, BACSHC received a grant in the amount of \$720,000 and agreed to record a Deed Restriction against the property which requires that the property only be used as a transitional housing facility for persons with mental disabilities for a period of ten (10) years.

Bay Area Community Services Housing Corporation (BACSHC) holds title to real property located at 390 40th St., Oakland, CA. As of June 30, 2018, BACSHC received a donation of the property from Sutter East Bay Hospitals valued at \$8,750,000. The original agreement called for operation of program known as Thunder Road for five years. The Thunder Road program ceased operating as of April 30, 2019. Subsequently the California Attorney General approved a change of program for the facility to be used for other non-profit purposes.

NOTE 15: SUBSEQUENT EVENTS

BACS's management has evaluated its subsequent events through January 29, 2020, the date the consolidated financial statements were available to be issued.

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

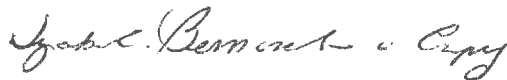
388 Market Street, Suite 888
San Francisco, California 94111

TEL: (415) 896-5551
FAX: (415) 896-0584

**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, 2019 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
January 29, 2020

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR ALAMEDA COUNTY
FOR THE YEAR ENDED JUNE 30, 2019

	Mental Health Services BHSVC 900107 PC 16466	Mental Health Services BHSVC 900107 PC 17294	Mental Health Services ATC BHSVC 900034 PC16389	Mental Health Services ATC BHSVC 900034 PC16734	Total
SUPPORT AND REVENUE					
County of Alameda	\$ 10,537,222	\$ 4,781,263	\$ 160,519	\$ 161,927	\$ 15,640,931
Client/Program participation	1,632	-	-	-	1,632
Other (including Intra-agency transactions)	199,346	496	561,250	66,995	828,087
In-kind revenue	-	-	-	-	-
Total Support and Revenue	10,738,200	4,781,759	721,769	228,922	16,470,650
EXPENSES					
Salaries	4,827,247	2,253,278	336,592	112,197	7,529,314
Employee benefits	1,089,661	426,477	89,233	29,700	1,635,071
Contracted services	523,579	192,928	18,543	5,559	740,609
Supplies	331,262	67,448	41,412	12,740	452,862
Telephone	82,390	24,039	9,966	2,677	119,072
Postage	324	-	-	-	324
Occupancy	1,284,210	363,615	136,375	42,820	1,827,020
Equipment	632,111	263,891	9,687	2,632	908,321
Printing and publication	17,464	5,362	1,793	598	25,217
Recruiting and advertising	22,806	36,711	2,801	797	63,115
Transportation	350,986	77,743	4,688	1,458	434,875
Conferences	39,934	55,846	10,866	1,092	107,738
Client services	830,659	707,885	1,684	90	1,540,318
Insurance	18,239	2,169	5,577	1,619	27,604
Miscellaneous	6,400	1,094	6,787	428	14,709
In-kind expenses	-	-	-	-	-
Other transfers	-	-	-	-	-
Indirect costs	680,590	303,273	45,765	14,515	1,044,143
Total Expenses	10,737,862	4,781,759	721,769	228,922	16,470,312
EXCESS OF REVENUE OVER EXPENSES	\$ 338	\$ -	\$ -	\$ -	\$ 338

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, 2019

	SIL Kennedy Street 90-CHRP-R-047	SIL Railroad Ave. 90-HRL-S-307	2019 Total
SUPPORT AND REVENUE			
Client/Program participation	\$ 22,428	\$ 30,048	\$ 52,476
Miscellaneous (including intra agency transfers)	6,730	14,514	21,244
Total Support and Revenue	<u>29,158</u>	<u>44,562</u>	<u>73,720</u>
EXPENSES			
Contracted services	3,000	3,000	6,000
Supplies	58	-	58
Occupancy	17,315	13,346	30,661
Equipment	580	952	1,532
Insurance	2,004	3,260	5,264
Expenses before Depreciation	<u>22,957</u>	<u>20,558</u>	<u>43,515</u>
Depreciation-building	5,314	7,434	12,748
Depreciation-building Improvements	1,369	6,947	8,316
Total Depreciation	<u>6,683</u>	<u>14,381</u>	<u>21,064</u>
Total Expenses	<u>29,640</u>	<u>34,939</u>	<u>64,579</u>
NET GAIN (LOSS)	\$ <u>(482)</u>	\$ <u>9,623</u>	\$ <u>9,141</u>

See notes to financial statements

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS


388 Market Street, Suite 888
San Francisco, California 94111

TEL: (415) 896-5551
FAX: (415) 896-0584

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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, 2019, and have issued our report thereon dated January 29, 2020, 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 the Uniform Guidance 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
January 29, 2020

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<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 County of Solano Medical Assistance Program	93.778	0394-16	\$ 1,301,145	\$ -	\$ -
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,301,145</u>	<u>-</u>	<u>-</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct program					
Section 8 (Note A)	14.856	121-EH123	214,543	-	-
Pass-Through County of Alameda Housing Authority Lower Income Housing Assistance	14.856	CA39-K067	17,499	-	-
Subtotal Section 8 Project-Based Cluster			<u>232,042</u>	<u>-</u>	<u>-</u>
Direct program					
Lower Income Housing Assistance (Note D)	14.157	121-EH123	146,143	-	-
Pass-Through Community Development Block Grants from:					
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	-	-
Subtotal Community Development Block Grants			<u>29,143</u>	<u>-</u>	<u>-</u>
Pass-Through the County of Alameda Continuum of Care Program	14.267	N/A	1,158,457	-	-
Pass-Through the State of California Supportive Housing Program (Note C)	14.235	N/A	30,930	-	-
Pass-Through the City of Oakland Supportive Housing Program	14.235	N/A	3,033,045	-	385,169
Subtotal Supportive Housing Programs			<u>3,063,975</u>	<u>-</u>	<u>385,169</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>4,629,760</u>	<u>-</u>	<u>385,169</u>
DEPARTMENT OF VETERAN AFFAIRS					
Direct:					
Veterans Medical Health Benefits	64.026	N/A	1,080	-	-
TOTAL DEPARTMENT OF VETERAN AFFAIRS			<u>1,080</u>	<u>-</u>	<u>-</u>
SUBTOTAL EXPENDITURES OF FEDERAL AND COUNTY AWARDS			<u>5,931,985</u>	<u>-</u>	<u>385,169</u>
STATE AWARDS ONLY					
Alameda County Behavioral Health Care Services		N/A	-	16,126,123	-
Alameda County Behavioral Health Care Services		CHFFA	-	1,521,275	-
Solano County Mental Health Services		N/A	-	1,754,398	-
UC San Francisco		N/A	-	103,723	-
SUBTOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>19,505,519</u>	<u>-</u>
COUNTY AWARDS ONLY					
County of Alameda		N/A	-	-	1,384,627
County of Tuolumne		N/A	-	-	36,272
County of Contra Costa		N/A	-	-	204,743
SUBTOTAL EXPENDITURES OF COUNTY AWARDS			<u>-</u>	<u>-</u>	<u>1,625,642</u>
TOTAL EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS			<u>\$ 5,931,985</u>	<u>\$ 19,505,519</u>	<u>\$ 2,010,811</u>

Note A: Outstanding loan balances
Loan funds borrowed in 2019

\$ 214,543

Note B: Outstanding loan balances
Loan funds borrowed in 2019

\$ 27,893

Note C: Outstanding loan balances
Loan funds borrowed in 2019

\$ 30,930

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

\$ -

Note E: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bay Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bay Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Area Community Services, Inc..

Note F: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Bay Area Community Services, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See notes to financial statements

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

Tel. (415) 896-5551
Fax (415) 896-0584

**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, 2019, 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 January 29, 2020.

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.

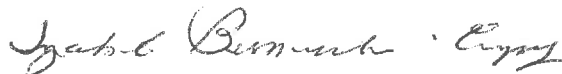
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
January 29, 2020

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

Tel. (415) 896-5551
Fax (415) 896-0584

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2019. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

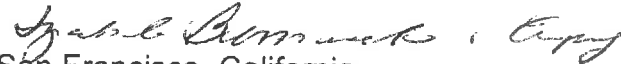
Report on Internal Control Over Compliance

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 *Uniform Guidance*, 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 the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.


San Francisco, California
January 29, 2020

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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. Uniform Guidance Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Program:	14.157 – SUPPORTIVE HOUSING FOR THE ELDERLY 14.238 – SHELTER PLUS CARE
5. Dollar Threshold for Type A Programs	\$750,000
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 the Uniform Guidance	NONE REPORTED

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

There were no findings noted for the year ended June 30, 2018.