

BAY AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

**BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

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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, 2020, 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, 2020, 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, during the year ended June 30, 2020, the Organization adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities*. 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 May 21, 2021, 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.

Prior Period Financial Statements

The financial statements of Bay Area Community Services, Inc. as of June 30, 2019, were audited by Izabal, Bernaciak & Company, who combined with Grant Bennett Associates as of January 1, 2021, and whose report dated January 29, 2020, expressed an unmodified opinion on those statements.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Sacramento, California
May 21, 2021



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Together as One. Grant Bennett Associates is a Member of the Alltott Global Alliance of independent professional firms.

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
AND JUNE 30, 2019

| Assets: | 2020 | 2019 |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 14,509,874 | \$ 2,451,751 |
| Accounts receivable | 176,136 | 693,154 |
| Support receivable - contracts | 7,759,168 | 7,093,803 |
| Prepaid and deposits | 713,243 | 87,499 |
| Property and equipment, net | 21,269,206 | 20,347,302 |
| Contributed real estate | 27,200 | 27,200 |
| Total Assets | \$ 44,454,827 | \$ 30,700,709 |
| Liabilities and Net Assets: | | |
| Accounts payable | \$ 808,233 | \$ 472,033 |
| Accrued liabilities | 3,717,420 | 2,363,465 |
| Client deposits | 46,035 | 71,983 |
| Unearned support | 2,096,702 | 125,383 |
| Short and long term debt | 1,078,227 | 726,662 |
| Loan Payable - PPP Loan | 3,586,616 | - |
| Investment in fixed assets | 5,470,043 | 5,186,060 |
| Total Liabilities | 16,803,276 | 8,945,586 |
| Net Assets | | |
| Without donor restrictions | 15,295,693 | 10,399,752 |
| With donor restrictions | 12,355,858 | 11,355,371 |
| Total Net Assets | 27,651,551 | 21,755,123 |
| Total Liabilities and Net Assets | \$ 44,454,827 | \$ 30,700,709 |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Total |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| PUBLIC SUPPORT AND OTHER REVENUE | | | | |
| Public Support: | | | | |
| Contributions | 530,031 | 202,101 | 732,132 | 453,131 |
| Foundations | 1,129,833 | 8,220,109 | 9,349,942 | 5,728,109 |
| Government contracts | 44,682,562 | - | 44,682,562 | 31,707,623 |
| Total public support | 46,342,426 | 8,422,210 | 54,764,636 | 37,888,863 |
| Other Revenue: | | | | |
| Program service fee | 2,943,745 | - | 2,943,745 | 2,009,037 |
| Interest income | 6,445 | - | 6,445 | 3,176 |
| Miscellaneous | 553,402 | - | 553,402 | 216,578 |
| Other fees | 81,682 | - | 81,682 | 230,725 |
| Total other revenue | 3,585,274 | - | 3,585,274 | 2,459,516 |
| Net assets released from restrictions | 7,421,723 | (7,421,723) | - | - |
| TOTAL PUBLIC SUPPORT AND REVENUE | 57,349,423 | 1,000,487 | 58,349,910 | 40,348,379 |
| EXPENSES | | | | |
| Program services | 46,918,145 | - | 46,918,145 | 34,917,876 |
| Supportive services: | | | | |
| Management and general | 5,467,495 | - | 5,467,495 | 2,180,186 |
| Fundraising | 67,842 | - | 67,842 | 56,248 |
| TOTAL EXPENSES | 52,453,482 | - | 52,453,482 | 37,154,310 |
| CHANGE IN NET ASSETS | 4,895,941 | 1,000,487 | 5,896,428 | 3,194,069 |
| NET ASSETS, beginning of year | 10,399,752 | 11,355,371 | 21,755,123 | 18,561,054 |
| NET ASSETS, end of year | 15,295,693 | 12,355,858 | 27,651,551 | 21,755,123 |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

| | Program Services | | | | Supportive Services | | 2020 Total Expenses | 2019 Total Expenses |
|---------------------------------------|----------------------|-------------------|----------------------|----------------------|------------------------------|------------------|---------------------------|---------------------------|
| | Mental Health | Older Adults | Housing | Total Programs | Management and General | Fundraising | | |
| EXPENSES: | | | | | | | | |
| Salaries | \$ 13,401,369 | \$ 177,769 | \$ 5,316,993 | \$ 18,896,131 | \$ 2,304,179 | \$ 43,408 | \$ 21,243,718 | \$ 13,571,452 |
| Employee benefits | 1,635,747 | 66,986 | 698,331 | 2,401,064 | 288,987 | 2,011 | 2,692,062 | 1,896,307 |
| Payroll taxes | 1,095,175 | 16,383 | 435,460 | 1,547,018 | 171,462 | 3,643 | 1,722,123 | 1,092,919 |
| Contracted services | 1,394,840 | 4,450 | 424,697 | 1,823,987 | 377,792 | 9,852 | 2,211,631 | 1,603,300 |
| Supplies | 645,096 | 22,070 | 799,116 | 1,466,282 | 233,381 | 232 | 1,699,895 | 1,000,499 |
| Telephone | 154,170 | 3,039 | 62,230 | 219,439 | 143,054 | 1,200 | 363,693 | 207,541 |
| Postage | - | - | - | - | - | - | - | 2,114 |
| Occupancy | 1,529,969 | 7,969 | 2,448,270 | 3,986,208 | 371,529 | 3,000 | 4,360,737 | 4,943,060 |
| Equipment | 466,256 | 604 | 349,218 | 816,078 | 1,087,984 | - | 1,904,062 | 1,381,471 |
| Printing and publications | 17,967 | 141 | 14,817 | 32,925 | 131,228 | 3,935 | 168,088 | 144,359 |
| Transportation | 493,723 | 9,388 | 98,570 | 601,681 | 129,109 | - | 730,790 | 617,971 |
| Conferences | 69,436 | 1,829 | 21,628 | 92,893 | 106,480 | 119 | 199,492 | 189,052 |
| Client services | 2,742,126 | 1,330 | 11,718,913 | 14,462,369 | 22,044 | - | 14,484,413 | 9,835,134 |
| Insurance | 30,806 | 382 | 47,342 | 78,530 | 35,473 | 442 | 114,445 | 88,624 |
| Interest | 300 | - | - | 300 | 1,184 | - | 1,484 | 17,878 |
| Miscellaneous | 56,092 | 228 | 16,579 | 72,899 | 63,609 | - | 136,508 | 124,939 |
| Total Expenses Before Depreciation | 23,733,072 | 312,568 | 22,452,164 | 46,497,804 | 5,467,495 | 67,842 | 52,033,141 | 36,716,620 |
| Depreciation Expense | 115,083 | - | 305,258 | 420,341 | - | - | 420,341 | 437,690 |
| TOTAL FUNCTIONAL EXPENSES | \$ 23,848,155 | \$ 312,568 | \$ 22,757,422 | \$ 46,918,145 | \$ 5,467,495 | \$ 67,842 | \$ 52,453,482 | \$ 37,154,310 |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
AND JUNE 30, 2019

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 5,896,428 | \$ 3,194,069 |
| <i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i> | | |
| Depreciation | 420,341 | 437,690 |
| Decrease (increase) in: | | |
| Accounts and contracts receivable | (148,347) | (3,472,181) |
| Prepaid and deposits | (625,744) | (1,531) |
| Increase (decrease) in: | | |
| Accounts payable | 336,200 | 90,005 |
| Accrued liabilities and client deposits | 1,328,007 | 589,915 |
| Unearned support | 1,971,319 | (177,628) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>9,178,204</u> | <u>660,339</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in Fixed Assets | 283,983 | 1,521,275 |
| Purchase of property and equipment | (1,342,245) | (3,092,223) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>(1,058,262)</u> | <u>(1,570,948)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term borrowings | (248,435) | (31,613) |
| Proceeds from long-term borrowings | 600,000 | - |
| Proceeds from PPP Loan | 3,586,616 | - |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>3,938,181</u> | <u>(31,613)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 12,058,123 | (942,222) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>2,451,751</u> | <u>3,393,973</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 14,509,874</u></u> | <u><u>\$ 2,451,751</u></u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid during the year for interest and mortgage interest | <u><u>\$ 128,313</u></u> | <u><u>\$ 38,709</u></u> |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1: GENERAL

Bay Area Community Services, Inc. (BACS) is a not-for-profit corporation organized to provide a variety of behavioral health, housing, 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:

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.

COVID-19 Shelter in Place (SIP) Homeless Respite – in response to the global COVID-19 pandemic, various Shelter In Place (SIP) program sites were operated on a time-limited and as-needed basis to reduce the spread of the Coronavirus and address the needs of vulnerable populations. Sites were located in Contra Costa and San Francisco counties.

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. Located in Hayward, Oakland, Vallejo, and Concord.

Emergency Rental Assistance and Homeowner Relief – provides fast and direct financial assistance to individuals and families in the wake of the coronavirus pandemic. Provides short-term financial assistance and addresses needs of those impacted by the COVID-19 pandemic who are facing a crisis in which could result in a loss of housing.

Forensic Re-Entry and Empowerment (FREE) Program – provides case and care management for individuals with severe mental illness who are re-entering the community from jail/prison. Program ended as of June 30, 2020.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. Program closed as of June 30, 2020.

Homelessness Prevention through Keep Everyone Housed and Keep Oakland Housed – provides emergency financial assistance, housing problem solving and supportive services, and landlord/tenant relationship support for people currently housed but at-risk of losing their housing. Program is funded by the San Francisco Foundation, Kaiser Permanente, Crankstart, and other private funders, as well as the City of Emeryville and the City of Hayward.

Housing Fast Support Network - provides interim housing and supportive services to single adult homeless individuals at any point in time at the Don Brown Center, Henry J. Robinson Multi-Service Center, and the Holland Hotel. The Henry J. Robinson and Holland programs are partially 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. The Don Brown program is funded in partnership with Contra Costa Behavioral Health.

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 Navigation Centers are located in Hayward and Fremont.

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. Housing Resource Centers are located in Oakland and Berkeley, and funded in partnerships with the City of Oakland, City of Berkeley and Alameda County.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1: GENERAL (Continued)

IPS Supported Employment - Supported employment services based in the Individualized Placement and Support (IPS) evidence-based model, supporting people with complex needs, behavioral health challenges, co-occurring disorders, and/or who are experiencing homelessness to find and maintain competitive, satisfying employment. Program funded by Alameda County Behavioral Health.

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.

Medical Respite and Recuperative Care Programs – provides an opportunity for homeless and housing insecure populations to recuperate from illness or injury in a clean and safe setting after being discharged from hospital care. Programs are located in Alameda and San Mateo Counties. Solano County Respite program closed in February 2020.

Re-Entry Treatment Team - provides integrated, comprehensive support including mental health services, substance use services, and housing support services with the goal of reducing the recidivism of justice-involved adults who are experiencing mental health issues and/or substance use issues. Funded by Alameda County Behavioral Health.

Success at Generating Empowerment Program (SAGE) - 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 and by contributions from individuals, community organizations and foundations.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1: GENERAL (Concluded)

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

During fiscal year 2020, BACS adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact the Organization's financial statements.

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.

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.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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, 2020 and 2019, were 11.61% and 6.77%, respectively.

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.

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, 2019 from which the comparative information was extracted.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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>2020 Net</u> | <u>2019 Net</u> |
|--------------------------|----------------------|-------------------------------------|----------------------|----------------------|
| Land | \$ 5,128,182 | \$ 0 | \$ 5,128,182 | \$ 4,804,758 |
| Buildings | 13,448,306 | 3,723,002 | 9,725,304 | 9,386,540 |
| Improvements | 7,623,682 | 1,252,326 | 6,371,356 | 6,156,000 |
| Vehicles | 52,169 | 7,805 | 44,364 | 0 |
| Equipment & Furniture | 131,129 | 131,129 | 0 | 4 |
| Total | <u>\$ 26,383,468</u> | <u>\$ 5,114,262</u> | <u>\$ 21,269,206</u> | <u>\$ 20,347,302</u> |

Depreciation expense for the years ended June 30, 2020 and 2019 was \$420,341 and \$437,690 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> | |
| 2021 | \$ 214,588 |
| 2022 | 134,992 |
| 2023 | 139,120 |
| 2024 | 16,800 |
| Total | <u>\$ 505,500</u> |

Rent expense for the years ended June 30, 2020 and 2019 was \$219,610 and \$83,399 respectively for non-cancelable operating leases.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6: SHORT AND LONG-TERM DEBT

Mortgages Payable and Notes Payable at June 30, 2020, consisted of the following:

Mortgages Payable:

| | |
|---|-----------|
| 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 - 79 th Avenue property, with monthly principal and interest payments of \$3,935. Due Date 05/01/25. | 185,976 |
|--|---------|

| | |
|--|--------|
| 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 |
|--|--------|

| | |
|---|--------------|
| Bank loan at an interest rate of 6% secured by the property at 590 B Street with Principal and interest payments of \$3,898. Due date 8/1/2029. | 591,321 |
| Total Mortgages Payable | \$ 1,068,227 |

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. | \$ 10,000 |
| Total Notes Payable | \$ 10,000 |

| | |
|-----------------------------------|--------------|
| Total Mortgages and Notes Payable | \$ 1,078,227 |
|-----------------------------------|--------------|

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 2020 and 2019, interest expense on these notes were \$136,523 and \$38,709, 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>2020</u> |
|-----------------------------|---------------------|
| 2020 | \$ 0 |
| 2021 | 73,871 |
| 2022 | 46,680 |
| 2023 | 50,757 |
| 2024 | 55,200 |
| 2025 | 56,098 |
| Thereafter | <u>795,621</u> |
| | 1,078,227 |
| Less: Current Portion | <u>(73,871)</u> |
| Long-term Portion | <u>\$ 1,004,356</u> |

NOTE 7: PPP LOAN PAYABLE

On April 24, 2020, BACS received a loan from WestAmerica Bank (the Borrower) in the aggregate amount of \$3,586,616, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated April 24, 2020 issued by the Borrower, matures on April 24, 2022 and bears interest at a rate of 1% per annum. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

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, 2020 was 6.75%. The line of credit matures on February 28, 2021. The outstanding balance as of June 30, 2020 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, 2020 was 7.25%. The line of credit matures on February 28, 2021. The outstanding balance as of June 30, 2020 was \$0.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2020 | 2019 |
|--|---------------|---------------|
| Towne House Wellness Centers | \$ 51,637 | \$ 36,800 |
| Hedco Wellness Center | 200 | 0 |
| Valley Wellness Center | 13,444 | 13,444 |
| South County Wellness | 1,500 | 1,500 |
| Housing Funds - SF Foundation | 1,296,758 | 240,773 |
| Housing Project Funds | 180,533 | 152,471 |
| Housing Funds - Kaiser Foundation | 1,132,756 | 1,440,383 |
| Hayward Housing Prevention | 256 | 0 |
| Emeryville Housing Prevention | 10,407 | 0 |
| Richmond Contra Costa Homeless | 197,917 | 0 |
| Hayward Navigation Center | 450 | 0 |
| Fairfield Property - Solano County (Note 14) | 720,000 | 720,000 |
| Adolescent Treatment Center (Note 14) | 8,750,000 | 8,750,000 |
| Total | \$ 12,355,858 | \$ 11,355,371 |

Net assets of \$7,421,723 and \$4,525,496 were released from donor restrictions during the year of 2020 and 2019, respectively by incurring expenses satisfying the restricted purposes as follows:

| | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| Supported Independent Living Programs | \$ 0 | \$ 500 |
| Towne House Wellness Centers | 2,714 | 0 |
| Reentry Prop 47 | 10,630 | 0 |
| Housing SF Foundation | 919,915 | 1,382,539 |
| Housing Fast Support & Project Funds | 0 | 3,433 |
| Housing -The Holland | 132,609 | 132,609 |
| Housing - Kaiser Foundation | 6,307,627 | 2,582,617 |
| Housing - Berkeley Stair | 807 | 25,100 |
| ADC - Oakland | 400 | 43,833 |
| Housing - Outdoor Navigation | 0 | 5,000 |
| ADC - Fremont | 0 | 5,689 |
| Adolescent Treatment Center | 0 | 344,176 |
| North County HRC | 500 | 0 |
| Don Brown Shelter | 1,000 | 0 |
| Housing Prop 47 | 1,589 | 0 |
| Richmond Contra Costa Homeless | 2,083 | 0 |
| Housing Project Fund | 36,849 | 0 |
| Livermore Housing | 5,000 | 0 |
| Total | \$ 7,421,723 | \$ 4,525,496 |

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 | \$ 14,509,874 |
| Accounts Receivable | 176,136 |
| Support receivable - contracts | <u>7,759,168</u> |
| Total Financial Assets | <u>22,445,178</u> |

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

| | |
|--|---------------------|
| Cash restricted by donor for specific uses | <u>(12,355,858)</u> |
|--|---------------------|

| | |
|--|----------------------|
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 10,089,320</u> |
|--|----------------------|

BACS has \$10,089,320 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$2,154,016. 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 \$8,740,000. 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, 2020 and 2019, BACS uninsured cash balances before reconciling items total \$14,251,916 and \$2,197,744, respectively.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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.

Lawsuits

BACS has one pending claim asserted against them by a former employee. It is management's opinion that the outcome of the lawsuit will not have a material adverse effect on the accompanying financial statements.

NOTE 13: CONCENTRATION OF CONTRACT REVENUE

BACS receives approximately 50% of its government contracts revenue from two 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 May 21, 2021, the date the financial statements were available to be issued, and determined to disclose the following subsequent event:

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 15: SUBSEQUENT EVENTS (Concluded)

The spread of coronavirus (COVID-19) around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.



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, 2020 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.

A stylized, handwritten-style signature of "Grant Bennett Associates" in blue ink.

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Sacramento, California
May 21, 2021



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BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR ALAMEDA COUNTY
FOR THE YEAR ENDED JUNE 30, 2020

| | MHS | FSP's | |
|--|----------------------|---------------------|--------------|
| | Mental Health | Full Service | |
| | Services | Partnerships | |
| | BHSVC 900107 | BHSVC 900107 | |
| | PC 18353 | PC 18354 | Total |
| SUPPORT AND REVENUE | | | |
| Contribution | \$ 10,630 | \$ - | \$ 10,630 |
| County of Alameda | 14,434,367 | 8,004,945 | 22,439,312 |
| Total Support and Revenue | 14,444,997 | 8,004,945 | 22,449,942 |
| EXPENSES | | | |
| Salaries | 6,126,871 | 4,250,512 | 10,377,383 |
| Employee benefits | 1,258,529 | 793,798 | 2,052,327 |
| Contracted services | 1,022,407 | 180,762 | 1,203,169 |
| Supplies | 408,148 | 23,718 | 431,866 |
| Telephone | 92,856 | 25,752 | 118,608 |
| Occupancy | 2,106,808 | 221,855 | 2,328,663 |
| Equipment | 378,432 | 6,784 | 385,216 |
| Printing and publication | 5,090 | 3,083 | 8,173 |
| Recruiting and advertising | 7,231 | 960 | 8,191 |
| Transportation | 260,434 | 192,162 | 452,596 |
| Conferences | 41,184 | 13,351 | 54,535 |
| Client services | 1,181,806 | 1,431,429 | 2,613,235 |
| Insurance | 14,914 | 3,567 | 18,481 |
| Miscellaneous | 33,156 | 1,285 | 34,441 |
| Indirect costs | 1,507,131 | 855,927 | 2,363,058 |
| Total Expenses | 14,444,997 | 8,004,945 | 22,449,942 |
| EXCESS OF REVENUE OVER EXPENSES | \$ - | \$ - | \$ - |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR CONTRA COSTA COUNTY
FOR THE YEAR ENDED JUNE 30, 2020

| | 370 Don Brown Shelter Contract 24385 | 390 Neirika CRT Contract 24751 | 380 Nevin CRT Contract 24751 | Total |
|---|---|---|---|------------------|
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 1,000 | \$ - | \$ - | \$ 1,000 |
| County of Contra Costa | 1,014,842 | 1,595,277 | 994,441 | 3,604,560 |
| Rent Revenue | - | - | 189,770 | 189,770 |
| Other (including Intra-agency transactions) | 30,895 | - | - | 30,895 |
| Total Support and Revenue | 1,046,737 | 1,595,277 | 1,184,211 | 3,826,225 |
| EXPENSES | | | | |
| Salaries | 524,358 | 808,977 | 625,766 | 1,959,101 |
| Employee benefits | 133,529 | 153,283 | 134,582 | 421,394 |
| Contracted services | 289 | 173,611 | 17,195 | 191,095 |
| Supplies | 68,041 | 83,966 | 29,673 | 181,680 |
| Telephone | 7,913 | 7,935 | 7,157 | 23,005 |
| Occupancy | 155,706 | 132,135 | 98,783 | 386,624 |
| Equipment | 33,926 | 36,525 | 31,294 | 101,745 |
| Printing and publication | 137 | 33 | 64 | 234 |
| Recruiting and Advertising | 323 | 215 | 318 | 856 |
| Transportation | 6,967 | 1,442 | 1,153 | 9,562 |
| Conferences | 909 | 2,761 | 832 | 4,502 |
| Client services | - | 9 | 1,782 | 1,791 |
| Insurance | 3,086 | 2,977 | 1,872 | 7,935 |
| Miscellaneous | 601 | 52 | 568 | 1,221 |
| Other Agency Transfers | - | 23,080 | 118,864 | 141,944 |
| Indirect costs | 110,952 | 168,276 | 114,308 | 393,536 |
| Total Expenses | 1,046,737 | 1,595,277 | 1,184,211 | 3,826,225 |
| EXCESS OF REVENUE OVER EXPENSES | \$ - | \$ - | \$ - | \$ - |

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR SOLANO COUNTY
FOR THE YEAR ENDED JUNE 30, 2020

| | 302 Mental Health Services Contract 03763-20 Respite Care | 303 Mental Health Services Contract 03763-20 Transitional Housing | 320 Mental Health Services Contract 1-03674-19 Rosewood CRT | 330 Public Health Services Contract 03822-19 Whole Person Care | Total |
|---|---|---|---|--|---------------------|
| SUPPORT AND REVENUE | | | | | |
| County of Solano | \$ 218,681 | \$ 238,462 | \$ 984,040 | \$ 889,683 | \$ 2,330,866 |
| Solano County Room and Board | - | - | 196,194 | - | 196,194 |
| Rent Revenue | - | 21,377 | - | - | 21,377 |
| Other (including Intra-agency transactions) | 19,074 | - | - | - | 19,074 |
| Total Support and Revenue | 237,755 | 259,839 | 1,180,234 | 889,683 | 2,567,511 |
| EXPENSES | | | | | |
| Salaries | 150,837 | 91,692 | 795,812 | 520,599 | 1,558,940 |
| Employee benefits | 37,822 | 24,720 | 190,738 | 132,009 | 385,289 |
| Contracted services | - | - | 720 | 144 | 864 |
| Supplies | 4,179 | 20,139 | 59,961 | 15,314 | 99,593 |
| Telephone | 1,927 | 2,921 | 10,396 | 5,227 | 20,471 |
| Occupancy | 9,254 | 34,878 | 54,986 | 18,165 | 117,283 |
| Equipment | 652 | 1,914 | 10,147 | 509 | 13,222 |
| Printing and publication | - | - | 358 | 157 | 515 |
| Recruiting and Advertising | - | - | 458 | - | 458 |
| Transportation | 1,499 | 996 | 8,076 | 27,521 | 38,092 |
| Conferences | - | - | 9,760 | 1,431 | 11,191 |
| Client services | - | 44,880 | 10,427 | 71,792 | 127,099 |
| Insurance | 1,409 | 2,810 | 2,365 | 892 | 7,476 |
| Miscellaneous | 2 | - | 2,604 | - | 2,606 |
| Other Agency Transfers | - | 8,210 | - | 1,628 | 9,838 |
| Indirect costs | 30,174 | 26,679 | 138,429 | 94,295 | 289,577 |
| Total Expenses | 237,755 | 259,839 | 1,295,237 | 889,683 | 2,682,514 |
| EXCESS OF REVENUE OVER EXPENSES | \$ - | \$ - | \$ (115,003) | \$ - | \$ (115,003) |

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, 2020

| | 260 SIL Kennedy Street 90-CHRP-R-047 | 270 SIL Railroad Ave. 90-HRL-S-307 | Total |
|--|---|---|---------------|
| SUPPORT AND REVENUE | | | |
| Contribution | \$ 5,000 | \$ - | \$ 5,000 |
| Client/Program participation | 22,192 | 31,430 | 53,622 |
| Miscellaneous (including intra agency transfers) | 21,882 | 7,685 | 29,567 |
| Total Support and Revenue | <u>49,074</u> | <u>39,115</u> | <u>88,189</u> |
| EXPENSES | | | |
| Contracted services | 5,135 | 4,093 | 9,228 |
| Supplies | 3,871 | 1,375 | 5,246 |
| Occupancy | 32,240 | 16,252 | 48,492 |
| Equipment | - | 319 | 319 |
| Advertising | - | 17 | 17 |
| Insurance | 1,647 | 2,931 | 4,578 |
| Expenses before Depreciation | <u>42,893</u> | <u>24,987</u> | <u>67,880</u> |
| Depreciation-building | 5,314 | 7,434 | 12,748 |
| Depreciation-building Improvements | 867 | 6,694 | 7,561 |
| Total Depreciation | <u>6,181</u> | <u>14,128</u> | <u>20,309</u> |
| Total Expenses | <u>49,074</u> | <u>39,115</u> | <u>88,189</u> |
| NET GAIN/ (LOSS) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See notes to financial statements

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, 2020, and have issued our report thereon dated May 21, 2021, 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.



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Sacramento, California
May 21, 2021



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BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

| <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> |
|---|----------------------------|---|-----------------------------|---------------------------|----------------------------|
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | | |
| Pass-Through County of Solano Medical Assistance Program | 93.778 | 0394-16 | \$ 1,180,234 | \$ - | \$ - |
| TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>1,180,234</u> | <u>-</u> | <u>-</u> |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | | |
| Direct program Section 8 Loan (Note A) | 14.856 | 121-EH123 | 185,975 | - | - |
| Pass-Through County of Alameda Housing Authority Lower Income Housing Assistance | 14.856 | CA39-K067 | <u>17,506</u> | <u>-</u> | <u>-</u> |
| Subtotal Section 8 Project-Based Cluster | | | 203,481 | - | - |
| Direct program Lower Income Housing Assistance (Note C) | 14.157 | 121-EH123 | 180,134 | - | - |
| Pass-Through Community Development Block Grants from: City of Berkeley | 14.218 | | 248,419 | - | - |
| City of San Leandro | 14.218 | | <u>1,250</u> | <u>-</u> | <u>-</u> |
| Subtotal Community Development Block Grants | | | 249,669 | - | - |
| Pass through Coronavirus Relief funds: City of Hayward | 21.019 | | 195,896 | - | - |
| ADP Federal Cares Act -FLMA | 21.019 | | <u>17,800</u> | <u>-</u> | <u>-</u> |
| | | | 213,696 | - | - |
| Pass through Emergency solution Grants (ESG) City of Berkeley | 14.231 | | 256,621 | - | - |
| Pass-Through the County of Alameda Continuum of Care Program | 14.267 | N/A | 1,594,699 | - | - |
| Pass-Through the State of California Supportive Housing Program (Note B) | 14.235 | Loan | 30,930 | - | - |
| Pass-Through the City of Oakland Supportive Housing Program | 14.235 | N/A | <u>2,047,512</u> | <u>-</u> | <u>-</u> |
| Subtotal Supportive Housing Programs | | | 2,078,442 | - | - |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | <u>4,776,742</u> | <u>-</u> | <u>-</u> |
| SUBTOTAL EXPENDITURES OF FEDERAL AND COUNTY AWARDS | | | <u>5,956,976</u> | <u>-</u> | <u>-</u> |
| <u>STATE AWARDS ONLY</u> | | | | | |
| Alameda County Behavioral Health Care Services | | MHSA | - | 22,439,312 | - |
| Alameda County Behavioral Health Care Services | | Prop 47 | - | 303,226 | - |
| Alameda County Behavioral Health Care Services | | CHFFA | - | 608,000 | - |
| Contra Costa County health Services | | MHSA | - | 3,604,560 | - |
| Solano County Mental Health Services | | MHSA | - | 1,346,826 | - |
| UC San Francisco | | | - | 152,800 | - |
| SUBTOTAL EXPENDITURES OF STATE AWARDS | | | <u>-</u> | <u>28,454,724</u> | <u>-</u> |
| <u>COUNTY AWARDS ONLY</u> | | | | | |
| County of Alameda | | | - | - | 2,988,518 |
| SUBTOTAL EXPENDITURES OF COUNTY AWARDS | | | <u>-</u> | <u>-</u> | <u>2,988,518</u> |
| TOTAL EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS | | | <u>\$ 5,956,976</u> | <u>\$ 28,454,724</u> | <u>\$ 2,988,518</u> |

| | | |
|----------------|-----------------------------|------------|
| Note A: | Outstanding loan balances | \$ 185,975 |
| | Loan funds borrowed in 2020 | \$ - |
| Note B: | Outstanding loan balances | \$ 30,930 |
| | Loan funds borrowed in 2020 | \$ - |

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

Note D: **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, 2020. 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 E: **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.

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, 2020, 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 May 21, 2021.

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.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Sacramento, California
May 21, 2021



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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.

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, 2020. 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, 2020.

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.

Grant Bennett Associates

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Sacramento, California
May 21, 2021



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BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | |
|---|--|
| 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: | 14.218 – COMMUNITY DEVELOPMENT BLOCK GRANT 14.235 – SUPPORTIVE HOUSING PROGRAM |
| 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, 2020

There were no findings noted for the year ended June 30, 2019.