

**BAY AREA COMMUNITY SERVICES, INC.**

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**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

**BAY AREA COMMUNITY SERVICES, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

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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, 2018, 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**

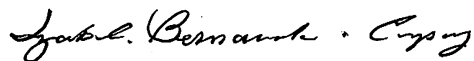
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Community Services, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, 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 2017 consolidated financial statements, and our report dated February 22, 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, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it was derived.



San Francisco, California  
December 19, 2018

**BAY AREA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

<b>Assets:</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
Cash and cash equivalents	\$ 3,393,973	\$ 1,333,055
Accounts receivable	366,366	376,072
Support receivable - contracts	3,948,410	4,244,780
Prepaid and deposits	85,968	71,326
Property and equipment, net	17,692,769	8,471,393
Contributed real estate	<u>27,200</u>	<u>27,200</u>
<b>Total Assets</b>	<u><u>\$ 25,514,686</u></u>	<u><u>\$ 14,523,826</u></u>
 <b>Liabilities and Net Assets:</b>		
Line of Credit	\$ -	\$ 600,000
Accounts payable	382,028	580,542
Accrued liabilities	1,807,088	1,179,969
Client deposits	38,445	46,735
Unearned support	303,011	192,274
Short and long term debt	758,275	2,196,339
Investment in Fixed Assets	<u>3,664,785</u>	<u>2,781,074</u>
<b>Total Liabilities</b>	<u>6,953,632</u>	<u>7,576,933</u>
 <b>Net Assets</b>		
Unrestricted	8,552,870	6,118,943
Temporarily restricted	<u>10,008,184</u>	<u>827,950</u>
<b>Total Net Assets</b>	<u>18,561,054</u>	<u>6,946,893</u>
 <b>Total Liabilities and Net Assets</b>	 <u><u>\$ 25,514,686</u></u>	 <u><u>\$ 14,523,826</u></u>

See notes to financial statements

**BAY AREA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b>PUBLIC SUPPORT AND OTHER REVENUE</b>					
Public Support:					
Contributions	\$ 36,769	\$ 606,272	\$ -	\$ 643,041	\$ 100,395
Contributions - Adolescent Treatment Center	-	8,750,000	-	8,750,000	-
Foundations	895,340	-	-	895,340	109,000
Government contracts	20,209,298	-	-	20,209,298	16,644,728
Total public support	<u>21,141,407</u>	<u>9,356,272</u>	<u>-</u>	<u>30,497,679</u>	<u>16,854,123</u>
Other Revenue:					
Program service fee	1,923,464	-	-	1,923,464	1,167,309
Investment/interest income	2,241	-	-	2,241	492
Miscellaneous	62,316	-	-	62,316	405,178
Other fees	616,100	-	-	616,100	9,493
In-kind contributions	232,324	-	-	232,324	427,364
Total other revenue	<u>2,836,445</u>	<u>-</u>	<u>-</u>	<u>2,836,445</u>	<u>2,009,836</u>
Net assets released from restriction	176,038	(176,038)	-	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>24,153,890</u>	<u>9,180,234</u>	<u>-</u>	<u>33,334,124</u>	<u>18,863,959</u>
<b>EXPENSES</b>					
Program services	20,331,920	-	-	20,331,920	16,058,103
Supportive services:					
Management and general	1,330,609	-	-	1,330,609	1,646,244
Fundraising	57,445	-	-	57,445	44,075
<b>TOTAL EXPENSES</b>	<u>21,719,974</u>	<u>-</u>	<u>-</u>	<u>21,719,974</u>	<u>17,748,422</u>
<b>CHANGE IN NET ASSETS</b>	2,433,916	9,180,234	-	11,614,150	1,115,537
<b>NET ASSETS, beginning of year</b>	6,118,954	827,950	-	6,946,904	5,831,367
<b>NET ASSETS, end of year</b>	<u>\$ 8,552,870</u>	<u>\$ 10,008,184</u>	<u>\$ -</u>	<u>\$ 18,561,054</u>	<u>\$ 6,946,904</u>

See notes to financial statements

**BAY AREA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

	Program Services			Supportive Services		2018 Total Expenses	2017 Total Expenses	
	Mental Health	Older Adults	Housing	Total Programs	Management and General			Fundraising
<b>EXPENSES:</b>								
Salaries	\$ 7,045,079	\$ 417,535	\$ 1,075,643	\$ 8,538,257	\$ 859,116	\$ 29,937	\$ 9,427,310	\$ 6,748,083
Employee benefits	950,217	83,840	146,085	1,180,142	67,670	3,494	1,251,306	908,341
Payroll taxes	580,257	34,640	87,891	702,788	61,056	2,517	766,361	596,277
Contracted services	957,474	72,044	643,313	1,672,831	44,578	7,199	1,724,608	1,388,051
Supplies	285,448	24,859	87,231	397,538	31,491	1,961	430,990	353,736
Telephone	112,609	8,503	18,778	139,890	17,901	-	157,791	127,079
Postage	6,137	112	1,856	8,105	5,108	1,653	14,866	6,681
Occupancy	1,232,214	30,953	1,726,798	2,989,965	100,202	2,763	3,092,930	3,917,611
Equipment	599,515	2,838	187,580	789,933	24,320	-	814,253	660,222
Printing and publications	76,120	7,015	16,491	99,626	17,913	6,622	124,161	105,932
Transportation	293,108	46,451	24,286	363,845	9,911	23	373,779	316,214
Conferences	99,446	6,849	8,066	114,361	33,114	913	148,388	112,938
Client services	1,091,280	248	1,467,770	2,559,298	986	-	2,560,284	1,358,000
Insurance	25,116	1,592	30,707	57,415	19,601	363	77,379	67,797
Interest	73	-	395	468	15,542	-	16,010	23,107
Miscellaneous	10,316	6,269	2,867	19,452	20,917	-	40,369	58,093
Bad Debt Expense	39,124	1,600	13,326	54,050	1,183	-	55,233	325,196
In-kind	-	29,004	203,320	232,324	-	-	232,324	427,364
Total Expenses Before Depreciation	13,403,533	774,352	5,742,403	19,920,288	1,330,609	57,445	21,308,342	17,500,722
Depreciation Expense	105,983	9,697	295,952	411,632	-	-	411,632	247,700
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 13,509,516</b>	<b>\$ 784,049</b>	<b>\$ 6,038,355</b>	<b>\$ 20,331,920</b>	<b>\$ 1,330,609</b>	<b>\$ 57,445</b>	<b>\$ 21,719,974</b>	<b>\$ 17,748,422</b>

See notes to financial statements

**BAY AREA COMMUNITY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 11,614,150	\$ 1,115,537
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	411,632	247,700
Decrease (increase) in:		
Accounts and contracts receivable	306,076	(2,193,072)
Prepaid and deposits	(14,642)	(19,135)
Debt Issuance Costs	-	4,098
Increase (decrease) in:		
Accounts payable	(198,514)	253,020
Accrued liabilities and deposits	618,829	253,040
Unearned support	110,737	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>12,848,268</b>	<b>(338,812)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in Fixed Assets	883,711	2,781,074
Purchase of property and equipment	(9,633,008)	(2,412,437)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(8,749,297)</b>	<b>368,637</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Line of Credit	-	250,000
Repayment of long-term borrowings	(2,038,064)	(55,791)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(2,038,064)</b>	<b>194,209</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,060,907</b>	<b>224,034</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,333,066</b>	<b>1,109,032</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 3,393,973</b>	<b>\$ 1,333,066</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest and mortgage interest	<b>\$ 99,917</b>	<b>\$ 139,109</b>

See notes to financial statements



**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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:

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

Case Management - provides clinical care coordination such as assessment, treatment, and brokerage to numerous community resources to individuals with severe and persistent mental illness throughout Alameda County. Funding is provided by Alameda County.

Supported Independent Living Program - provides transitional housing and supportive services to adults with a variety of challenges enabling them to live independently. Funding is provided by grants, rental fees and service fees. This program includes the activities of East Bay Transitional Homes, Inc. (EBTH) and Bay Area Community Services Housing Corporation (BACSHC), both related legal corporations established by BACS to support housing as well as a Housing and Urban Development (HUD) Section 202 housing project.

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

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

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

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: GENERAL (Continued)**

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

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

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

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

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.

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.

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.

Outdoor Navigation Centers - Sites that provide short-term housing and housing placement services, as well as job support, benefits assistance, and more. We connect with chronically homeless individuals to move them into temporary housing, where we work with them on long-term solutions to break their cycle of homelessness. Funded by City of Oakland.

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1: GENERAL (Concluded)**

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.

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.

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.

Forensic Re-entry Engagement Program - Provides triage and support to adults living with mental illness who are exiting from an incarceration in Alameda County and need support linking to benefits, ongoing care, and other natural community supports.

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.

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

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

Basis of Presentation

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

Cash and Cash Equivalents

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

Grant and Contract Revenue Recognition

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

Revenue Recognition

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

In-Kind Support

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

Additionally, BACS receives some contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying consolidated financial statements (Note 8).

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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, 2018.

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.

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

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, 2018 and 2017, were 10.53% and 12.96%, 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, 2017 from which the comparative information was extracted.

**NOTE 3: PROPERTY AND EQUIPMENT**

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2018 Net</u>	<u>2017 Net</u>
Land	\$ 4,353,258	\$ -	\$ 4,353,258	\$ 1,583,008
Buildings	11,638,383	2,939,283	8,699,101	3,244,080
Improvements	5,818,425	1,178,018	4,640,407	1,479,171
Equipment & Furniture	138,934	138,930	4	408
Total	<u>\$ 21,949,000</u>	<u>\$ 4,256,231</u>	<u>\$ 17,692,769</u>	<u>\$ 6,306,657</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$411,632 and \$247,700 respectively.

**NOTE 4: CONTRIBUTED REAL ESTATE**

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

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 5: SHORT AND LONG-TERM DEBT**

Mortgages Payable and Notes Payable at June 30, 2018, 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-79<sup>th</sup> Avenue property, with monthly Principal and interest payments of \$3,935. Due Date 05/01/25. 240,595

Loan from the City of Oakland, at an interest rate of 3%, secured by the Humphrey Lane – 79<sup>th</sup> 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 installments of \$1,182, secured by the 98<sup>th</sup> Avenue Property. 186,357

Total Mortgages Payable \$ 745,775

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. \$ 12,500

Total Notes Payable \$ 12,500

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

BACS has various notes outstanding, most of which are collateralized by real property. During the fiscal years of 2018 and 2017, interest expense on these notes were \$99,917 and \$139,109, 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>2018</u>	<u>2017</u>
2018	\$ 0	\$ 59,511
2019	31,762	63,776
2020	34,661	68,022
2021	37,673	73,055
2022	40,964	78,255
2023	44,562	0
Thereafter	568,653	1,853,720
	758,275	2,196,339
Less: Current Portion	(31,762)	(59,511)
Long-term Portion	\$ 726,513	\$ 2,136,828

**NOTE 6: LEASE COMMITMENTS**

Operating Leases

BACS is the lessee of certain non-cancelable real properties and equipment. Minimum annual rentals for such leases are as follows:

<u>Year Ending June 30:</u>	
2019	\$ 40,354
2020	34,063
2021	8,049
Total	\$ 82,466

Rent expense for the years ended June 30, 2018 and 2017 was \$80,803 and \$145,881 respectively for non-cancelable operating leases.

**NOTE 7: IN-KIND CONTRIBUTIONS**

BACS's Adult Day Care program received use of space for meal sites and parking for a value of \$29,004 and \$29,004 for 2018 and 2017, respectively. The Henry Robinson Hotel program received meals valued at \$203,320 and \$398,360 for 2018 and 2017.

Volunteer hours were also provided to BACS and were valued at \$844. These services are not recognized in the financial statements.



**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Adolescent Treatment Center	\$ 9,092,978	\$ 0
Supported Independent Living Programs	0	16,008
Towne House Wellness Centers	32,240	29,634
Valley Wellness Center	13,444	11,944
South County Wellness	1,500	1,500
Housing Project Fund	100,000	0
Adult Day Care – Oakland	42,333	42,226
Adult Day Care – Fremont	5,689	5,639
Fairfield Property – Solano County	720,000	720,000
Case Management	0	999
Total	<u>\$ 10,008,184</u>	<u>\$ 827,950</u>

Net assets of \$176,038 and \$115,136 were released from donor restrictions during the year of 2018 and 2017, respectively by incurring expenses satisfying the restricted purposes as follows:

	<u>2018</u>	<u>2017</u>
Adolescent Treatment Center	\$ 89,777	\$ 0
Supported Independent Living Programs	56,383	13,781
Towne House Wellness Centers	8,199	1
Older Adults Program	0	96,984
Housing Fast Support Network	20,100	0
Adult Day Care – Fremont	0	4,369
Case Management	1,579	1
Total	<u>\$ 176,038</u>	<u>\$ 115,136</u>

**NOTE 9: CONTINGENT LIABILITIES**

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

**BAY AREA COMMUNITY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 10: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

BACS maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, BACS uninsured cash balances before reconciling items total \$2,558,795 and \$1,089,384, respectively.

**NOTE 11: CONCENTRATION OF CONTRACT REVENUE**

BACS receives approximately 69% of its government contracts revenue from five contracts with the County of Alameda.

**NOTE 12: 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 and agreed to operate the program known as Adolescent Treatment Center dba Thunder Road at the facility for a period of five (5) years.

**NOTE 13: SUBSEQUENT EVENTS**

BACS is the recipient of a \$1,000,000 grant received August 24, 2018 to prevent evictions and homelessness.

BACS has been awarded four full service partnership contracts through Alameda County Behavioral Health Care Services in FY2019. Contracts commence October 1, 2018.

BACS's management has evaluated its subsequent events through December 19, 2018, the date the consolidated financial statements were available to be issued.

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**INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION**

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

Our report on our audit of the consolidated financial statements of Bay Area Community Services, Inc. for the year ended June 30, 2018 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.

*Isabel Bernaciak & Company*

San Francisco, California  
December 19, 2018

**BAY AREA COMMUNITY SERVICES, INC.**  
**OPERATIONS BY PROCUREMENT CONTRACT FOR ALAMEDA COUNTY**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Mental Health Services BHSVC 900107 PC 15164</b>	<b>Adult Day Care-Oakland SOCSA 900107 PC 15873</b>	<b>Adult Day Care-Fremont SOCSA 900107 PC 15873</b>	<b>Case Management SOCSA 900107 PC 16009</b>	<b>Mental Health Services ATC BHSVC 900107 PC 15119/PC15189</b>	<b>Public Health Department Tobacco Prev. MC 900034</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>							
Federal	\$ -	\$ -	\$ 8,220	\$ -	\$ -	\$ -	\$ 8,220
County of Alameda	10,609,784	77,852	62,850	199,192	972,097	114,964	12,036,739
City of Union City	-	-	10,000	-	-	-	10,000
Client/Program participation	22,473	266,722	204,456	-	131,773	-	625,424
Other (including Intra-agency transactions)	180,261	-	10	6,800	-	-	187,071
In-kind revenue	-	8,004	21,000	-	-	-	29,004
<b>Total Support and Revenue</b>	<b>10,812,518</b>	<b>352,578</b>	<b>306,536</b>	<b>205,992</b>	<b>1,103,870</b>	<b>114,964</b>	<b>12,896,458</b>
<b>EXPENSES</b>							
Salaries	5,018,052	163,592	119,984	133,958	366,426	73,286	5,875,298
Employee benefits	1,058,582	60,046	32,335	26,099	92,915	12,317	1,282,294
Contracted services	775,454	26,304	32,611	13,128	106,286	7,000	960,783
Supplies	176,959	13,844	10,875	140	14,611	1,117	217,546
Telephone	71,319	2,693	3,580	2,230	16,557	840	97,219
Postage	1,199	3	53	56	3,722	52	5,085
Occupancy	844,042	137	36,014	4,500	403,320	3,900	1,291,913
Equipment	534,758	459	2,379	-	31,661	-	569,257
Printing and publication	20,497	2,435	1,023	33	2,942	560	27,490
Recruiting and Advertising	38,111	1,421	1,511	592	4,964	500	47,099
Transportation	212,624	35,345	8,707	2,399	8,801	353	268,229
Conferences	82,573	2,051	3,096	1,702	11,378	50	100,850
Client services	927,478	90	-	159	-	-	927,727
Insurance	19,616	660	660	272	1,303	-	22,511
Miscellaneous	7,880	2,131	5,089	650	1,530	39	17,319
In-kind expenses	-	8,004	21,000	-	-	-	29,004
Other Transfers	-	-	-	-	(70,664)	-	(70,664)
Indirect costs	1,023,374	33,363	27,619	20,074	108,118	14,950	1,227,498
<b>Total Expenses</b>	<b>10,812,518</b>	<b>352,578</b>	<b>306,536</b>	<b>205,992</b>	<b>1,103,870</b>	<b>114,964</b>	<b>12,896,458</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2018**

	SIL Kennedy Street 90-CHRP-R-047	SIL Railroad Ave. 90-HRL-S-307	2018 Total
<b>SUPPORT AND REVENUE</b>			
Client/Program participation	\$ 22,475	\$ 30,047	\$ 52,522
Miscellaneous (including intra agency transfers)	31,854	37,745	69,599
<b>Total Support and Revenue</b>	<b>54,329</b>	<b>67,792</b>	<b>122,121</b>
<b>EXPENSES</b>			
Contracted Services	3,000	3,012	6,012
Supplies	536	-	536
Occupancy	-	19,058	39,066
Equipment	20,008	540	540
Insurance	-	2,854	4,596
Miscellaneous	-	20	20
<b>Expenses before Depreciation</b>	<b>25,286</b>	<b>25,484</b>	<b>50,770</b>
Depreciation-Building	5,314	7,434	12,748
Depreciation-Bldg Improvements	1,414	11,494	12,908
Depreciation-Equipment	20	-	-
<b>Total Depreciation</b>	<b>6,748</b>	<b>18,928</b>	<b>25,656</b>
<b>Total Expenses</b>	<b>32,034</b>	<b>44,412</b>	<b>76,446</b>

See notes to financial statements

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**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, 2018, and have issued our report thereon dated December 19, 2018, 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  
December 19, 2018

**BAY AREA COMMUNITY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<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>
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
Pass-Through County of Alameda Senior Grants ADC (Fremont and Oakland)	93.044	PSA0917	\$ 106,047	\$ -	\$ 34,655
Subtotal Aging Cluster			106,047	-	34,655
Pass-Through County of Alameda Care Management	93.041	PSA0917	60,835	-	138,357
Pass-Through County of Solano Medical Assistance Program	93.778	0394-16	309,832	-	-
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>476,714</b>	<b>-</b>	<b>173,012</b>
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>					
Direct program Section 8 (Note A)	14.182	121-EH123	240,595	-	-
Pass-Through County of Alameda Housing Authority Lower Income Housing Assistance	14.856	CA39-K067	17,100	-	-
Subtotal Section 8 Project-Based Cluster			257,695	-	-
Direct program Lower Income Housing Assistance (Note E)	14.157	121-EH123	153,914	-	-
Pass-Through Community Development Block Grants from:					
City of Union City	14.218	B-03-MC-06-0012	10,000	-	-
City of San Leandro	14.218	B-03-MC-06	1,250	-	-
City of Pleasanton (Note B)	14.218	B-03-MC-06	27,893	-	-
Total Community Development Block Grants			39,143	-	-
Pass-Through the County of Alameda Continuum of Care Program	14.267	N/A	813,137	-	-
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	1,774,882	-	257,258
Subtotal Supportive Housing Programs			1,805,812	-	257,258
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>2,256,564</b>	<b>-</b>	<b>257,258</b>
<b><u>DEPARTMENT OF VETERAN AFFAIRS</u></b>					
Direct: Veterans Medical Health Benefits	64.009	N/A	8,220	-	-
<b>SUBTOTAL EXPENDITURES OF FEDERAL AND COUNTY AWARDS</b>			<b>3,554,635</b>	<b>-</b>	<b>430,270</b>
<b><u>STATE AWARDS ONLY</u></b>					
Alameda County Behavioral Health Care Services		N/A	-	11,417,509	-
Alameda County Behavioral Health Care Services		CHFFA	-	849,437	-
Solano County Mental Health Services		N/A	-	2,451,747	-
Solano County Mental Health Services		CHFFA	-	30,224	-
<b>SUBTOTAL EXPENDITURES OF STATE AWARDS</b>			<b>-</b>	<b>14,748,917</b>	<b>-</b>
<b><u>COUNTY AWARDS ONLY</u></b>					
Alameda County Behavioral Health Care Services		N/A			1,002,101
Country of San Mateo					24,226
					1,026,327
<b>TOTAL EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS</b>			<b>\$ 3,554,635</b>	<b>\$ 14,748,917</b>	<b>\$ 1,456,597</b>

<b>Note A:</b> Outstanding loan balances	\$ 240,595
Loan funds borrowed in 2018	\$ -
<b>Note B:</b> Outstanding loan balances	\$ 27,893
Loan funds borrowed in 2018	\$ -
<b>Note C:</b> Outstanding loan balances	\$ 30,930
Loan funds borrowed in 2018	\$ -

**Note E:** 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, 2018. 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.

**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, 2018, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2018.

**Internal Control Over Financial Reporting**

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

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



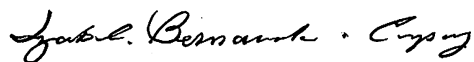
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



San Francisco, California  
December 19, 2018

## **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, 2018. 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, 2018.

## 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  
December 19, 2018

**BAY AREA COMMUNITY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>A. SUMMARY OF AUDITOR'S RESULTS</b>	
<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 Required to be Disclosed by Audit in Accordance with 2 CFR 200.516(a)	NONE REPORTED
4. Major Program:	14.267 – CONTINUUM OF CARE  14.235 – SUPPORTIVE HOUSING PROGRAM  SECTION 8 PROJECT-BASED CLUSTER: 14.182 – SECTION 8 NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION 14.856 – LOWER INCOME HOUSING ASSISTANCE PROGRAM – SECTION 8 MODERATE REHABILITATION  93.778 – MEDICAL ASSISTANCE PROGRAM
5. Dollar Threshold for Type A Programs	\$750,000
6. Auditee Qualification	LOW RISK
<b>B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS</b>	NONE REPORTED
<b>C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in the Uniform Guidance</b>	NONE REPORTED

**BAY AREA COMMUNITY SERVICES, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

There were no findings noted for the year ended June 30, 2017.