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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rubicon Programs Incorporated and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rubicon Programs Incorporated and Affiliates (nonprofit organizations), which comprise the Consolidated Statement of Financial Position as of June 30, 2015, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Rubicon Homes, Inc. for the year ended June 30, 2015, the equity (deficit) in which, as discussed in Note 2 to the consolidated financial statements, is accounted for by the equity method of accounting. At June 30, 2015, the equity in Rubicon Homes, Inc. was a deficit of ($125,201) and the change in net assets was $51,974 for the year then ended. The financial statements of Rubicon Homes, Inc. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rubicon Homes, Inc. is based solely on the report of the other auditors. In addition, we did audit the financial statements of Rubicon Enterprises Incorporated as of and for the year ended June 30, 2015; and in our report dated September 21, 2015 we expressed an unqualified opinion on those financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rubicon Programs Incorporated and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

We have previously audited Rubicon Programs Incorporated and Affiliates’ 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 18, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Harrington Group

San Francisco, California
September 22, 2015
### RUBICON PROGRAMS INCORPORATED AND AFFILIATES

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**June 30, 2015**

*With comparative totals at June 30, 2014*

<table>
<thead>
<tr>
<th>Assets</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 2)</td>
<td>$900,645</td>
<td>$114,637</td>
<td>$1,015,282</td>
<td>$1,809,971</td>
</tr>
<tr>
<td>Accounts receivable - net of allowance of $11,091 (Note 3)</td>
<td>2,921,612</td>
<td>2,921,612</td>
<td>2,262,023</td>
<td>2,262,023</td>
</tr>
<tr>
<td>Pledges receivable (Note 4)</td>
<td>3,400</td>
<td>250,000</td>
<td>253,400</td>
<td>309,300</td>
</tr>
<tr>
<td>Notes and interest receivable (Note 5)</td>
<td>275,925</td>
<td>275,925</td>
<td>117,798</td>
<td>117,798</td>
</tr>
<tr>
<td>Receivable from other related parties</td>
<td>335,735</td>
<td>335,735</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>166,534</td>
<td>166,534</td>
<td>249,824</td>
<td>249,824</td>
</tr>
<tr>
<td>Deposits and other assets</td>
<td>10,792</td>
<td>10,792</td>
<td>1,077,380</td>
<td>1,077,380</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>4,614,643</td>
<td>364,637</td>
<td>4,979,280</td>
<td>5,826,496</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment (Note 7)</td>
<td>4,172,665</td>
<td>4,172,665</td>
<td>9,549,878</td>
<td>9,549,878</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>4,172,665</td>
<td></td>
<td>4,172,665</td>
<td>9,549,878</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$8,787,308</td>
<td>$364,637</td>
<td>$9,151,945</td>
<td>$15,376,083</td>
</tr>
</tbody>
</table>

| Liabilities and net assets | | | | |
| **Current liabilities** | | | | |
| Accounts payable | $718,179 | - | $718,179 | $564,222 |
| Accrued liabilities (Note 8) | 1,388,003 | 1,388,003 | 2,183,390 | 2,183,390 |
| Line of credit (Note 9) | 257,000 | 257,000 | 215,841 | 215,841 |
| Funds held in trust (Note 10) | 222,543 | 222,543 | 246,312 | 246,312 |
| Capital lease obligation - current portion (Note 11) | 59,309 | 59,309 | 44,608 | 44,608 |
| Notes payable - current portion (Note 13) | 280,881 | 280,881 | 632,068 | 632,068 |
| Deficit in partnerships and HUD project (Note 12) | 125,201 | 125,201 | 177,175 | 177,175 |
| **Total current liabilities** | 3,051,116 | - | 3,051,116 | 4,063,616 |
| **Non-current liabilities** | | | | |
| Capital lease obligation (Note 11) | 80,676 | 80,676 | 95,244 | 95,244 |
| Notes payable (Note 13) | 2,901,022 | 2,901,022 | 5,154,172 | 5,154,172 |
| **Total non-current liabilities** | 2,981,698 | - | 2,981,698 | 5,249,416 |
| **Total liabilities** | 6,032,814 | - | 6,032,814 | 9,313,032 |
| **Net assets** | | | | |
| Unrestricted | 1,707,132 | 1,707,132 | 5,374,354 | 5,374,354 |
| Board designated (Note 2) | 1,047,362 | 1,047,362 | 254,459 | 254,459 |
| Temporarily restricted (Note 16) | | | 364,637 | 364,637 |
| **Total net assets** | 2,754,494 | 364,637 | 434,238 | 6,063,051 |
| **Total liabilities and net assets** | $8,787,308 | $364,637 | $9,151,945 | $15,376,083 |

The accompanying notes are an integral part of these consolidated financial statements.
RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
With comparative totals for the year ended June 30, 2014

The accompanying notes are an integral part of these consolidated financial statements.
### Personnel Costs:

<table>
<thead>
<tr>
<th></th>
<th>Mental Health &amp; Wellness</th>
<th>Economic Empowerment</th>
<th>Legal Services</th>
<th>Housing Management</th>
<th>Landscape Services</th>
<th>General and Administration</th>
<th>Fundraising</th>
<th>Total Expenses 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$1,399,981</td>
<td>$3,851,873</td>
<td>$698,699</td>
<td>-</td>
<td>$2,107,208</td>
<td>$1,832,062</td>
<td>$272,619</td>
<td>$10,162,442</td>
<td>$9,488,132</td>
</tr>
<tr>
<td>Employee benefits and payroll taxes</td>
<td>339,495</td>
<td>909,486</td>
<td>124,139</td>
<td>813,671</td>
<td>377,836</td>
<td>47,948</td>
<td>2,612,575</td>
<td>2,754,607</td>
<td></td>
</tr>
<tr>
<td>Total personnel costs</td>
<td>1,739,476</td>
<td>4,761,359</td>
<td>822,838</td>
<td>-</td>
<td>2,920,879</td>
<td>2,209,898</td>
<td>320,567</td>
<td>12,775,017</td>
<td>12,242,739</td>
</tr>
</tbody>
</table>

### Operating Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Mental Health &amp; Wellness</th>
<th>Economic Empowerment</th>
<th>Legal Services</th>
<th>Housing Management</th>
<th>Landscape Services</th>
<th>General and Administration</th>
<th>Fundraising</th>
<th>Total Expenses 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>177,601</td>
<td>488,838</td>
<td>52,837</td>
<td>168,171</td>
<td>186,800</td>
<td>13,526</td>
<td>1,087,773</td>
<td>1,195,066</td>
<td></td>
</tr>
<tr>
<td>Office expenses</td>
<td>137,397</td>
<td>325,051</td>
<td>78,664</td>
<td>305,842</td>
<td>142,327</td>
<td>348,887</td>
<td>1,449,819</td>
<td>1,395,134</td>
<td></td>
</tr>
<tr>
<td>Consultants and subcontractors</td>
<td>2,508</td>
<td>945,202</td>
<td>11,005</td>
<td>27,268</td>
<td>178,257</td>
<td>49,965</td>
<td>1,214,205</td>
<td>1,308,923</td>
<td></td>
</tr>
<tr>
<td>Participant support</td>
<td>33,036</td>
<td>261,867</td>
<td>124</td>
<td>1,878</td>
<td>616</td>
<td>297,521</td>
<td>553,795</td>
<td>604,629</td>
<td></td>
</tr>
<tr>
<td>Product costs</td>
<td></td>
<td></td>
<td></td>
<td>478,777</td>
<td></td>
<td></td>
<td>206,766</td>
<td>223,854</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>206,766</td>
<td>386,350</td>
<td></td>
</tr>
<tr>
<td>Transportation and mileage</td>
<td>59,446</td>
<td>76,295</td>
<td>9,854</td>
<td>256,131</td>
<td>23,405</td>
<td>557</td>
<td>425,688</td>
<td>36,320</td>
<td></td>
</tr>
<tr>
<td>In-kind expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,000</td>
<td>9,320</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>32,235</td>
<td>56,331</td>
<td>17,655</td>
<td>112,728</td>
<td>83,808</td>
<td>68,210</td>
<td>372,613</td>
<td>321,940</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>442,223</td>
<td>2,153,584</td>
<td>159,134</td>
<td>636,341</td>
<td>1,156,482</td>
<td>807,437</td>
<td>190,561</td>
<td>5,545,762</td>
<td>6,139,669</td>
</tr>
<tr>
<td>Indirect expenses</td>
<td>352,623</td>
<td>953,908</td>
<td>172,518</td>
<td>-</td>
<td>528,800</td>
<td>(2,075,079)</td>
<td>67,230</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total 2015 functional expenses</td>
<td>$2,534,322</td>
<td>$7,868,851</td>
<td>$1,154,490</td>
<td>$636,341</td>
<td>$4,606,161</td>
<td>$942,256</td>
<td>$578,358</td>
<td>$18,320,779</td>
<td>$18,382,408</td>
</tr>
<tr>
<td>Total 2014 functional expenses</td>
<td>$3,201,686</td>
<td>$6,731,292</td>
<td>$1,181,871</td>
<td>$1,516,122</td>
<td>$4,500,618</td>
<td>$708,571</td>
<td>$542,248</td>
<td>$18,382,408</td>
<td>$18,382,408</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
With comparative totals for the year ended June 30, 2014

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$755,194</td>
<td>$160,133</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash impact of transfer of assets</td>
<td>(942,975)</td>
<td>(956,755)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>372,613</td>
<td>321,940</td>
</tr>
<tr>
<td>(Gain) loss from investment in partnerships and HUD project</td>
<td>(51,974)</td>
<td>171,012</td>
</tr>
<tr>
<td>Change in allowance for doubtful accounts</td>
<td>(55,762)</td>
<td>(12,122)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) in accounts receivable</td>
<td>(603,827)</td>
<td>(576,980)</td>
</tr>
<tr>
<td>Decrease (increase) in pledges receivable</td>
<td>56,100</td>
<td>(66,500)</td>
</tr>
<tr>
<td>(Increase) decrease in receivable from other related parties</td>
<td>(335,735)</td>
<td>488,273</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses</td>
<td>83,290</td>
<td>(72,996)</td>
</tr>
<tr>
<td>Decrease (increase) in deposits and other assets</td>
<td>1,066,588</td>
<td>50,094</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>153,957</td>
<td>180,515</td>
</tr>
<tr>
<td>(Decrease) increase in accrued liabilities</td>
<td>(795,387)</td>
<td>868,892</td>
</tr>
<tr>
<td>(Decrease) increase in funds held in trust</td>
<td>(23,769)</td>
<td>38,914</td>
</tr>
</tbody>
</table>

Net cash (used) provided by investing activities

(321,687)  494,232

Cash flows from investing activities:

| New proceeds from notes receivable     | (4,000)  | (4,000)  |
| Payments on notes receivables          | 23,208   | 15,160   |
| Purchase of property and equipment     | (333,616) | (374,632) |

Net cash (used) by investing activities

(314,408)  (363,472)

Cash flows from financing activities:

| Payments on line of credit             | (7,627,841) | (87,158) |
| Proceeds from borrowings on line of credit | 7,669,000 | -       |
| Payments on capital lease obligations  | (48,586)   | (10,214) |
| Proceeds from borrowings on notes payable | 156,045   | 255,093  |
| Payments on notes payable              | (307,212)  | (265,575) |

Net cash (used) by financing activities

(158,594)  (107,854)

Net (decrease) increase in cash and cash equivalents

(794,689)  22,906

Cash and cash equivalents, beginning of year

1,809,971  1,787,065

Cash and cash equivalents, end of year

$1,015,282  $1,809,971

Supplemental disclosure:

| Cash paid for interest               | $155,588  | $155,496 |

Non-cash investing and financing activities:

| Acquisition of vehicles with capital lease | $48,719  | $150,066 |

The accompanying notes are an integral part of these consolidated financial statements.
1. **Organization**

A nationally recognized nonprofit, Rubicon Programs Incorporated (“Rubicon”) was founded in 1973. The organization’s mission is to prepare very low-income people to achieve financial independence and to partner with people with mental illness on their journey of recovery. Each year, Rubicon serves more than 3,000 people across Alameda County and Contra Costa County.

People in the East Bay’s hardest hit communities need intensive support and follow-up services to access the jobs and opportunities that will enable them to move and stay out of poverty. Rubicon finds support that’s right for each individual and their family – a personalized, comprehensive set of services that includes job placement, housing, counseling, healthcare, legal services, and financial literacy.

Additionally, Rubicon also offers extensive vocational rehabilitation, job training, and placement opportunities through Rubicon Landscape Services operated by their affiliate, Rubicon Enterprises Incorporated (“REI”).

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Rubicon and its commonly controlled not-for-profit entities (collectively referred to as “the Organization”). A summary of these entities follows:

REI, established in 1995, is a supporting organization of Rubicon and provides employment opportunities, rehabilitation, and training to homeless, disabled, and other disadvantaged residents of the San Francisco Bay Area and Contra Costa County. REI currently operates one enterprise, Rubicon Landscape Services.

Rubicon Villages, Inc. (“RVI”), established in 2001, was a supporting organization of Rubicon that provided affordable housing through a property subleased from Treasure Island Development Authority and rehabilitated in 2002. The property consisted of forty-four residential housing units located at the former Naval Station Treasure Island, San Francisco, California, and was placed in service in March 2003.

As of July 1, 2014, all interests in RVI were transferred to the Community Housing Partnership of San Francisco (see Note 19).
2. **Summary of Significant Accounting Policies**, continued

Rubicon Homes, Inc. ("RHI") is a commonly controlled nonprofit organization which owns and operates a ten-unit apartment building located in Richmond, California ("the Project"). The Project operates under Section 202 of the National Housing Act and is thus subject to compliance with the U.S. Department of Housing and Urban Development ("HUD") regulations regarding their rental rates, tenant eligibility, financial operating requirements, and management of the Project's operations.

Idaho Apartments Housing Corporation ("IAHC") is a general partner with a .01% interest in Idaho Apartments Associates, a limited partnership formed in 1996 to own and operate a twenty-nine-unit multifamily rental project located in El Cerrito, California.

On February 1, 2014 Rubicon was admitted as the limited partner of Idaho Apartments Associates obtaining the 99.99% interest of the partnership. For this reason, these consolidated financial statements combine 100% of the activities in the partnership as of that date.

Church Lane Housing Corporation ("CLHC") is a general partner with a 1% interest in Church Lane–Rubicon Partners, a limited partnership formed in 1995 to own and operate a twenty-two-unit residential apartment complex in San Pablo, California.

On February 1, 2014 Rubicon was admitted as the limited partner of Church Lane–Rubicon Partners obtaining the 99% interest of the partnership. For this reason, these consolidated financial statements combine 100% of the activities in the partnership as of that date (see Note 19).

Effective November 1, 2014, Rubicon transferred all its interests in Idaho Apartments Associates and Church Lane–Rubicon Partners to the Resources for Community Development of Berkeley (see Note 19).

All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

The HUD project with RHI, over which the Organization exercises significant influence, is included in the consolidated financial statements using the equity method of accounting (see Note 18).

**Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the organization are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.
2. Summary of Significant Accounting Policies, continued

Unrestricted – Board designated. These are comprised of resources that the Board of Directors has established as being designated for particular purposes. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2015, with a balance of $1,047,362.

Temporarily Restricted. The organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from program or capital restrictions. The Organization had $364,637 of temporarily restricted net assets at June 30, 2015.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2015.

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in banks and money market fund accounts.

Accounts Receivable

The Organization uses the allowance method in order to reserve for potential uncollectible accounts receivable.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs - quoted prices in active markets for identical assets
- Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs - estimates using the best information available when there is little or no market

continued
2. **Summary of Significant Accounting Policies**, continued

The Organization is required to measure pledges receivable and in-kind contributions at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

**Property and Equipment and Deferred Costs**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

Deferred costs are incurred in order to obtain long-term financing for rental property. The costs are stated at cost and amortized on a straight-line basis.

**Donated Materials**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

For the year ended June 30, 2015, the Organization recorded in-kind material in the amount of $12,600 (see Note 6).

**Income Taxes**

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Rubicon’s returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**Functional Allocation of Expenses**

Costs of providing the Organization’s programs and other activities have been presented in the Consolidated Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses actual salary dollars to allocate indirect costs.
2. Summary of Significant Accounting Policies, continued

Equity (Deficit) in Partnerships and HUD Project

The Organization’s Board of Directors also appoints or has Board representation at a not-for-profit organization that owns and operates an affordable housing rental project under the control of HUD. The equity method of accounting is used to account for the equity (deficit) of the HUD project because significant control rests with HUD (see Note 18) for summarized financial information of the entities accounted for using the equity method herein.

Use of Estimates

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

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended June 30, 2014 from which the summarized information was derived.

3. Accounts Receivable

Accounts receivable at June 30, 2015 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement for contract services and grants</td>
<td>$2,499,152</td>
</tr>
<tr>
<td>Landscape services</td>
<td>294,269</td>
</tr>
<tr>
<td>Other</td>
<td>139,282</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,932,703</strong></td>
</tr>
</tbody>
</table>

Less: allowance for doubtful accounts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Less: allowance for doubtful accounts</strong></td>
<td>(11,091)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,921,612</strong></td>
</tr>
</tbody>
</table>

Management has determined that these receivables are currently collectible within 60 days.
4. **Pledges Receivable**

Pledges receivable are recorded as support when pledged unless designated otherwise and deemed fully collectible. All pledges are valued at estimated fair value at June 30, 2015. Pledges receivable at June 30, 2015 of $253,400 are expected to be collected as follows:

<table>
<thead>
<tr>
<th>Year ended June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$153,400</td>
</tr>
<tr>
<td>2018</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$253,400</strong></td>
</tr>
</tbody>
</table>

The discount on pledges receivable at June 30, 2015 was deemed immaterial to the financial statements. Therefore, none was recorded.

5. **Note and Interest Receivable**

Rubicon provided a loan to Church Lane-Rubicon Partners, a related party (see Note 17), to assist in the development of the Michael E. Farber-Church Lane Apartments. The loan principal amount of $100,000, is secured by the property, bears annual simple interest of 4%, and is due and payable in June 2050. Interest is deferred over the life of the loan. Total deferred interest at June 30, 2015 is $81,335. Therefore the total note receivable at June 30, 2015 is $181,335.

As a result of an equipment purchase agreement, Rubicon has a note receivable with a corporation in the amount of $150,000, bearing annual simple interest of 5% beginning the third year of the loan. The total outstanding amount of the note at June 30, 2015 is $94,590.

6. **Fair Value Measurements**

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges – current year</td>
<td>$-</td>
<td>$-</td>
<td>$253,400</td>
<td>$253,400</td>
</tr>
<tr>
<td>Donated materials</td>
<td></td>
<td>12,600</td>
<td></td>
<td>12,600</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$12,600</td>
<td>$253,400</td>
<td>$266,000</td>
</tr>
</tbody>
</table>

The fair value of donated materials has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledges - current year are measured on a non-recurring basis using the face of the pledge receivable agreement (Level 3 inputs).
7. **Property and Equipment**

Property and equipment at June 30, 2015 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$633,490</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>3,297,756</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>1,180,184</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,541,169</td>
</tr>
<tr>
<td>Vehicles</td>
<td>502,275</td>
</tr>
<tr>
<td>Work in progress</td>
<td>226,020</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$7,380,894</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated depreciation</td>
<td>(3,208,229)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$4,172,665</td>
</tr>
</tbody>
</table>

8. **Accrued Liabilities**

Accrued liabilities at June 30, 2015 consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued vacation</td>
<td>$549,984</td>
</tr>
<tr>
<td>Accrued salaries and payroll taxes</td>
<td>419,488</td>
</tr>
<tr>
<td>Accrued interest (see Note 13)</td>
<td>246,198</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>172,333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,388,003</td>
</tr>
</tbody>
</table>

9. **Line of Credit**

The Organization has a revolving line of credit with a bank in the amount of $1,600,000, with interest at 0.75% over the index, maturing April 30, 2016. Secured by the Organization’s assets, at June 30, 2015, the outstanding balance on the line of credit was $257,000.
10. Funds Held in Trust

The money management trust account was established to provide representative payee services to disabled program participants who need assistance in managing their funds. The Organization facilitates payment of rent and utilities and will set aside money for food and other agreed-upon items. The balance of these funds held in trust at June 30, 2015 was $217,410.

For the Legal Services Center Trust Account, all attorney fees and other payments related to clients are initially deposited to the Legal Services Center Attorney Trust Account. Once fees have been approved by the Social Security Administration, fees are transferred to the operating account. Until fees are approved, the Legal Services Center is required by law to hold the money in the attorney trust account. In addition, all money collected on behalf of, held for, or owing to a client, must be kept on deposit in the trust account until payment is made to the client. The balance of these funds at June 30, 2015 was $5,133.

11. Capital Lease Obligations

The Organization leases vehicles under capital leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 59,309</td>
</tr>
<tr>
<td>2017</td>
<td>59,309</td>
</tr>
<tr>
<td>2018</td>
<td>47,220</td>
</tr>
<tr>
<td>Total</td>
<td>165,838</td>
</tr>
<tr>
<td>Less: portion representing interest</td>
<td>(25,853)</td>
</tr>
<tr>
<td>Total</td>
<td>$139,985</td>
</tr>
<tr>
<td>Less: current portion</td>
<td>(59,309)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 80,676</td>
</tr>
</tbody>
</table>

The cost of vehicles under capital leases at June 30, 2015 consists of the following:

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>$198,786</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(58,801)</td>
</tr>
<tr>
<td>Total</td>
<td>$139,985</td>
</tr>
</tbody>
</table>
12. Equity (Deficit) in Partnerships and HUD Project

The Organization’s financial interests and equity (deficit) in entities are as follows:

<table>
<thead>
<tr>
<th>Percentage of Interest</th>
<th>Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubicon Homes, Inc. (a HUD project)</td>
<td>-</td>
</tr>
</tbody>
</table>

The financial interests in this entity are accounted for under the equity method.

13. Notes Payable

Notes payable at June 30, 2015 consist of the following:

Note payable to Nonprofit Finance Fund for a 7 year loan to renovate and replace roof at the 101 Broadway Street and 2500 Bissell Avenue, secured by a deed of trust against 2500 Bissell Avenue, monthly payments of $12,158, including interest at 6.00%, due April 2020. $ 610,375

Note payable to First Republic Bank for a 10 year business loan, secured by a deed of trust on 171 – 22nd Street, monthly payments of $5,190, including interest at 6.30%, with a final payment of $290,000 due on February 2018. $373,521

Note payable to Bank of America for a 23 year property loan, secured by a deed of Trust on 2500 Bissell Avenue, monthly payments of $5,497, including interest at 8.62%, due June 2020. $269,888

Note payable to the State of California for a 30 year housing loan, secured by a deed of trust on 909 Virginia Street, bearing a 3.00% simple interest, principal and interest due in full in October 2011, extendable. Management is currently in process of renegotiating the terms of the agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process. $185,107
13. **Notes Payable**, continued

Promissory note for an 18 year loan issued to the City of Richmond, for the rehabilitation of the building at 171 – 22nd Street, non-interest bearing, due May 2012, extendable. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process. 129,528

Note payable to Wells Fargo Bank for a 15 year loan to purchase the property at 101 Broadway, secured by real property, monthly payments of $2,330, including interest at 6.95%, due August 2020. 120,883

Note payable to First Republic Bank for a 7 year loan to purchase the finance system, secured by all property assets, monthly payments of $3,522, including interest at 6.00%, due March 2018. 106,074

Promissory note issued to Contra Costa County for a 51 year loan, secured by a deed of trust on the 2555 Church Lane building, bearing a 4.00% simple interest, due June 2050. 100,000

Note payable to Source America for a 5 year loan, unsecured, monthly payments of $5,011 including interest at 1.625%, due January 2020. 90,195

Promissory note issued to the City of Richmond for 20 years to acquire 534 Ohio Avenue, secured by a deed of trust on property, non-interest bearing, due May 2012, extendable. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process. 80,000

Promissory note issued to the City of Richmond, no loan terms specified in the loan agreement. Management is currently in process of renegotiating the terms of the agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process. 67,574
13. **Notes Payable**, continued

Note payable to Source America for a 5 year loan, unsecured, monthly payments of $2,791 including interest at 1.625%, due January 2020. 50,295

**Forgivable loans:**
- Promissory note issued to Contra Costa County for 20 years, to renovate Virginia housing units, secured by a deed of trust against 909 Virginia Street, non-interest bearing, due March 2028, forgiven upon maturity. 564,332
- Promissory note issued to the City of Richmond for a 25 year loan to purchase and rehabilitate the building at 101 Broadway, non-interest bearing, due March 2023, forgivable upon maturity. 255,000
- Promissory note issued to Contra Costa County for 30 years, development loan for the Ohio Avenue building, secured by a deed of trust on the property, bearing a 3.00% simple interest, due May 2044. The maturity date extended to an additional twenty years, forgiven at the expiration of the extended term. 80,000
- Promissory note issued to the City of Richmond for 25 years for improvements to 534 Ohio Avenue and 22nd Street properties, secured by a deed of trust on the Ohio and 22nd Street properties, bearing a 3.00% simple interest, principal and interest due February 2031, forgiven upon maturity. 42,200
- Promissory note issued to the City of Richmond for a 25 year loan for capital improvements to the Bissell and Broadway properties, secured by the Broadway property, bearing a 3.00% simple interest, due February 2031, forgiven upon maturity. 42,000
- Note payable to City of Richmond for 25 year loan for improvements on the Bissell property, secured by a deed of trust on the Bissell property, non-interest bearing, due June 2035, forgiven upon maturity. 14,931

$3,181,903

Less: current portion

(280,881)

$2,901,022

continued
13. **Notes Payable**, continued

The following is the summary of the notes payable:

- Rubicon - conventional: $1,621,231
- Housing notes – forgivable: 941,332
- Housing notes – extendable: 562,209
- Rubicon – forgivable: 57,131

Total: $3,181,903

As of June 30, 2015, total accrued interest related to some of the above notes payable was (see Note 8): $246,198

Maturities for notes payable are as follows:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 280,881</td>
</tr>
<tr>
<td>2017</td>
<td>297,862</td>
</tr>
<tr>
<td>2018</td>
<td>550,087</td>
</tr>
<tr>
<td>2019</td>
<td>245,199</td>
</tr>
<tr>
<td>2020</td>
<td>244,646</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,563,228</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,181,903</strong></td>
</tr>
</tbody>
</table>

14. **Commitments and Contingencies**

**Obligations Under Operating Leases**

The Organization leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$252,454</td>
</tr>
<tr>
<td>2017</td>
<td>254,230</td>
</tr>
<tr>
<td>2018</td>
<td>155,246</td>
</tr>
<tr>
<td>2019</td>
<td>154,584</td>
</tr>
<tr>
<td>2020</td>
<td>76,053</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$892,567</strong></td>
</tr>
</tbody>
</table>

Rent expense under operating leases for the year ended June 30, 2015 was $230,901.
14. Commitments and Contingencies, continued

Contracts

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

15. Concentration of Credit Risks

The Organization places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not incurred losses related to these investments.

Approximately 54% of revenue generated by the Organization at June 30, 2015 was derived from government grants and contracts.

At June 30, 2015, revenues from one landscape customer was approximately 31% of total landscape and maintenance contracts. At June 30, 2015, revenues from this client totaled $1,581,535.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of the following:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Empowerment program</td>
<td>$328,304</td>
</tr>
<tr>
<td>Landscape</td>
<td>27,333</td>
</tr>
<tr>
<td>Other</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$364,637</strong></td>
</tr>
</tbody>
</table>

For the year ended June 30, 2015, the Organization received restricted contributions in the amount of $608,529 and released net assets of $678,129, of which $368,629 from purpose restrictions and $309,500 from time restriction.
17. Related Party Transactions

Rubicon has a note and interest receivable from Church Lane - Rubicon Partners, a related party, (see Note 5) in the amount of $181,335 ($100,000 representing the principal and $81,335 of accumulated interest).

Rubicon has accounts receivable from Church Lane Housing Corporation, a related party, in the amount of $241,010.

18. Summary of Financial Information of Investee

Organization (HUD Project)

The following is a summary of the financial information of the HUD project as of June 30, 2015:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$578,181</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$828,677</td>
</tr>
<tr>
<td>Net assets (deficit)</td>
<td>$(249,496)</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$51,974</td>
</tr>
</tbody>
</table>

19. Transfer of Net Assets

As of July 1, 2014, all interests in the property known as RVI were transferred to the Community Housing Partnership of San Francisco (“CHP”). For this reason, the Organization is required to release all the assets and the liabilities of the partnership as of that date. No consideration was given as part of this transfer.

Effective November 1, 2014, Rubicon transferred all its interests in the partnership known as Idaho Apartments Associates (“IAA”) to the Resources for Community Development of Berkeley (“RCD”). For this reason, Rubicon is required to release the assets and the liabilities of the partnership as of that date. No consideration was given as part of this transfer.

On November 1, 2014 Rubicon transferred all its interests in the partnership known as Church Lane–Rubicon Partners (“CLRP”) to RCD. For this reason, Rubicon is required to release the assets and liabilities of the partnership as of that date. No consideration was given as part of this admission.
19. **Transfer of Net Assets**, continued

The following net assets were transferred by Rubicon:

<table>
<thead>
<tr>
<th></th>
<th>RVI to CHP</th>
<th>IAA to RCD</th>
<th>CRLP to RCD</th>
<th>Total Transferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$634,138</td>
<td>$35,533</td>
<td>$5,892</td>
<td>$675,563</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>31,002</td>
<td>1,271</td>
<td>8,073</td>
<td>40,346</td>
</tr>
<tr>
<td>Deposits and other assets</td>
<td>775,029</td>
<td>223,158</td>
<td>73,594</td>
<td>1,071,781</td>
</tr>
<tr>
<td>Payable from affiliate</td>
<td>-</td>
<td>42,588</td>
<td>-</td>
<td>42,588</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>1,066,260</td>
<td>2,525,570</td>
<td>1,794,814</td>
<td>5,386,644</td>
</tr>
<tr>
<td>Account payable</td>
<td>(28,823)</td>
<td>(11,651)</td>
<td>(11,111)</td>
<td>(51,585)</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>(63,339)</td>
<td>(474,392)</td>
<td>(252,420)</td>
<td>(790,151)</td>
</tr>
<tr>
<td>Payable to affiliate</td>
<td>-</td>
<td>-</td>
<td>(122,902)</td>
<td>(122,902)</td>
</tr>
<tr>
<td>Notes payable</td>
<td>(66,007)</td>
<td>(1,407,528)</td>
<td>(1,079,635)</td>
<td>(2,553,170)</td>
</tr>
<tr>
<td>Net assets transferred</td>
<td>$2,348,260</td>
<td>$934,549</td>
<td>$416,305</td>
<td>$3,699,114</td>
</tr>
</tbody>
</table>

20. **Subsequent Event**

In the fiscal year 2015, Rubicon undertook a thoughtful, comprehensive process to determine how it can achieve the greatest social impact. This strategic plan was approved by the Board of Directors in February 2015. Rubicon began to implement this strategic plan in the fiscal year 2016. In line with the implementation of the plan, Rubicon has divested of certain contracts by electing not to renew them. Additionally, during its meeting of August 2015, the Board approved staff's recommendation to discontinue the Legal Services’ Social Security Advocacy Program. The recommendation was based on the program’s financial performance, along with the program not fitting within Rubicon’s mission and external factors which have significantly changed the landscape of the Social Security disability law practice. No adjustments were made during the fiscal year ended June 30, 2015 as part of this transactions.