

## **Rubicon Programs Incorporated and Affiliates**

Consolidated Financial Statements and  
Single Audit Reports and Schedules

June 30, 2017  
(With Comparative Totals for 2016)





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rubicon Programs Incorporated and Affiliates  
Richmond, California

We have audited the accompanying consolidated financial statements of Rubicon Programs Incorporated and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, 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.

### **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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 auditor's 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 auditor considers 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.

### **Opinion**

In our opinion, 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, 2017, 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**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 21 - 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

## **Adjustments to Prior Period Financial Statements**

The consolidated financial statements of Rubicon Programs Incorporated and Affiliates as of June 30, 2016, were audited by other auditors whose report dated November 16, 2016, expressed an unmodified opinion on those statements. As discussed in Note 1, the Organization has restated its 2016 consolidated financial statements during the current year to consolidate Rubicon Homes. The other auditors reported on the 2016 financial statements before the restatement.

As part of our audit of the 2017 consolidated financial statements, we also audited adjustments described in Note 1 that were applied to restate the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 consolidated financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements as a whole.



Armanino<sup>LLP</sup>  
San Francisco, California

November 27, 2017



Rubicon Programs Incorporated and Affiliates  
Consolidated Statement of Financial Position  
June 30, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,283,597	\$ 1,263,869
Accounts receivable, net (Note 3)	2,975,274	3,274,176
Pledges receivable (Note 4)	835,773	322,000
Notes receivable (Note 5)	63,202	76,405
Receivables from related parties	-	138,443
Prepaid expenses	237,567	477,459
Deposits and other assets	<u>309,528</u>	<u>17,377</u>
Total current assets	<u>5,704,941</u>	<u>5,569,729</u>
Non-current assets		
Pledges receivable, net of current portion	100,000	-
Property and equipment, net (Note 6)	<u>4,141,549</u>	<u>4,330,364</u>
Total non-current assets	<u>4,241,549</u>	<u>4,330,364</u>
Total assets	<u>\$ 9,946,490</u>	<u>\$ 9,900,093</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 744,613	\$ 755,338
Accrued liabilities (Note 7)	1,219,143	1,339,421
Other current liabilities	26,445	17,642
Capital lease obligation (Note 8)	133,387	130,189
Notes payable (Note 10)	<u>377,942</u>	<u>365,724</u>
Total current liabilities	<u>2,501,530</u>	<u>2,608,314</u>
Long-term liabilities		
Notes payable, net of current portion (Note 10)	2,554,487	2,935,132
Capital lease obligation, net of current portion (Note 8)	<u>198,165</u>	<u>183,874</u>
Total long-term liabilities	<u>2,752,652</u>	<u>3,119,006</u>
Total liabilities	<u>5,254,182</u>	<u>5,727,320</u>
Net assets		
Unrestricted	3,110,321	3,373,065
Temporarily restricted (Note 15)	<u>1,581,987</u>	<u>799,708</u>
Total net assets	<u>4,692,308</u>	<u>4,172,773</u>
Total liabilities and net assets	<u>\$ 9,946,490</u>	<u>\$ 9,900,093</u>

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, 2017  
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues, gains and other support				
Program service contracts and grants	\$ 8,447,619	\$ -	\$ 8,447,619	\$ 10,287,375
Landscape services	6,860,209	-	6,860,209	6,164,527
Grants and contributions	1,699,300	1,652,200	3,351,500	2,442,874
Other income	149,611	-	149,611	494,159
Legal service center	-	-	-	318,844
In-kind contributions	3,100	-	3,100	-
Net assets released from restriction	<u>869,921</u>	<u>(869,921)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>18,029,760</u>	<u>782,279</u>	<u>18,812,039</u>	<u>19,707,779</u>
Functional expenses				
Program services	<u>15,830,610</u>	<u>-</u>	<u>15,830,610</u>	<u>16,648,134</u>
Support services				
Management and general	1,815,146	-	1,815,146	1,312,562
Fundraising	<u>646,748</u>	<u>-</u>	<u>646,748</u>	<u>569,146</u>
Total support services	<u>2,461,894</u>	<u>-</u>	<u>2,461,894</u>	<u>1,881,708</u>
Total functional expenses	<u>18,292,504</u>	<u>-</u>	<u>18,292,504</u>	<u>18,529,842</u>
Change in net assets	(262,744)	782,279	519,535	1,177,937
Net assets, beginning of year	<u>3,373,065</u>	<u>799,708</u>	<u>4,172,773</u>	<u>2,994,836</u>
Net assets, end of year	<u>\$ 3,110,321</u>	<u>\$ 1,581,987</u>	<u>\$ 4,692,308</u>	<u>\$ 4,172,773</u>

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



Rubicon Programs Incorporated and Affiliates  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2017  
(With Comparative Totals for 2016)

		Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	2017 Total	2016 Total
Personnel expenses						
Salaries	\$ 7,042,425	\$ 2,032,206	\$ 337,868	\$ 2,370,074	\$ 9,412,499	\$ 10,097,383
Employee benefits and payroll taxes	1,926,855	355,703	49,562	405,265	2,332,120	2,459,935
Total personnel expenses	<u>8,969,280</u>	<u>2,387,909</u>	<u>387,430</u>	<u>2,775,339</u>	<u>11,744,619</u>	<u>12,557,318</u>
Occupancy	704,038	205,383	16,553	221,936	925,974	1,074,946
Consultants and professional services	1,726,042	209,629	33,360	242,989	1,969,031	1,056,163
Landscape operations	981,321	-	-	-	981,321	913,178
Office expenses	424,226	323,919	36,840	360,759	784,985	826,316
Transportation and travel	573,400	27,981	243	28,224	601,624	485,637
Depreciation and amortization	408,039	86,076	4,077	90,153	498,192	426,460
Program and participant support	198,818	3,343	1,087	4,430	203,248	306,632
Other staff costs	105,432	104,271	1,333	105,604	211,036	237,433
Housing operations	192,880	-	-	-	192,880	306,231
Events and marketing	32,540	40,923	64,949	105,872	138,412	173,131
Bad debts	-	-	-	-	-	100,000
Miscellaneous non-operating expenses	15,622	22,460	-	22,460	38,082	66,397
In-kind expenses	-	-	3,100	3,100	3,100	-
Indirect expenses	<u>1,498,972</u>	<u>(1,596,748)</u>	<u>97,776</u>	<u>(1,498,972)</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,830,610</u>	<u>\$ 1,815,146</u>	<u>\$ 646,748</u>	<u>\$ 2,461,894</u>	<u>\$ 18,292,504</u>	<u>\$ 18,529,842</u>

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, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 519,535	\$ 1,177,937
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	498,192	426,620
Forgiveness of debt	-	(229,500)
Receivables forgiven	-	185,335
Gain on sale of fixed assets	-	(21,071)
Change in allowance for doubtful accounts	-	(3,704)
Changes in operating assets and liabilities		
Accounts receivable	298,902	(348,284)
Pledges receivable	(613,773)	(68,600)
Receivables from related parties	138,443	197,292
Prepaid expenses	239,892	(81,012)
Accounts payable	(10,725)	30,107
Accrued liabilities	(120,278)	(52,836)
Funds held in trust	8,803	(204,398)
Deposits and other assets	(294,145)	(35,374)
Net cash provided by operating activities	<u>664,846</u>	<u>972,512</u>
Cash flows from investing activities		
Advances on notes receivable	-	(4,000)
Payments received on notes receivables	13,203	18,186
Proceeds from sale of real property	-	279,422
Purchase of property and equipment	(173,788)	(601,808)
Net cash used in investing activities	<u>(160,585)</u>	<u>(308,200)</u>
Cash flows from financing activities		
Payments on line of credit	(3,970,000)	(7,660,990)
Proceeds from borrowings on line of credit	3,970,000	7,403,990
Payments on capital lease obligations	(117,940)	(64,978)
Proceeds from borrowings on notes payable	185,000	198,745
Payments on notes payable	(551,593)	(327,388)
Net cash used in financing activities	<u>(484,533)</u>	<u>(450,621)</u>
Net increase in cash	19,728	213,691
Cash, beginning of year	<u>1,263,869</u>	<u>1,050,178</u>
Cash, end of year	<u>\$ 1,283,597</u>	<u>\$ 1,263,869</u>

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, 2017  
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$ 87,071	\$ 84,291
Supplemental schedule of noncash investing and financing activities		
Acquisition of vehicles with capital lease	\$ 135,429	\$ 239,056

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



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

1. NATURE OF OPERATIONS

Rubicon Programs Incorporated ("Rubicon") is a nationally recognized nonprofit founded in 1973. Rubicon's mission is to prepare very low-income people to achieve financial independence. 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.

The Board of Directors of Rubicon appoints members to the Board of Directors of or has Board representation on the following nonprofit corporations: Rubicon Enterprises, Inc. ("REI") and Rubicon Homes ("RH").

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 as Rubicon Landscape Services.

RH is a nonprofit organization which owns and operates a 10-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.

In prior years, Rubicon accounted for RH using the equity method of accounting. During 2017, the relationship between Rubicon and RH was reexamined and it was determined that Rubicon holds a controlling financial interest over RH, thus Rubicon should consolidate RH. The 2016 consolidated financial statements have been adjusted to consolidate the accounts of RH. The net impact to the 2016 consolidated financial statements is an increase in assets of \$550,591, an increase in liabilities of \$674,885, an increase in revenues of \$178,948, and an increase in expenses of \$178,948. There was no net impact to the change in net assets for the year ended June 30, 2016.

The consolidated financial statements include the accounts of Rubicon, REI, and RH and are collectively referred to as the "Organization".

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:



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation

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

The Organization reports information regarding its financial position and activities 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 net assets* - Unrestricted net assets consist of all resources of the Organization available to support the operations of the Organization and those resources which have become available for use in accordance with the intentions of the donor. 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. The board has appropriated certain unrestricted net assets for particular purposes. The board designated funds are included in unrestricted net assets and amounted to \$1,435,421 at June 30, 2017.
- *Temporarily restricted net assets* - 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. The Organization had \$1,581,987 of temporarily restricted net assets at June 30, 2017.
- *Permanently restricted net assets* - These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2017.

Basis of consolidation

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

Cash and cash equivalents

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



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Organization has no financial instruments measured at fair value on a recurring basis.

Receivables

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

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at 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.

Contributed goods and services

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, 2017, the Organization did not receive donated materials and/or service which met the criteria for recognition.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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. Leasehold improvements are depreciated over the lesser of the lease term or estimated useful life. 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 \$5,000 and the useful life is greater than one year.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 40 years
Furniture and fixtures	3 - 7 years
Buildings	31.5 years
Vehicles	5 years

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, 2016 from which the summarized information was derived from.

Revenue recognition

Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If revenue is subject to donor-restrictions, it is included in temporarily restricted net assets and once restrictions are met, release from restrictions is recorded and revenue released to unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

- Government grants - the Organization recognizes revenue from grants for programmatic purposes in the period the services are provided. Government loans with contingent forgiveness clauses are accounted for as contribution revenue if and when the debt is forgiven and all conditions on the debt are met.
- Private grants and contributions - Contributions and certain grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Rental and program contracts income - Rental income includes rent received from clients at various housing facilities and is recognized as they are received. Program contracts income are recognized when earned.

Accrued revenue includes services performed for which the Organization has not billed the customer. The accrued revenue at June 30, 2017 was \$140,508 and is included in accounts receivable in the accompanying consolidated financial statements.

Functional 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. Direct costs associated with specific programs are recorded as program expenses. Program expenses may include allocable management and general and fundraising expenses. 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.

Income tax status

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Continuance of such exemption is subject to compliance with regulations and review of the activities by taxing authorities. The Organization is not aware of any transactions that would affect its tax-exempt status.

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. The Organization's tax returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

The Organization follows the accounting guidance for uncertain tax positions. Management determined that there are no uncertain positions as of June 30, 2017.

Use of estimates

The preparation of the 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.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management has evaluated subsequent events through November 27, 2017, the date the consolidated financial statements were available for issuance. No events or transactions have occurred during this period that require recognition or disclosure in the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

Reimbursement for contract services and grants	\$ 2,340,357
Housing and landscape services	527,837
Other	<u>111,967</u>
	2,980,161
Less: allowance for doubtful accounts	<u>(4,887)</u>
	<u><u>\$ 2,975,274</u></u>

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, 2017.

Future collections of pledges receivable are expected as follows:

Year ending June 30,

2018	\$ 835,773
2019	<u>100,000</u>
	<u><u>\$ 935,773</u></u>

The discount on pledges receivable at June 30, 2017 was deemed immaterial to the consolidated financial statements and none was recorded.

5. NOTES RECEIVABLE

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 loans. The total outstanding amount of the note at June 30, 2017 was \$63,202.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 4,030,723
Furniture and equipment	1,629,962
Buildings	1,751,629
Vehicles	850,278
Land	498,460
Work in progress	<u>8,589</u>
	8,769,641
Less: Accumulated depreciation	<u>(4,628,092)</u>
	<u><u>\$ 4,141,549</u></u>

Depreciation expense for 2017 amounted to \$498,192.

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

Accrued vacation	\$ 520,796
Accrued salaries and payroll taxes	326,081
Accrued interest	954
Other accrued liabilities	<u>371,312</u>
	<u><u>\$ 1,219,143</u></u>

8. CAPITAL LEASE OBLIGATIONS

The Organization leases vehicles under capital leases with various terms.

Future maturities of capital lease obligations are as follows:

Year ending June 30,

2018	\$ 133,387
2019	94,649
2020	78,324
2021	<u>25,192</u>
	<u><u>\$ 331,552</u></u>



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

9. LINE OF CREDIT

The Organization has a revolving line of credit with a bank, with a borrowing limit of \$2,000,000, that bears interest at the bank's index plus 0.75%, maturing April 30, 2018. The interest rate as of June 30, 2017 was 5.00%. The line of credit is secured by the Organization's assets including real property and all personal property (tangible and intangible). The line of credit contains certain financial covenants concerning profitability, debt to service overate ratio and liquidity. At June 30, 2017, all of the financial covenants were met. There was no outstanding balance at June 30, 2017.

10. NOTES PAYABLE

Notes payable are detailed as follows:

Note payable to non-profit finance fund for a 7 year loan to renovate and replace roofing at the 101 Broadway and 2500 Bissell Avenue, Richmond, CA properties, secured by a deed of trust against the 2500 Bissell Avenue property, monthly payments of \$12,158, including interest at 6.00%, due April 2020.	\$ 378,696
Note payable to Bank of America for a 23 year loan, secured by a deed of trust on the 2500 Bissell Avenue property, monthly payments of \$5,497, including interest at 8.62%, due June 2020.	177,720
Note payable to Source America for a 5 year loan, unsecured, quarterly payment of \$8,082, including interest at 1.625%, due May 2021.	129,304
Note payable to Wells Fargo Bank for a 15 year loan to purchase the property at 101 Broadway, secured by real property, monthly payment of \$2,330 including interest at 6.95%, due August 2020.	79,058
Promissory note issued to the City of Richmond for 20 years to acquire the 534 Ohio Avenue, Richmond, CA property, secured by a deed of trust on property, non-interest bearing, and due May 2012 but extendable. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2017 as part of the renegotiation process.	80,000
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.	30,146
Note payable to Source America for a 5 year loan, unsecured, monthly payments of \$5,011, including interest at 1.625%, due January 2020.	55,119
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, 2017, as part of the renegotiation process.	67,574



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

10. 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.	30,705
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Note payable to De Lage Landen Financial Services for a 2 year loan, unsecured, monthly payments of \$1,546.47, including interest at 0%, due March 2018.	15,306
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Note payable to First Republic Bank for a 30 year loan, monthly payments of \$922 including interest at 4.30% with a last payment estimated at \$148,425, secured by a deed of trust on the 903 Virginia Avenue, Richmond, CA property, due May 1, 2017.	184,520
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Mortgage payable to CalHFA, principal and interest payable in monthly payments of \$5,549, including interest at 1.50%, secured by a deed of trust, due December 2028.	707,652
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**Forgivable Notes:**

Promissory note issued to Contra Costa County for a 20 year loan to renovate the Virginia housing units, secured by a deed of trust against the 909 Virginia Avenue, Richmond, CA property, non-interest bearing, due March 2028, forgivable upon maturity if certain conditions are met.	564,332
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Promissory note issued to the City of Richmond for a 25 year loan to purchase and rehabilitate the building at 101 Broadway, Richmond, CA, non-interest bearing, due March 2023, forgivable upon maturity if certain conditions are met.	255,000
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Promissory note issued to Contra Costa County for a 30 year loan for the Ohio Avenue building in Richmond, CA, secured by a deed of trust on the property, bearing a 3.00% simple interest, due May 2044, forgivable upon maturity if certain conditions are met.	80,000
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Promissory note issued to the City of Richmond for a 25 year loan for improvements to the 534 Ohio Avenue and 22nd Street properties in Richmond, CA, secured by a deed of trust on the 534 Ohio Avenue property, bearing a 3.00% simple interest, principal and interest due February 2031, forgivable upon maturity if certain conditions are met.	42,200
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Promissory note issued to the City of Richmond for a 25 year loan for capital improvements to the Bissell and Broadway properties in Richmond, CA, secured by the Broadway property, bearing a 3.00% simple interest, principal and interest due February 2031, forgivable upon maturity if certain conditions are met.	42,000
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Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

10. NOTES PAYABLE (continued)

Promissory note to the City of Richmond for a 25 year loan for improvements to the Bissell property in Richmond, CA, secured by a deed of trust on the Bissell property, non-interest bearing, due June 2035, forgivable upon maturity if certain conditions are met.

	14,931
	<u>2,934,263</u>
Less unamortized debt issuance costs	(1,834)
	<u>2,932,429</u>
Current portion	<u>(377,942)</u>
	<u>\$ 2,554,487</u>

The future maturities of the notes payable are as follows:

Year ending June 30,

2018	\$ 377,942
2019	345,206
2020	353,450
2021	112,978
2022	77,881
Thereafter	<u>1,664,972</u>
	<u>\$ 2,932,429</u>

11. FUNDS HELD IN TRUST

The Legal Services Center Trust Account consists of deposits made for attorney fees and other payments related to clients. 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 to hold the funds in the attorney trust account. In addition, all funds 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, 2017 was \$10,781. The amount is included in other current liabilities in the accompanying consolidated financial statements.

12. RETIREMENT PLAN

The Organization has established a tax-deferred retirement savings plan for its employees under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate in non-elective or matching contributions if they are 18 years of age or older, and have completed one year of service defined as twelve consecutive months of employment during which a participant accrues at least 1,000 hours of services. The contribution by the Organization for the year ended June 30, 2017 was 50% of an employee's deferral up to \$500 and amounted to \$45,739.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

13. COMMITMENTS AND CONTINGENCIES

The Organization leases various facilities and equipment under operating leases with various terms.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2018	\$ 57,981
2019	75,080
2020	79,446
2021	84,075
2022	<u>88,981</u>
	<u>\$ 385,563</u>

Rent expense under operating leases for the year ended June 30, 2017 was \$447,346.

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.

Litigation

The Organization has claims arising in the normal course of business. In the opinion of the Organization's legal counsel and management, any outcome will be immaterial to the financial statements. Accordingly, no loss provision has been made in the accompanying consolidated financial statements.

14. CONCENTRATIONS

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

Approximately 41% of revenue generated by the Organization at June 30, 2017 was derived from government grants and contracts.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2017

14. CONCENTRATIONS (continued)

At June 30, 2017, revenues from one landscape customer was approximately 30% of total landscape and maintenance contracts. At June 30, 2017, revenues from this client totaled \$2,031,028.

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Economic empowerment program	\$ 1,455,903
Executive program	97,931
Landscape program	<u>28,153</u>
	<u><u>\$ 1,581,987</u></u>



## SUPPLEMENTARY INFORMATION



Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Financial Position  
For the Year Ended June 30, 2017

ASSETS

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Eliminating Entries	2017 Total
Current assets					
Cash and cash equivalents	\$ 1,218,637	\$ 42,176	\$ 16,267	\$ 6,517	\$ 1,283,597
Accounts receivable, net	2,454,824	517,640	2,810	-	2,975,274
Contributions receivable	835,773	-	-	-	835,773
Notes receivable	63,202	-	-	-	63,202
Due from other funds	775,419	-	-	(775,419)	-
Prepaid expenses	183,218	54,215	134	-	237,567
Deposits and other assets	50,986	13,303	245,239	-	309,528
Total current assets	<u>5,582,059</u>	<u>627,334</u>	<u>264,450</u>	<u>(768,902)</u>	<u>5,704,941</u>
Non-current assets					
Property and equipment, net	3,858,953	12,053	270,543	-	4,141,549
Contributions receivable, net of current portion	100,000	-	-	-	100,000
Total non-current assets	<u>3,958,953</u>	<u>12,053</u>	<u>270,543</u>	<u>-</u>	<u>4,241,549</u>
Total assets	<u>\$ 9,541,012</u>	<u>\$ 639,387</u>	<u>\$ 534,993</u>	<u>\$ (768,902)</u>	<u>\$ 9,946,490</u>

See accompanying independent auditor's report.



Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Financial Position  
For the Year Ended June 30, 2017

LIABILITIES AND NET ASSETS

	Rubicon Programs <u>Incorporated</u>	Rubicon Enterprises, <u>Inc.</u>	<u>Rubicon Homes</u>	Eliminating <u>Entries</u>	2017 <u>Total</u>
Current liabilities					
Accounts payable	\$ 502,330	\$ 219,715	\$ 16,063	\$ 6,505	\$ 744,613
Accrued liabilities	1,063,850	154,339	954	-	1,219,143
Other current liabilities	23,551	-	2,894	-	26,445
Capital lease obligation	133,387	-	-	-	133,387
Notes payable	321,542	-	56,400	-	377,942
Due to other funds	<u>-</u>	<u>775,407</u>	<u>-</u>	<u>(775,407)</u>	<u>-</u>
Total current liabilities	<u>2,044,660</u>	<u>1,149,461</u>	<u>76,311</u>	<u>(768,902)</u>	<u>2,501,530</u>
Long-term liabilities					
Capital lease obligation, net of current portion	198,165	-	-	-	198,165
Notes payable, net of current portion	<u>1,905,069</u>	<u>-</u>	<u>649,418</u>	<u>-</u>	<u>2,554,487</u>
Total long-term liabilities	<u>2,103,234</u>	<u>-</u>	<u>649,418</u>	<u>-</u>	<u>2,752,652</u>
Total current liabilities	<u>4,147,894</u>	<u>1,149,461</u>	<u>725,729</u>	<u>(768,902)</u>	<u>5,254,182</u>
Net assets					
Unrestricted	3,811,131	(510,074)	(190,736)	-	3,110,321
Temporarily restricted	<u>1,581,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581,987</u>
Total net assets	<u>5,393,118</u>	<u>(510,074)</u>	<u>(190,736)</u>	<u>-</u>	<u>4,692,308</u>
Total liabilities and net assets	<u>\$ 9,541,012</u>	<u>\$ 639,387</u>	<u>\$ 534,993</u>	<u>\$ (768,902)</u>	<u>\$ 9,946,490</u>

See accompanying independent auditor's report.



Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Activities  
For the Year Ended June 30, 2017

	<u>Rubicon Programs Incorporated</u>	<u>Rubicon Enterprises, Inc.</u>	<u>Rubicon Homes</u>	<u>Eliminating Entries</u>	<u>2017 Total</u>
Revenues, gains and other support					
Program service contracts and grants	\$ 8,261,598	\$ -	\$ 185,473	\$ -	\$ 8,447,071
Landscape services	2,528,714	4,331,495	-	-	6,860,209
Grants and contributions	3,351,500	-	-	-	3,351,500
Other income	447,467	5,729	1,328	(304,913)	149,611
Housing other income	-	-	548	-	548
In-kind contributions	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,100</u>
Total revenues, gains and other support	<u>14,592,379</u>	<u>4,337,224</u>	<u>187,349</u>	<u>(304,913)</u>	<u>18,812,039</u>
Functional expenses					
Program services	11,557,113	4,437,142	141,268	(304,913)	15,830,610
Management and general	1,234,219	580,927	-	-	1,815,146
Fundraising	<u>646,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>646,748</u>
Total functional expenses	<u>13,438,080</u>	<u>5,018,069</u>	<u>141,268</u>	<u>304,913</u>	<u>18,292,504</u>
Changes in net assets	1,154,299	(680,845)	46,081	-	519,535
Net assets, beginning of year	<u>4,238,819</u>	<u>170,771</u>	<u>(236,817)</u>	<u>-</u>	<u>4,172,773</u>
Net assets, end of year	<u>\$ 5,393,118</u>	<u>\$ (510,074)</u>	<u>\$ (190,736)</u>	<u>\$ -</u>	<u>\$ 4,692,308</u>

See accompanying independent auditor's report.



Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Programs Incorporated  
For the Year Ended June 30, 2017

	Mental Health & Wellness	Economic Empowerment	Legal Services Center	Housing Management	Landscape Services	Total Program Services	Management and General	Fundraising	2017
Personnel									
Salaries	\$ -	\$ 4,181,249	\$ 24,686	\$ 2,118	\$ 890,092	\$ 5,098,145	\$ 2,030,820	\$ 337,868	\$ 7,466,833
Employee benefits and payroll taxes	-	876,007	3,598	811	344,988	1,225,404	352,469	49,562	1,627,435
Total personnel	-	5,057,256	28,284	2,929	1,235,080	6,323,549	2,383,289	387,430	9,094,268
Operating expenses									
Consultants and professional services	12,073	1,067,365	-	-	-	1,079,438	209,629	33,360	1,322,427
Occupancy	313	531,450	2,024	-	31,520	565,307	205,384	16,553	787,244
Allocated expenses from Rubicon Enterprises, Inc.	-	-	-	-	759,004	759,004	-	-	759,004
Office expenses	-	270,630	2,868	3	3,279	276,780	323,919	36,840	637,539
Depreciation	-	138,643	692	38,027	120,067	297,429	86,075	4,077	455,746
Program and participant support	-	198,818	-	-	-	198,818	3,343	1,087	203,248
Transportation and travel	-	69,862	-	-	104,994	174,856	27,981	243	203,080
Housing operations	-	-	-	138,057	-	138,057	-	-	138,057
Other staff costs	-	55,846	34	-	1,080	56,960	104,271	1,333	162,564
Landscape operations	-	-	-	-	175,403	175,403	-	-	175,403
Events and marketing	-	11,766	556	-	-	12,322	40,923	64,949	118,194
Miscellaneous non-operating	-	141	-	-	77	218	22,460	-	22,678
In-kind expenses	-	-	-	-	-	-	-	3,100	3,100
Total operating expenses	12,386	2,344,521	6,174	176,087	1,195,424	3,734,592	1,023,985	161,542	4,988,284
Indirect expenses/allocation	-	1,227,700	7,291	606	263,375	1,498,972	(2,173,055)	97,776	(576,307)
Total 2017 functional expenses	\$ 12,386	\$ 8,629,477	\$ 41,749	\$ 179,622	\$ 2,693,879	\$ 11,557,113	\$ 1,234,219	\$ 646,748	\$ 13,506,245

See accompanying independent auditor's report.



Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Enterprises, Inc.  
For the Year Ended June 30, 2017

	Program Services (Landscaping)	Management and General	2017 Total
Personnel			
Salaries	\$ 1,944,280	\$ 1,386	\$ 1,945,666
Employee benefits and payroll taxes	<u>701,451</u>	<u>3,234</u>	<u>704,685</u>
Total personnel	<u>2,645,731</u>	<u>4,620</u>	<u>2,650,351</u>
Landscape operations	1,110,831	-	1,110,831
Transportation and mileage	398,544	-	398,544
Occupancy	138,730	-	138,730
Office expenses	184,098	-	184,098
Consultants and sub-contractors	638,839	-	638,839
Events and marketing	20,218	-	20,218
Other staff costs	48,472	-	48,472
Depreciation	6,506	-	6,506
Miscellaneous non-operating	4,177	-	4,177
Allocated expenses to Rubicon Programs			
Incorporated	<u>(759,004)</u>	<u>-</u>	<u>(759,004)</u>
Total operating expenses	<u>1,791,411</u>	<u>-</u>	<u>1,791,411</u>
Indirect expenses	<u>-</u>	<u>576,307</u>	<u>576,307</u>
	<u>\$ 4,437,142</u>	<u>\$ 580,927</u>	<u>\$ 5,018,069</u>

See accompanying independent auditor's report.





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*

To the Board of Directors  
Rubicon Programs Incorporated and Affiliates  
Richmond, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America (the "U.S.") 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 Rubicon Programs Incorporated and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, 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, and have issued our report thereon dated November 27, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 the Organization's consolidated financial statements are free from 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

November 27, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM,  
INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Rubicon Programs Incorporated and Affiliates  
Richmond, California

### **Report on Compliance for Each Major Federal Program**

We have audited Rubicon Programs Incorporated and Affiliates (the "Organization")'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 the Organization's major federal programs for the year ended June 30, 2017. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization'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 "U.S."); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S.; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



## **Report on Internal Control Over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 requirement 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 type of compliance requirement of a federal program 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 weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the the Organization's consolidated financial statements as of and for the year ended June 30, 2017, and have issued our report thereon dated November 27, 2017, 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the U.S. 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.



Armanino<sup>LLP</sup>  
San Francisco, California

November 27, 2017



Rubicon Programs Incorporated and Affiliates  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal CFDA Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Housing and Urban Development ("HUD"):			
Direct awards			
Supportive Housing Program			
Berkeley Housing	CA0186L9T051508	14.235	721,941
Project Independence	CA0200L9T051407	14.235	433,263
			<u>1,155,204</u>
Pass-through program from:			
Community Development Block Grants/ Entitlement Grants			
Loans from City of Richmond			
909-919 Virginia Ave.	278-5450000	14.218	67,574
101 Broadway	277-000000	14.218	255,000
534 Ohio Ave.	272-525000	14.218	42,200
2500 Bissell Ave. and 101 Broadway	272-110000	14.218	42,000
2500 Bissell Ave.		14.218	14,931
Loan from Contra Costa County Community Development Department			
534 Ohio Avenue		14.218	<u>80,000</u>
Total HUD			<u>1,656,909</u>
U.S. Department of Labor ("DOL"):			
Pass-through program from:			
Alameda County Department of Social Services			
WIOA Adult Program - Eden Area	900203	17.258	244,160
WIOA Dislocated Worker Formula Grants - Eden Area	900203	17.278	<u>398,366</u>
Total DOL			<u>642,526</u>
U.S. Department of Health and Human Services ("DHHS"):			
Direct awards			
Healthy Marriage Promotion and Responsible Fatherhood Grants			
Fathers Advancing Community Together	90FK0062-01-00	93.086	588,072
Fathers Advancing Community Together	90F0062-02-01	93.086	1,564,648
Community Services Block Grant - Oakland Community Action Partnership Grant	17F-2002	93.569	<u>14,371</u>
			<u>2,167,091</u>
Pass-through program from:			
Alameda County Department of Workforce and Benefits Administration			
Temporary Assistance for Needy Families			
Career and Employment Center - North County	900203	93.558	803,857
Career and Employment Center - South County	900203	93.558	809,387
Medical Assistance Program - Positive Avenues to Housing	13006	93.778	228,064
Contra Costa County Department of Health Services			
Cal-Works	24-958-23	93.570	133,621
Medical Assistance Program	74-302-9	93.778	<u>12,386</u>
Total DHHS			<u>4,154,406</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.



Rubicon Programs Incorporated and Affiliates  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Agriculture			
Direct awards			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
CalFresh E&T - Fresh Success	FRS-009-16	10.561	<u>35,102</u>
Total U.S. Department of Agriculture			<u>35,102</u>
Total Expenditures of Federal Awards			<u>\$ 6,488,943</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.



Rubicon Programs Incorporated and Affiliates  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Rubicon Programs Incorporated and Affiliates (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected to not use the 10% de minimis indirect cost rate for federal awards. The Organization applies indirect costs in accordance with the specific terms of its federal award agreements.

4. LOANS

The Organization has loans that are funded by the U.S. Department of Housing and Urban Development's Community Development Block Grants program. The balance of outstanding loans for which there are continuing compliance requirements amounted to \$501,705 at June 30, 2017.



Rubicon Programs Incorporated and Affiliates  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

Name of Federal Program or Cluster

CFDA Number

Department of Health and Human Services:	
Healthy Marriage Promotion and Responsible Fatherhood Grants - Fathers Advancing Community Together	93.086
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes



Rubicon Programs Incorporated and Affiliates  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION V - CORRECTIVE ACTION PLAN

There is no corrective action plan required.