

## **Rubicon Programs Incorporated and Affiliates**

Consolidated Financial Statements  
and Supplementary Information  
and Single Audit Reports and Schedules

June 30, 2019

(With Comparative Totals for 2018)



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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, 2019, 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, 2019, 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.

### Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 23 - 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 December 3, 2019, 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 the effectiveness of the Organization's 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.

## **Report on Summarized Comparative Information**

We have previously audited Rubicon Programs Incorporated and Affiliates's 2018 consolidated financial statements, and our report dated December 12, 2018 expressed an unmodified opinion on those audited consolidated financial statements. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments to the 2018 consolidated financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



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

December 3, 2019

Rubicon Programs Incorporated and Affiliates  
Consolidated Statement of Financial Position  
June 30, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,208,994	\$ 1,872,316
Accounts receivable	2,339,045	2,081,490
Pledges receivable	2,467,000	700,200
Notes receivable	22,103	43,154
Prepaid expenses	212,085	213,144
Deposits and other assets	314,568	303,214
Total current assets	<u>8,563,795</u>	<u>5,213,518</u>
Noncurrent assets		
Property and equipment, net	<u>3,365,658</u>	<u>3,637,923</u>
Total noncurrent assets	<u>3,365,658</u>	<u>3,637,923</u>
Total assets	<u><u>\$ 11,929,453</u></u>	<u><u>\$ 8,851,441</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 663,640	\$ 211,622
Accrued liabilities	1,155,636	1,171,298
Other current liabilities	94,461	4,624
Current portion of capital lease obligation	101,004	93,147
Line of credit	-	1,422,000
Current portion of notes payable	420,663	345,906
Total current liabilities	<u>2,435,404</u>	<u>3,248,597</u>
Long-term liabilities		
Capital lease obligation, net of current portion	83,229	107,024
Notes payable, net of current portion	<u>2,854,324</u>	<u>2,242,847</u>
Total long-term liabilities	<u>2,937,553</u>	<u>2,349,871</u>
Total liabilities	<u>5,372,957</u>	<u>5,598,468</u>
Net assets		
Without donor restrictions	2,859,290	2,544,165
With donor restrictions	<u>3,697,206</u>	<u>708,808</u>
Total net assets	<u>6,556,496</u>	<u>3,252,973</u>
Total liabilities and net assets	<u><u>\$ 11,929,453</u></u>	<u><u>\$ 8,851,441</u></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, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, gains and other support				
Support, grants and contributions	\$ 1,748,999	\$ 3,833,529	\$ 5,582,528	\$ 2,313,967
Program service contracts and grants	7,710,997	-	7,710,997	6,653,617
Landscape services	6,229,433	-	6,229,433	6,927,141
Other revenue	229,596	-	229,596	148,301
Net assets released from restriction	<u>845,131</u>	<u>(845,131)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>16,764,156</u>	<u>2,988,398</u>	<u>19,752,554</u>	<u>16,043,026</u>
Functional expenses				
Program services	<u>12,850,574</u>	<u>-</u>	<u>12,850,574</u>	<u>13,387,177</u>
Support services				
Management and general	3,065,795	-	3,065,795	3,472,776
Fundraising	<u>532,662</u>	<u>-</u>	<u>532,662</u>	<u>622,408</u>
Total support services	<u>3,598,457</u>	<u>-</u>	<u>3,598,457</u>	<u>4,095,184</u>
Total functional expenses	<u>16,449,031</u>	<u>-</u>	<u>16,449,031</u>	<u>17,482,361</u>
Change in net assets	315,125	2,988,398	3,303,523	(1,439,335)
Net assets, beginning of year	<u>2,544,165</u>	<u>708,808</u>	<u>3,252,973</u>	<u>4,692,308</u>
Net assets, end of year	<u>\$ 2,859,290</u>	<u>\$ 3,697,206</u>	<u>\$ 6,556,496</u>	<u>\$ 3,252,973</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, 2019  
(With Comparative Totals for 2018)

		Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	2019 Total	2018 Total
Personnel expenses						
Salaries	\$ 6,708,267	\$ 1,822,048	\$ 357,013	\$ 2,179,061	\$ 8,887,328	\$ 9,284,807
Employee benefits and payroll taxes	<u>1,684,049</u>	<u>324,954</u>	<u>52,353</u>	<u>377,307</u>	<u>2,061,356</u>	<u>2,220,782</u>
Total personnel expenses	8,392,316	2,147,002	409,366	2,556,368	10,948,684	11,505,589
Occupancy	500,356	113,297	13,452	126,749	627,105	651,473
Consultants and professional services	1,600,017	220,501	21,350	241,851	1,841,868	1,293,423
Landscape operations	660,958	-	-	-	660,958	826,655
Office expenses	385,047	292,418	18,419	310,837	695,884	785,161
Transportation and travel	321,230	27,297	799	28,096	349,326	592,608
Depreciation and amortization	399,993	104,890	8,356	113,246	513,239	542,112
Program and participant support	229,434	640	-	640	230,074	269,969
Other staff costs	44,482	69,654	715	70,369	114,851	558,535
Housing operations	288,417	-	-	-	288,417	243,385
Events and marketing	23,197	29,122	60,205	89,327	112,524	151,709
Miscellaneous non-operating expenses	<u>5,127</u>	<u>60,974</u>	<u>-</u>	<u>60,974</u>	<u>66,101</u>	<u>61,742</u>
	<u>\$ 12,850,574</u>	<u>\$ 3,065,795</u>	<u>\$ 532,662</u>	<u>\$ 3,598,457</u>	<u>\$ 16,449,031</u>	<u>\$ 17,482,361</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, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 3,303,523	\$ (1,439,335)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	513,239	542,112
Changes in operating assets and liabilities		
Accounts receivable	(257,555)	893,944
Pledges receivable	(1,766,800)	235,573
Prepaid expenses	1,059	24,423
Accounts payable	452,018	(532,991)
Accrued liabilities	(15,662)	(47,845)
Other current liabilities	89,837	(21,821)
Deposits and other assets	(11,354)	6,314
Net cash provided by (used in) operating activities	<u>2,308,305</u>	<u>(339,626)</u>
Cash flows from investing activities		
Payment received on notes receivables	21,051	20,048
Purchase of property and equipment	(151,291)	(38,486)
Net cash used in investing activities	<u>(130,240)</u>	<u>(18,438)</u>
Cash flows from financing activities		
Payments on line of credit	(3,189,000)	(4,541,000)
Proceeds from borrowings on line of credit	1,767,000	5,963,000
Payments on capital lease obligations	(105,621)	(131,381)
Proceeds from borrowings on notes payable	1,038,484	34,113
Payments on notes payable	(352,250)	(377,949)
Net cash provided by (used in) financing activities	<u>(841,387)</u>	<u>946,783</u>
Net increase in cash and cash equivalents	1,336,678	588,719
Cash and cash equivalents, beginning of year	<u>1,872,316</u>	<u>1,283,597</u>
Cash and cash equivalents, end of year	<u>\$ 3,208,994</u>	<u>\$ 1,872,316</u>

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ 126,317	\$ 95,777
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Supplemental schedule of noncash investing and financing activities

Acquisition of vehicles with capital lease	\$ 89,683	\$ -
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The accompanying notes are an integral part of these consolidated financial statements.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

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 in California.

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"). Rubicon has a majority voting interest in Rubicon Landscape Corporation ("RLC"), a for-profit corporation.

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.

RH, established in 1981, 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.

RLC, established in 2018, is a for-profit corporation and provides full integrated services, landscape maintenance, proactive watering management and landscape construction for customers in the San Francisco Bay Area and Contra Costa County. RLC is authorized to issue one class of shares of stock and is authorized to issue 1,000 shares. Rubicon owns all 1,000 shares.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization's governing board may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of consolidation

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

Cash and cash equivalents

The Organization maintains cash balances at various financial institutions and banks. The Organization considers money market funds and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash on deposit occasionally exceeds federally insured limits. The Organization believes that it mitigates this risk by maintaining deposits with major financial institutions.

Accounts receivable

The Organization uses the allowance method to account for doubtful accounts receivable. As of June 30, 2019, there is no allowance reserved for doubtful accounts as management considers all amounts to be collectible.

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.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

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

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, 2019, the Organization did not receive donated materials and/or service which met the criteria for recognition.

Revenue recognition and deferred revenue

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets. Contributions with donor-imposed restrictions whose restriction are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

- Government grants - Revenue from grants for programmatic purposes are recognized 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.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

- 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.
- 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.
- Landscape services revenue - Landscape revenue are recognized as service is performed.

The Organization records payments received but the revenue recognition criteria has not been met as deferred revenue. The deferred revenue was \$27,154 at June 30, 2019 and was included in accrued liabilities 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

Rubicon, REI, and RH are 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.

RLC is subject to federal and state income taxes. Income taxes are provided for those taxes currently payable and deferred. RLC files its income tax returns on the accrual basis of accounting. A provision for income taxes is provided for deferred taxes resulting from differences in the timing of reporting revenue and expense items for financial versus tax purposes.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

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, 2019.

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.

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, 2018 from which the summarized information was derived from.

Adopted accounting pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including the following:

- Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
- Enhancing disclosures about amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
- Enhancing disclosures about the composition of net assets with donor restrictions and how the restrictions affect the use of resources.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adopted accounting pronouncement (continued)

- Enhancing disclosures about the qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
- Reporting amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
- Enhancing disclosures on the methods used to allocate costs among program and support functions.
- Enhancing disclosures on underwater endowment funds.
- Reporting investment return net of external and direct internal investment expenses.
- Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis for the year ended June 30, 2019, with the option to omit the note on functional expenses and disclosures about liquidity and availability of resources for the prior year comparative period.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. This ASU implements a five-step process for customer contract revenue recognition that focuses on the transfer of control, as opposed to transfer of risk and rewards. This ASU also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. In August 2015, the FASB issued ASU 2015-14, deferring the effective date for the Organization to the fiscal year beginning July 1, 2020, and early adoption is permitted. In assessing the initial impact of the adoption this ASU will have on the Organization's consolidated financial statements, management does not believe this ASU will materially alter revenue recognition on the consolidated statement of activities.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the Organization for the fiscal year beginning July 1, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. Where the Organization is a resource recipient, the ASU is applicable to contributions received for the fiscal year beginning July 1, 2019. Where the Organization is a resource provider, the ASU is effective for the fiscal year beginning July 1, 2020. Early adoption is permitted. In assessing the initial impact of the adoption this ASU will have on the Organization's consolidated financial statements, management does not believe this ASU will materially alter revenue recognition on the consolidated statement of activities.

Subsequent events

Management has evaluated subsequent events through December 3, 2019, 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 consisted of the following:

Reimbursement for contract services and grants	\$ 2,272,040
Housing and landscape services	46,221
Other	<u>20,784</u>
	<u><u>\$ 2,339,045</u></u>

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

4. PLEDGES RECEIVABLE

Pledges receivable are recorded as support when pledged unless designated otherwise and deemed fully collectible. No discount has been applied as the discount amount is determined to be nominal.

Future collections of pledges receivable are expected as follows:

<u>Year ending June 30,</u>	
2020	\$ 1,967,000
2021	<u>500,000</u>
	<u><u>\$ 2,467,000</u></u>

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 was \$22,103 at June 30, 2019.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 4,026,313
Furniture and fixtures	1,812,750
Buildings	1,751,629
Vehicles	861,625
Equipment	22,808
Land	<u>498,460</u>
	8,973,585
Accumulated depreciation and amortization	<u>(5,607,927)</u>
	<u><u>\$ 3,365,658</u></u>

Depreciation expense amounted to \$513,239 for the year ended June 30, 2019.



Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

7. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

Accrued vacation	\$ 490,995
Accrued salaries and payroll taxes	323,545
Accrued interest	106,076
Deferred revenue	27,154
Other accrued liabilities	<u>207,866</u>
	<u><u>\$ 1,155,636</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,

2020	\$ 101,004
2021	49,030
2022	22,397
2023	<u>11,802</u>
	<u><u>\$ 184,233</u></u>

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, 2019. During 2019, the Organization extended the line of credit with the bank through April 30, 2020. The interest rate as of June 30, 2019 was approximately 6.25%. 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 surrounding profitability, debt service coverage, and liquidity. At June 30, 2019, the Organization did not meet the profitability covenant requirement, but obtained a one-time waiver from the bank. There was no outstanding balance on the line of credit as of June 30, 2019.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

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, California 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.	\$ 116,366
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 \$5,441, including interest at 8.62%, due June 2020.	67,953
Note payable to Source America for a 5 year loan, unsecured, quarterly payment of \$8,082, including interest at 1.625%, due May 2021.	64,652
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.	31,015
Promissory note issued to the City of Richmond for 20 years to acquire the 534 Ohio Avenue, Richmond, California property, secured by a deed of trust on property, bearing 3% interest, and due May 2012 but extendable for an extra 20 years. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2019 as part of the renegotiation process.	80,000
Note payable to Source America for a 5 year loan, unsecured, monthly payments of \$5,011, including interest at 1.625%, due January 2020.	15,033
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, 2018, as part of the renegotiation process.	67,574
Note payable to Source America for a 5 year loan, unsecured, monthly payments of \$2,791, including interest at 1.625%, due January 2020.	8,374
Note payable to First Republic Bank for a 20 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, California property, due May 1, 2027.	178,212
Mortgage payable to CalHFA, secured by a deed of trust, principal and interest payable in monthly payments of \$5,549, including interest at 1.50%, due December 2028.	594,074

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

10. NOTES PAYABLE (continued)

Note payable to Wells Fargo Vendor Financial Services, LLC for a 3 year loan, secured by an equipment, monthly payments of \$964, non-interest bearing, due November 2020.	16,300
Note payable to non-profit finance fund for a 5 year loan, unsecured, monthly payments of \$8,303, including interest at 5.00%, due November 2023.	429,148
Note payable to non-profit finance fund for a 4 year loan, unsecured, monthly payments of \$3,954, including interest at 5.00%, due November 2023.	487,668
Note payable to Toro-Exmark for a 4 year loan, secured by equipments, monthly payments of \$748, non-interest bearing, due June 2022.	27,768
Note payable to John Deere Financial for a 5 year loan, secured by an equipment, monthly payments of \$2,750, non-interest bearing, due November 2022.	83,635
Note payable to John Deere Financial for a 5 year loan, secured by an equipment, monthly payments of \$256, non-interest bearing, due November 2022.	10,266
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, California property, non-interest bearing, due March 2028, forgivable upon maturity if certain conditions are met.	564,332
Promissory note issued to Contra Costa County for a 30 year loan for the Ohio Avenue building in Richmond, California, secured by a deed of trust on the property, bearing a 3.00% simple interest, due May 2024, forgivable upon maturity if certain conditions are met.	80,000
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, California, 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

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

10. NOTES PAYABLE (continued)

Promissory note issued to the City of Richmond for a 25 year loan for capital improvements to the Bissell and Broadway properties in Richmond, California, 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

Promissory note to the City of Richmond for a 25 year loan for improvements to the Bissell property in Richmond, California, 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

Promissory note to the Contra Costa County for a 30 year loan for Ohio Avenue building in Richmond, California, secured by a deed of trust on the Bissell property, bearing a 3.00% simple interest, due May 2044, forgivable upon maturity if certain conditions are met.

	255,000
	3,276,501
Less unamortized debt issuance costs	(1,514)
	3,274,987
Current portion	(420,663)
	\$ 2,854,324

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2020	\$ 420,663
2021	187,316
2022	150,058
2023	382,758
2024	790,658
Thereafter	1,345,048
	\$ 3,276,501

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

Board designated for contingency reserve fund	\$ 562,751
Board designated for opportunity reserve fund	246,633
Board designated for capital reserve fund	37,042
Undesignated net assets	2,012,864
	\$ 2,859,290

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Landscape program	\$ 28,857
Time-restricted	50,000
Community and workforce service	3,608,833
Other	<u>9,516</u>
	<u>\$ 3,697,206</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Landscape program	\$ 36,729
Community and workforce service	789,860
Other	<u>18,542</u>
	<u>\$ 845,131</u>

13. CONCENTRATIONS

Two landscape customers comprised approximately 65% of total landscape services revenue during the year ended June 30, 2019.

14. 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, 2019 was 50% of an employee's deferral up to \$500 and amounted to \$42,873.

15. COMMITMENTS AND CONTINGENCIES

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

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

15. COMMITMENTS AND CONTINGENCIES (continued)

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

<u>Year ending June 30,</u>	
2020	\$ 211,071
2021	175,899
2022	173,610
2023	76,448
2024	68,451
Thereafter	<u>10,354</u>
	<u>\$ 715,833</u>

Rent expense under operating leases for the year ended June 30, 2019 was \$257,698.

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.

16. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available. Contributions receivable that are considered current will be collected from donors within one year.

On a monthly basis, the Executive Team reviews the Organization's financial position and discusses a reasonable cash position to maintain. The Executive Team maintains 30 days in cash as the minimum for 2019.

Rubicon Programs Incorporated and Affiliates  
Notes to Consolidated Financial Statements  
June 30, 2019

16. LIQUIDITY AND FUNDS AVAILABLE (continued)

Financial assets available within one year of the balance sheet date for general operating expenditure are as follows:

Financial assets	
Cash and cash equivalents	\$ 3,208,994
Pledges receivable	2,467,000
Accounts receivable, net	<u>2,339,045</u>
	8,015,039
Net assets with donor restrictions	<u>(3,697,206)</u>
	<u>\$ 4,317,833</u>

Based on average monthly cash expenses for the year ended June 30, 2019 of \$1,327,983, the Organization has financial assets available to fund approximately 3.25 months of expenses.

## SUPPLEMENTARY INFORMATION



Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Financial Position  
June 30, 2019

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current assets						
Cash and cash equivalents	\$ 2,783,044	\$ 202,823	\$ 4,852	\$ 218,275	\$ -	\$ 3,208,994
Accounts receivable, net	2,070,996	34,728	21,308	212,013	-	2,339,045
Contributions receivable	2,467,000	-	-	-	-	2,467,000
Notes receivable	22,103	-	-	-	-	22,103
Receivables from related parties	793,685	524,541	-	487,487	(1,805,713)	-
Due from other funds	993,853	-	-	-	(993,853)	-
Prepaid expenses	175,607	18,289	134	18,055	-	212,085
Deposits and other assets	30,838	10,503	273,227	-	-	314,568
Investments in subsidiaries	450,000	-	-	-	(450,000)	-
Total current assets	<u>9,787,126</u>	<u>790,884</u>	<u>299,521</u>	<u>935,830</u>	<u>(3,249,566)</u>	<u>8,563,795</u>
Non-current assets						
Property and equipment, net	<u>3,097,462</u>	<u>22,008</u>	<u>198,663</u>	<u>47,525</u>	<u>-</u>	<u>3,365,658</u>
Total non-current assets	<u>3,097,462</u>	<u>22,008</u>	<u>198,663</u>	<u>47,525</u>	<u>-</u>	<u>3,365,658</u>
Total assets	<u>\$ 12,884,588</u>	<u>\$ 812,892</u>	<u>\$ 498,184</u>	<u>\$ 983,355</u>	<u>\$ (3,249,566)</u>	<u>\$ 11,929,453</u>

Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Financial Position  
June 30, 2019

LIABILITIES AND NET ASSETS

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current liabilities						
Accounts payable	\$ 611,757	\$ 15,216	\$ 23,731	\$ 12,936	\$ -	\$ 663,640
Accrued liabilities	1,048,800	42,621	954	63,261	-	1,155,636
Other current liabilities	91,509	-	2,952	-	-	94,461
Current portion of capital lease obligation	87,053	5,554	-	8,397	-	101,004
Current portion of notes payable	345,546	(3,793)	58,100	20,810	-	420,663
Due to related parties	640,668	777,250	-	387,795	(1,805,713)	-
Due to other funds	-	993,853	-	-	(993,853)	-
Total current liabilities	<u>2,825,333</u>	<u>1,830,701</u>	<u>85,737</u>	<u>493,199</u>	<u>(2,799,566)</u>	<u>2,435,404</u>
Long-term liabilities						
Capital lease obligation, net of current portion	38,821	13,710	-	30,698	-	83,229
Notes payable, net of current portion	<u>1,911,526</u>	<u>-</u>	<u>534,460</u>	<u>408,338</u>	<u>-</u>	<u>2,854,324</u>
Total long-term liabilities	<u>1,950,347</u>	<u>13,710</u>	<u>534,460</u>	<u>439,036</u>	<u>-</u>	<u>2,937,553</u>
Total current liabilities	<u>4,775,680</u>	<u>1,844,411</u>	<u>620,197</u>	<u>932,235</u>	<u>(2,799,566)</u>	<u>5,372,957</u>
Net assets						
Without donor restrictions	3,911,702	(1,031,519)	(122,013)	51,120	(450,000)	2,359,290
With donor restrictions	<u>4,197,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,197,206</u>
Total net assets	<u>8,108,908</u>	<u>(1,031,519)</u>	<u>(122,013)</u>	<u>51,120</u>	<u>(450,000)</u>	<u>6,556,496</u>
Total liabilities and net assets	<u>\$ 12,884,588</u>	<u>\$ 812,892</u>	<u>\$ 498,184</u>	<u>\$ 983,355</u>	<u>\$ (3,249,566)</u>	<u>\$ 11,929,453</u>

Rubicon Programs Incorporated and Affiliates  
Consolidating Statement of Activities  
For The Year Ended June 30, 2019

	<u>Rubicon Programs Incorporated</u>	<u>Rubicon Enterprises, Inc.</u>	<u>Rubicon Homes</u>	<u>Rubicon Landscape Corporation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues, gains and other support						
Support, grants and contributions	\$ 5,582,528	\$ -	\$ -	\$ -	\$ -	\$ 5,582,528
Program service contracts and grants	7,525,055	-	185,942	-	-	7,710,997
Landscape services	3,937,966	1,854,077	-	1,456,247	(1,018,857)	6,229,433
Other revenue	<u>206,865</u>	<u>17,299</u>	<u>5,186</u>	<u>246</u>	<u>-</u>	<u>229,596</u>
Total revenues, gains and other support	<u>17,252,414</u>	<u>1,871,376</u>	<u>191,128</u>	<u>1,456,493</u>	<u>(1,018,857)</u>	<u>19,752,554</u>
Functional expenses						
Program services	10,303,592	1,547,096	131,899	1,451,635	(583,648)	12,850,574
Management and general	3,222,822	240,997	37,185	-	(435,209)	3,065,795
Fundraising	<u>532,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,662</u>
Total functional expenses	<u>14,059,076</u>	<u>1,788,093</u>	<u>169,084</u>	<u>1,451,635</u>	<u>1,018,857</u>	<u>16,449,031</u>
Changes in net assets	3,193,338	83,283	22,044	4,858	-	3,303,523
Net assets, beginning of year	4,915,570	(1,114,802)	(144,057)	(403,738)	-	3,252,973
Equity held by Rubicon Programs Incorporated	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>(450,000)</u>	<u>-</u>
Net assets, end of year	<u>\$ 8,108,908</u>	<u>\$ (1,031,519)</u>	<u>\$ (122,013)</u>	<u>\$ 51,120</u>	<u>\$ (450,000)</u>	<u>\$ 6,556,496</u>

Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Programs Incorporated  
For The Year Ended June 30, 2019

	Programs	Housing Management	Landscape Services	Total Program Services	Management and General	Fundraising	Total
Personnel expenses							
Salaries	\$ 3,410,488	\$ -	\$ 2,141,097	\$ 5,551,585	\$ 1,822,048	\$ 357,013	\$ 7,730,646
Employee benefits and payroll taxes	550,251	-	696,967	1,247,218	324,954	52,353	1,624,525
Total personnel expenses	3,960,739	-	2,838,064	6,798,803	2,147,002	409,366	9,355,171
Consultants and professional services	1,199,594	-	542,632	1,742,226	220,501	21,350	1,984,077
Occupancy	202,634	-	164,420	367,054	113,297	13,452	493,803
Allocated expenses from Rubicon Enterprises, Inc.	-	-	-	-	79,437	-	79,437
Allocated expenses to Rubicon Enterprises, Inc.	(318,587)	-	-	(318,587)	-	-	(318,587)
Office expenses	217,365	4	80,540	297,909	292,418	18,419	608,746
Depreciation	111,103	38,027	205,217	354,346	104,890	8,356	467,592
Program and participant support	228,669	-	765	229,434	640	-	230,074
Transportation and travel	(18,046)	-	237,052	219,006	27,297	799	247,102
Housing operations	-	171,811	-	171,811	-	-	171,811
Other staff costs	28,879	-	9,786	38,665	69,654	715	109,034
Landscape operations	-	-	385,646	385,646	-	-	385,646
Events and marketing	11,428	-	5,851	17,279	29,122	60,205	106,606
Miscellaneous non-operating	-	-	-	-	138,564	-	138,564
	<u>\$ 5,623,778</u>	<u>\$ 209,842</u>	<u>\$ 4,469,973</u>	<u>\$ 10,303,592</u>	<u>\$ 3,222,822</u>	<u>\$ 532,662</u>	<u>\$ 14,059,076</u>

Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Enterprises, Inc.  
For The Year Ended June 30, 2019

	Program Services (Landscaping)	Management and General	Total
Personnel expenses			
Salaries	\$ 702,998	\$ -	\$ 702,998
Employee benefits and payroll taxes	<u>263,598</u>	<u>-</u>	<u>263,598</u>
Total personnel expenses	966,596	-	966,596
Landscape operations	182,439	-	182,439
Transportation and mileage	82,454	-	82,454
Occupancy	82,484	-	82,484
Office expenses	34,921	-	34,921
Consultants and sub-contractors	276,074	-	276,074
Events and marketing	1,819	-	1,819
Other staff costs	3,069	-	3,069
Depreciation	6,228	-	6,228
Miscellaneous non-operating	(9,551)	(77,590)	(87,141)
Allocated expenses to Rubicon Programs Incorporated	(79,437)	-	(79,437)
Allocated expenses from Rubicon Programs Incorporated	<u>-</u>	<u>318,587</u>	<u>318,587</u>
	<u>\$ 1,547,096</u>	<u>\$ 240,997</u>	<u>\$ 1,788,093</u>

Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Homes  
For The Year Ended June 30, 2019

	<u>Rental Operations</u>	<u>Management and General</u>	<u>Total</u>
Salaries, benefits and fees	-	37,185	37,185
Utilities	11,977	-	11,977
Operating and maintenance	66,110	-	66,110
Taxes, property and liability insurance	8,334	-	8,334
Interest	9,538	-	9,538
Depreciation and amortization	<u>35,940</u>	<u>-</u>	<u>35,940</u>
	<u><u>\$ 131,899</u></u>	<u><u>\$ 37,185</u></u>	<u><u>\$ 169,084</u></u>

Rubicon Programs Incorporated and Affiliates  
Statement of Functional Expenses - Rubicon Landscape Corporation  
For The Year Ended June 30, 2019

	Program Services (Landscaping)	Management and General	Total
Personnel expenses			
Salaries	\$ 453,684	\$ -	\$ 453,684
Employee benefits and payroll taxes	<u>173,233</u>	<u>-</u>	<u>173,233</u>
Total personnel expenses	626,917	-	626,917
Landscape operations	92,873	-	92,873
Transportation and mileage	185,006	-	185,006
Occupancy	50,818	-	50,818
Office expenses	51,003	-	51,003
Consultants and sub-contractors	385,857	-	385,857
Events and marketing	4,099	-	4,099
Other staff costs	2,748	-	2,748
Depreciation	3,318	-	3,318
Miscellaneous non-operating	<u>48,996</u>	<u>-</u>	<u>48,996</u>
	<u>\$ 1,451,635</u>	<u>\$ -</u>	<u>\$ 1,451,635</u>

## SINGLE AUDIT REPORTS AND SCHEDULES



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 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, 2019, 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 December 3, 2019.

### **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 script is cursive and fluid, with the letters "Armanino" written in a larger, more prominent style than the "LLP" which is smaller and more compact.

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

December 3, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2019. 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, 2019.

## 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.



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

December 3, 2019

Rubicon Programs Incorporated and Affiliates  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
U.S. Department of Justice ("DOJ")				
Direct awards				
Equitable Sharing Program		16.922	\$ 2,408	\$ -
Pass-through program from:				
Alameda County Workforce Development				
Second Chance Smart Reentry	18-19-RUBI-SCA	16.922	64,774	-
Total DOJ			67,182	-
U.S. Department of Housing and Urban Development ("HUD"):				
Pass-through program from:				
Loans from City of Richmond				
Community Development Block Grants/ Entitlement Grants				
909-919 Virginia Ave.	278-5450000	14.218	67,574	-
101 Broadway	277-000000	14.218	255,000	-
534 Ohio Avenue	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	-
534 Ohio Avenue	271-525000	14.218	80,000	-
Loans from Contra Costa County Community Development				
Department				
Shelter Plus Care			-	-
534 Ohio Avenue		14.238	80,000	-
Total HUD			581,705	-
U.S. Department of Labor ("DOL"):				
Pass-through program from:				
Alameda County Department of Social Services				
WIOA Adult Program - Eden Area	900203	17.258	257,496	-
WIOA Dislocated Worker Formula Grants - Eden Area	900203	17.278	278,618	-
NWDG - Storms 2017 Grant Project	900203	17.277	91,866	-
Contra Costa County Employment and Human Services				
WIOA Adult Program, WIOA Dislocated Worker Formula				
Grants	18-430-0	17.258, 17.278	889,908	401,619
Total pass-through programs			1,517,888	401,619
Direct awards				
Reintegration of Ex-Offenders - Non-Youth	PE-30750-17-60-A-6	17.270	421,146	-
Total direct awards			421,146	-
Total DOL			1,939,034	401,619

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, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services ("DHHS"):				
Direct awards				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
Fathers Advancing Community Together	90FK0062-02-03	93.086	536,126	-
Fathers Advancing Community Together	90FK0062-02-04	93.086	1,576,204	-
Community Services Block Grant - Oakland Community				
Action Partnership Grant	18F-5002,19F4002	93.569	52,215	-
			<u>2,164,545</u>	<u>-</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	545,632	-
Career and Employment Center - South County	900203	93.558	515,672	-
Contra Costa County Department of Health Services				
Cal-Works	24-958-26	93.570	92,393	-
			<u>3,318,242</u>	<u>-</u>
U.S. Department of Agriculture ("USDA")				
Direct awards				
State Administrative Matching Grants for the Supplemental				
Nutrition Assistance Program				
CalFresh E&T - Fresh Success	FRS-009-17	10.561	223,966	-
			<u>223,966</u>	<u>-</u>
Total USDA				
			<u>223,966</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 6,130,129</u>	<u>\$ 401,619</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, 2019

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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 \$581,705 at June 30, 2019.

Rubicon Programs Incorporated and Affiliates  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
WIOA Cluster	
WIOA Adult Program	17.258
WIOA Dislocated Worker Formula Grants	17.278
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, 2019

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.

Rubicon Programs Incorporated and Affiliates  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

There were no prior year findings.