

Rubicon Programs Incorporated and Affiliates

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

June 30, 2022
(With Comparative Totals for 2021)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 20
Supplementary Information	
Consolidating Statement of Financial Position	22 - 23
Consolidating Statement of Activities	24
Statement of Functional Expenses - Rubicon Programs Incorporated	25
Statement of Functional Expenses - Rubicon Enterprises, Inc.	26
Statement of Functional Expenses - Rubicon Homes	27
Statement of Functional Expenses - Rubicon Landscape Corporation	28
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 <i>Government Auditing Standards</i>	30 - 31
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	32 - 34
Schedule of Expenditures of Federal Awards	35 - 36
Notes to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs	38 - 39
Summary Schedule of Prior Audit Findings	40



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

Basis of Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rubicon Programs Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Rubicon Programs Incorporated's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rubicon Programs Incorporated's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rubicon Programs Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rubicon Programs Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 22 - 28 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 28, 2022, 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.



Armanino^{LLP}
San Francisco, California

December 28, 2022

Rubicon Programs Incorporated and Affiliates
 Consolidated Statement of Financial Position
 June 30, 2022
 (With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,012,535	\$ 7,848,972
Accounts receivable	3,105,761	2,580,879
Pledges receivable	675,000	1,050,000
Prepaid expenses	543,236	242,327
Deposits and other assets	377,117	371,880
Total current assets	<u>11,713,649</u>	<u>12,094,058</u>
Noncurrent assets		
Pledges receivable, net of current portion	20,000	850,000
Property and equipment, net	2,323,845	2,248,502
Total noncurrent assets	<u>2,343,845</u>	<u>3,098,502</u>
Total assets	<u><u>\$ 14,057,494</u></u>	<u><u>\$ 15,192,560</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 962,600	\$ 560,275
Accrued liabilities	1,733,377	1,493,128
Other current liabilities	63,402	50,729
Capital lease obligation	73,802	61,156
Mortgage payable	72,209	96,206
Paycheck Protection Program loan payable	-	2,026,600
Total current liabilities	<u>2,905,390</u>	<u>4,288,094</u>
Long-term liabilities		
Capital lease obligation, net of current portion	132,667	132,924
Notes payable, net of current portion	870,575	942,785
Total long-term liabilities	<u>1,003,242</u>	<u>1,075,709</u>
Total liabilities	<u>3,908,632</u>	<u>5,363,803</u>
Net assets		
Without donor restrictions	6,716,308	4,629,521
With donor restrictions	3,432,554	5,199,236
Total net assets	<u>10,148,862</u>	<u>9,828,757</u>
Total liabilities and net assets	<u><u>\$ 14,057,494</u></u>	<u><u>\$ 15,192,560</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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Support, grants and contributions	\$ 1,457,660	\$ 1,104,210	\$ 2,561,870	\$ 4,094,267
Program service contracts and grants	8,298,741	-	8,298,741	8,469,248
Landscape services	6,446,265	-	6,446,265	6,143,409
Net rental revenue	191,196	-	191,196	184,717
Other revenue	1,841,627	-	1,841,627	2,039,712
Investment income	27,161	-	27,161	20,617
Net assets released from restriction	<u>2,870,892</u>	<u>(2,870,892)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>21,133,542</u>	<u>(1,766,682)</u>	<u>19,366,860</u>	<u>20,951,970</u>
Functional expenses				
Program services	<u>14,709,055</u>	<u>-</u>	<u>14,709,055</u>	<u>14,347,142</u>
Support services				
Management and general	3,609,274	-	3,609,274	3,198,604
Fundraising	<u>728,426</u>	<u>-</u>	<u>728,426</u>	<u>621,066</u>
Total support services	<u>4,337,700</u>	<u>-</u>	<u>4,337,700</u>	<u>3,819,670</u>
Total functional expenses	<u>19,046,755</u>	<u>-</u>	<u>19,046,755</u>	<u>18,166,812</u>
Change in net assets	2,086,787	(1,766,682)	320,105	2,785,158
Net assets, beginning of year	<u>4,629,521</u>	<u>5,199,236</u>	<u>9,828,757</u>	<u>7,043,599</u>
Net assets, end of year	<u><u>\$ 6,716,308</u></u>	<u><u>\$ 3,432,554</u></u>	<u><u>\$ 10,148,862</u></u>	<u><u>\$ 9,828,757</u></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, 2022
 (With Comparative Totals for 2021)

	Support Services			2022 Total	2021 Total
	Program Services	Management and General	Fundraising		
Personnel expenses					
Salaries	\$ 7,692,662	\$ 1,983,582	\$ 412,894	\$ 2,396,476	\$ 10,089,138
Employee benefits and payroll taxes	<u>2,394,767</u>	<u>485,599</u>	<u>95,604</u>	<u>581,203</u>	<u>2,975,970</u>
Total personnel expenses	<u>10,087,429</u>	<u>2,469,181</u>	<u>508,498</u>	<u>2,977,679</u>	<u>13,065,108</u>
Occupancy	583,450	148,019	-	148,019	731,469
Consultants and professional services	150,899	325,769	47,598	373,367	524,266
Landscape operations	609,683	-	-	-	609,683
Office expenses	778,933	376,437	25,894	402,331	1,181,264
Transportation and mileage	240,036	8,187	428	8,615	248,651
Depreciation and amortization	343,622	28,438	3,303	31,741	375,363
Program and participant support	1,736,643	-	-	-	1,736,643
Other staff costs	62,065	202,628	2,332	204,960	267,025
Events and marketing	24,114	41,241	140,373	181,614	205,728
Miscellaneous non-operating	<u>92,181</u>	<u>9,374</u>	<u>-</u>	<u>9,374</u>	<u>101,555</u>
	<u><u>\$ 14,709,055</u></u>	<u><u>\$ 3,609,274</u></u>	<u><u>\$ 728,426</u></u>	<u><u>\$ 4,337,700</u></u>	<u><u>\$ 19,046,755</u></u>
					<u><u>\$ 18,166,812</u></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, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 320,105	\$ 2,785,158
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	375,363	390,841
Loss (gain) on disposition and sale of property	29,884	(570,494)
Gain on forgiveness of debt	-	(631,906)
Gain on forgiveness of Paycheck Protection Program loan	(1,639,805)	-
Changes in operating assets and liabilities		
Accounts receivable	(524,882)	(321,751)
Pledges receivable	1,205,000	(729,750)
Prepaid expenses	(300,909)	(58,297)
Deposits and other assets	(5,237)	(70,178)
Accounts payable	402,325	268,372
Accrued liabilities	240,249	93,841
Other current liabilities	12,673	(69,666)
Net cash provided by operating activities	<u>114,766</u>	<u>1,086,170</u>
Cash flows from investing activities		
Purchase of property and equipment	(334,061)	(14,692)
Proceeds from sale of fixed assets	-	582,966
Net cash provided by (used in) investing activities	<u>(334,061)</u>	<u>568,274</u>
Cash flows from financing activities		
Payments on capital lease obligations	(134,140)	(120,663)
Payments on notes payable	(96,207)	(618,248)
Repayment on Paycheck Protection Program loan	(386,795)	-
Net cash used in financing activities	<u>(617,142)</u>	<u>(738,911)</u>
Net increase (decrease) in cash and cash equivalents	(836,437)	915,533
Cash and cash equivalents, beginning of year	<u>7,848,972</u>	<u>6,933,439</u>
Cash and cash equivalents, end of year	<u>\$ 7,012,535</u>	<u>\$ 7,848,972</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 42,514	\$ 71,592
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Supplemental schedule of noncash investing and financing activities

Acquisition of vehicles with capital leases	\$ 146,529	\$ 204,402
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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, 2022

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, 2022

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.

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.

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, 2022, there is no allowance reserved for doubtful accounts as management considers all amounts to be collectible.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.

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, 2022, the Organization did not receive donated materials and/or services which met the criteria for recognition.

Revenue recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Organization. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

A portion of the Organization's revenues is derived from cost-reimbursable government grants and contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$510,100 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred. Certain government contracts are funded on a fee-for-service basis. Revenue from fee-for-service grants 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.

In addition, the Organization receives revenue from landscaping services, which are accounted for as exchange transactions. Revenues from contracts with customers are recognized based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, five basic criteria must be met before revenue can be recognized:

- Identification of the contract with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Organization satisfied a performance obligation.

Revenues from landscape services are recognized as the services are provided and the performance obligations are met over the term of the contract.

The Organization also receives rental income from clients at various housing facilities. Rental income is recognized as it is earned over the term of the related rent agreements.

The Organization records payments received in advance of the revenue recognition criteria as deferred revenue.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022.

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, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 from which the summarized information was derived from.

Recent accounting pronouncements

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, 2022. 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.

Subsequent events

Management has evaluated subsequent events through December 28, 2022, 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:

Contract services (including Landscaping) and reimbursement for grants	\$ 3,078,037
Other	<u>27,724</u>
	<u><u>\$ 3,105,761</u></u>

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.

Rubicon Programs Incorporated and Affiliates
 Notes to Consolidated Financial Statements
 June 30, 2022

4. PLEDGES RECEIVABLE (continued)

Future collections of pledges receivable are expected as follows:

<u>Year ending June 30,</u>	
2023	\$ 675,000
2024	<u>20,000</u>
	<u><u>\$ 695,000</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 3,091,282
Furniture and fixtures	1,146,672
Buildings	1,624,585
Vehicles	911,508
Land	<u>392,089</u>
	<u>7,166,136</u>
Accumulated depreciation and amortization	<u>(4,842,291)</u>
	<u><u>\$ 2,323,845</u></u>

Depreciation and amortization expense amounted to \$375,363 for the year ended June 30, 2022.

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

Accrued vacation	\$ 801,278
Accrued salaries and payroll taxes	464,206
Accrued interest	110,768
Deferred revenue	109,269
Other accrued liabilities	<u>247,856</u>
	<u><u>\$ 1,733,377</u></u>

7. CAPITAL LEASE OBLIGATIONS

The Organization leases vehicles under capital leases with various terms.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

7. CAPITAL LEASE OBLIGATIONS (continued)

Future maturities of capital lease obligations are as follows:

<u>Year ending June 30,</u>	
2023	\$ 73,802
2024	64,418
2025	41,350
2026	<u>26,899</u>
	<u>\$ 206,469</u>

8. 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% (3.75% at June 30, 2022) and extends through April 30, 2023. 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, 2022, the Organization was in compliance with the covenant requirements. There was no outstanding balance on the line of credit as of June 30, 2022.

Rubicon Programs Incorporated and Affiliates
 Notes to Consolidated Financial Statements
 June 30, 2022

9. NOTES PAYABLE

Notes payable are detailed as follows:

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 additional 20 years. Management is currently in the process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2021 as part of the renegotiation process.

\$ 80,000

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.

417,195

Note payable to Toro-Exmark for a 4 year loan, secured by equipments, monthly payments of \$748, non-interest bearing, due June 2022.

10,199

Note payable to John Deere Financial for a 5 year loan, secured by an equipment, monthly payments of \$2,040, non-interest bearing, due November 2022.

1,259

Forgivable notes are detailed as follows:

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

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

Rubicon Programs Incorporated and Affiliates
 Notes to Consolidated Financial Statements
 June 30, 2022

9. NOTES PAYABLE (continued)

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.

Current portion	<u>255,000</u>
	942,784
	<u>(72,209)</u>
	<u><u>\$ 870,575</u></u>

The future maturities of the notes payable are as follows:

Year ending June 30,

2023	\$ 72,209
2024	141,667
2025	62,599
2026	63,544
2027	64,504
Thereafter	<u>538,261</u>
	<u><u>\$ 942,784</u></u>

10. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On April 20, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$2,026,600 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of two years, and is unsecured. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payments will be required through the maturity date in April 2022.

Rubicon Programs Incorporated and Affiliates
 Notes to Consolidated Financial Statements
 June 30, 2022

10. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (continued)

The Organization submitted a forgiveness application for the portion of expenses that were incurred on qualifying expenses. In September 2021, the Organization received loan forgiveness of the PPP Loan in the amount of \$1,639,805. The remaining principal of the PPP loan in the amount of \$386,795 and accrued interest of \$6,237 was repaid in full in November 2021. The Organization accounts for the PPP loan using the debt model and recognized a gain on loan forgiveness of \$1,639,805 during the year ended June 30, 2022. The gain is included in other revenue in the consolidated statement of activities.

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

Board designated for contingency reserve fund	\$ 1,325,663
Board designated for opportunity reserve fund	306,315
Board designated for capital reserve fund	51,962
Board designated for COVID mitigation fund	340,722
Undesignated net assets	<u>4,691,646</u>
	<u><u>\$ 6,716,308</u></u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Landscape program	\$ 29,783
Time-restricted	821,021
Community and workforce service	2,170,100
Executive	396,650
Other	<u>15,000</u>
	<u><u>\$ 3,432,554</u></u>

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

Landscape program	\$ 9,928
Time-restricted	1,844,978
Community and workforce service	897,636
Executive	103,350
Other	<u>15,000</u>
	<u><u>\$ 2,870,892</u></u>

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

13. CONCENTRATIONS

Two landscape customers comprised approximately 66% of total landscape services revenue during the year ended June 30, 2022.

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, 2022 was 50% of an employee's deferral up to \$500 and amounted to \$68,855.

15. 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>	
2023	\$ 189,955
2024	166,477
2025	15,701
2026	<u>1,067</u>
	<u><u>\$ 373,200</u></u>

Rent expense under operating leases for the year ended June 30, 2022 was \$334,524.

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.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2022

15. COMMITMENTS AND CONTINGENCIES (continued)

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. The Organization also has access to a \$2,000,000 revolving line of credit to fund additional liquidity needs.

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 2022.

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

Financial assets	
Cash and cash equivalents	\$ 7,012,535
Pledges receivable	675,000
Accounts receivable, net	<u>3,105,761</u>
	<u>10,793,296</u>
Less: amounts unavailable for general expenditure within one year	
Purpose restricted net assets	<u>(2,611,533)</u>
	<u>(2,611,533)</u>
	<u>\$ 8,181,763</u>

Based on average monthly cash expenses for the year ended June 30, 2022 of approximately \$1,556,000, the Organization has financial assets available to fund approximately 5 months of expenses.

SUPPLEMENTARY INFORMATION

Rubicon Programs Incorporated and Affiliates
 Consolidating Statement of Financial Position
 June 30, 2022

	ASSETS					
	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current assets						
Cash and cash equivalents	\$ 5,941,985	\$ 553,242	\$ 8,225	\$ 509,083	\$ -	\$ 7,012,535
Accounts receivable, net	2,473,775	329,058	12,920	290,008	-	3,105,761
Contributions receivable	675,000	-	-	-	-	675,000
Intercompany receivables	372,175	-	-	-	(372,175)	-
Prepaid expenses	518,366	12,552	-	12,318	-	543,236
Deposits and other assets	44,036	-	333,081	-	-	377,117
Investments in subsidiaries	450,000	-	-	-	(450,000)	-
Total current assets	<u>10,475,337</u>	<u>894,852</u>	<u>354,226</u>	<u>811,409</u>	<u>(822,175)</u>	<u>11,713,649</u>
Non-current assets						
Property and equipment, net	2,016,344	137,996	93,657	75,848	-	2,323,845
Contributions receivable, net of current portion	20,000	-	-	-	-	20,000
Total non-current assets	<u>2,036,344</u>	<u>137,996</u>	<u>93,657</u>	<u>75,848</u>	<u>-</u>	<u>2,343,845</u>
Total assets	<u><u>\$ 12,511,681</u></u>	<u><u>\$ 1,032,848</u></u>	<u><u>\$ 447,883</u></u>	<u><u>\$ 887,257</u></u>	<u><u>\$ (822,175)</u></u>	<u><u>\$ 14,057,494</u></u>

Rubicon Programs Incorporated and Affiliates
 Consolidating Statement of Financial Position
 June 30, 2022

LIABILITIES AND NET ASSETS

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current liabilities						
Accounts payable	\$ 806,487	\$ 48,935	\$ 34,082	\$ 73,096	\$ -	\$ 962,600
Accrued liabilities	1,616,869	47,130	521	68,857	-	1,733,377
Other current liabilities	60,591	-	2,811	-	-	63,402
Capital lease obligation	42,077	5,248	-	26,477	-	73,802
Current portion of notes payable	11,459	-	60,750	-	-	72,209
Intercompany payables	-	-	-	372,175	(372,175)	-
Total current liabilities	<u>2,537,483</u>	<u>101,313</u>	<u>98,164</u>	<u>540,605</u>	<u>(372,175)</u>	<u>2,905,390</u>
Long-term liabilities						
Capital lease obligation, net of current portion	80,825	9,478	-	42,364	-	132,667
Notes payable, net of current portion	<u>514,130</u>	<u>-</u>	<u>356,445</u>	<u>-</u>	<u>-</u>	<u>870,575</u>
Total long-term liabilities	<u>594,955</u>	<u>9,478</u>	<u>356,445</u>	<u>42,364</u>	<u>-</u>	<u>1,003,242</u>
Total liabilities	<u>3,132,438</u>	<u>110,791</u>	<u>454,609</u>	<u>582,969</u>	<u>(372,175)</u>	<u>3,908,632</u>
Net assets						
Without donor restrictions	5,946,689	922,057	(6,726)	304,288	(450,000)	6,716,308
With donor restrictions	<u>3,432,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,432,554</u>
Total net assets	<u>9,379,243</u>	<u>922,057</u>	<u>(6,726)</u>	<u>304,288</u>	<u>(450,000)</u>	<u>10,148,862</u>
Total liabilities and net assets	<u>\$ 12,511,681</u>	<u>\$ 1,032,848</u>	<u>\$ 447,883</u>	<u>\$ 887,257</u>	<u>\$ (822,175)</u>	<u>\$ 14,057,494</u>

Rubicon Programs Incorporated and Affiliates
Consolidating Statement of Activities
For The Year Ended June 30, 2022

	<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	\$ 2,561,870	\$ -	\$ -	\$ -	\$ -	\$ 2,561,870
Program service contracts and grants	8,650,129	-	-	-	(351,388)	8,298,741
Landscape services	3,543,138	1,531,437	-	1,371,690	-	6,446,265
Net rental revenue	-	-	191,196	-	-	191,196
Other revenue	2,030,474	20,265	460	127,119	(336,691)	1,841,627
Investment income	25,907	-	1,254	-	-	27,161
Total revenues, gains and other support	<u>16,811,518</u>	<u>1,551,702</u>	<u>192,910</u>	<u>1,498,809</u>	<u>(688,079)</u>	<u>19,366,860</u>
Functional expenses						
Program services	12,428,735	1,386,520	146,687	1,435,192	(688,079)	14,709,055
Management and general	3,577,950	-	31,324	-	-	3,609,274
Fundraising	728,426	-	-	-	-	728,426
Total functional expenses	<u>16,735,111</u>	<u>1,386,520</u>	<u>178,011</u>	<u>1,435,192</u>	<u>688,079</u>	<u>19,046,755</u>
Changes in net assets	76,407	165,182	14,899	63,617	-	320,105
Net assets, beginning of year	<u>9,302,836</u>	<u>756,875</u>	<u>(21,625)</u>	<u>240,671</u>	<u>(450,000)</u>	<u>9,828,757</u>
Net assets, end of year	<u>\$ 9,379,243</u>	<u>\$ 922,057</u>	<u>\$ (6,726)</u>	<u>\$ 304,288</u>	<u>\$ (450,000)</u>	<u>\$ 10,148,862</u>

Rubicon Programs Incorporated and Affiliates
Statement of Functional Expenses - Rubicon Programs Incorporated
For The Year Ended June 30, 2022

	Programs	Landscape Services	Housing Management	Total Program Services	Management and General	Fundraising	Total
Personnel expenses							
Salaries	\$ 4,914,063	\$ 1,590,106	\$ 7,418	\$ 6,511,587	\$ 1,983,582	\$ 412,894	\$ 8,908,063
Employee benefits and payroll taxes	1,396,575	526,222	2,462	1,925,259	485,599	95,604	2,506,462
Total personnel expenses	<u>6,310,638</u>	<u>2,116,328</u>	<u>9,880</u>	<u>8,436,846</u>	<u>2,469,181</u>	<u>508,498</u>	<u>11,414,525</u>
Consultants and professional services	76,304	75,795	8,250	160,349	294,445	47,598	502,392
Other staff costs	29,349	112,844	-	142,193	202,628	2,332	347,153
Occupancy	366,929	53,976	38,846	459,751	148,019	-	607,770
Office expenses	343,821	240,093	5,419	589,333	376,437	25,894	991,664
Depreciation and amortization	110,660	125,683	13,404	249,747	28,438	3,303	281,488
Program and participant support	1,736,643	-	-	1,736,643	-	-	1,736,643
Transportation and travel	12,004	108,638	-	120,642	8,187	428	129,257
Landscape operations	-	187,574	-	187,574	-	-	187,574
Events and marketing	14,755	4,082	-	18,837	41,241	140,373	200,451
Miscellaneous	<u>3,302</u>	<u>323,518</u>	<u>-</u>	<u>326,820</u>	<u>9,374</u>	<u>-</u>	<u>336,194</u>
	<u>\$ 9,004,405</u>	<u>\$ 3,348,531</u>	<u>\$ 75,799</u>	<u>\$ 12,428,735</u>	<u>\$ 3,577,950</u>	<u>\$ 728,426</u>	<u>\$ 16,735,111</u>

Rubicon Programs Incorporated and Affiliates
 Statement of Functional Expenses - Rubicon Enterprises, Inc.
 For The Year Ended June 30, 2022

	Program Services <u>(Landscaping)</u>	Management and General	<u>Total</u>
Personnel expenses			
Salaries	\$ 580,677	\$ -	\$ 580,677
Employee benefits and payroll taxes	<u>240,521</u>	<u>-</u>	<u>240,521</u>
Total personnel expenses	<u>821,198</u>	<u>-</u>	<u>821,198</u>
Landscape operations	290,982	-	290,982
Transportation and mileage	37,753	-	37,753
Occupancy	22,663	-	22,663
Office expenses	63,508	-	63,508
Consultants and professional services	6,237	-	6,237
Events and marketing	56	-	56
Other staff costs	116,686	-	116,686
Depreciation and amortization	25,529	-	25,529
Miscellaneous	<u>1,908</u>	<u>-</u>	<u>1,908</u>
	<u><u>\$ 1,386,520</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,386,520</u></u>

Rubicon Programs Incorporated and Affiliates
 Statement of Functional Expenses - Rubicon Homes
 For The Year Ended June 30, 2022

	<u>Rental Operations</u>	<u>Management and General</u>	<u>Total</u>
Salaries, benefits and fees	\$ 1,620	\$ -	\$ 1,620
Employee benefits and payroll taxes	287	-	287
Interest	6,670	-	6,670
Occupancy	74,201	-	74,201
Office expenses	28,332	-	28,332
Consultants and professional services	-	31,324	31,324
Depreciation and amortization	35,501	-	35,501
Miscellaneous	76	-	76
	<u>\$ 146,687</u>	<u>\$ 31,324</u>	<u>\$ 178,011</u>

Rubicon Programs Incorporated and Affiliates
 Statement of Functional Expenses - Rubicon Landscape Corporation
 For The Year Ended June 30, 2022

	Program Services <u>(Landscaping)</u>	Management and General	<u>Total</u>
Personnel expenses			
Salaries	\$ 598,778	\$ -	\$ 598,778
Employee benefits and payroll taxes	228,700	-	228,700
Total personnel expenses	<u>827,478</u>	<u>-</u>	<u>827,478</u>
Landscape operations	131,127	-	131,127
Transportation and mileage	97,296	-	97,296
Occupancy	26,835	-	26,835
Office expenses	97,760	-	97,760
Consultants and professional services	6,757	-	6,757
Events and marketing	5,221	-	5,221
Other staff costs	124,222	-	124,222
Depreciation and amortization	32,846	-	32,846
Miscellaneous	<u>85,650</u>	<u>-</u>	<u>85,650</u>
	<u><u>\$ 1,435,192</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,435,192</u></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, 2022, 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 28, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.



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Report on 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 consolidated financial statements. 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.



Armanino^{LLP}
San Francisco, California

December 28, 2022



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

Opinion on Each Major Federal Program

We have audited Rubicon Programs Incorporated and Affiliates (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.



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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The logo for Armanino LLP, featuring the company name in a stylized, handwritten font.

Armanino^{LLP}
San Francisco, California

December 28, 2022

Rubicon Programs Incorporated and Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</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	\$ 250,660	\$ -
WIOA Dislocated Worker Formula Grants - Eden Area	900203	17.278	289,751	-
Contra Costa County Employment and Human Services				
WIOA Adult Program, WIOA Dislocated Worker Formula Grants	18-430-2	17.258, 17.277, 17.278	1,319,525	332,611
Prison to Employment Services	18-456-1	17.xxx	145,178	-
Total pass-through programs			<u>1,464,703</u>	<u>332,611</u>
			<u>2,005,114</u>	<u>332,611</u>
Total DOL			<u>2,005,114</u>	<u>332,611</u>
U.S. Department of Housing and Urban Development ("HUD"):				
Pass-through program from:				
Loans from City of Richmond				
Community Development Block Grants/ Entitlement Grants				
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				
534 Ohio Avenue		14.238	<u>80,000</u>	<u>-</u>
Total HUD			<u>514,131</u>	<u>-</u>
U.S. Department of Health and Human Services ("DHHS"):				
Direct awards				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
Fathers Advancing Community Together	90ZJ0014-01-01	93.086	313,576	127,423
Fathers Advancing Community Together	90ZJ0014-02-00	93.086	1,232,348	371,894
Community Services Block Grant - Oakland Community Action Partnership Grant	20F-3002,21F-4002	93.569	35,619	-
Community Services Block Grant - Oakland Community Action Partnership Grant - CARES	20F-3641	93.569	88,350	-
			<u>1,669,893</u>	<u>499,317</u>
Pass-through program from:				
Alameda County Department of Workforce and Benefits Administration				
Temporary Assistance for Needy Families				
Career and Employment Center - South County	900203	93.558	616,090	-
Contra Costa County Department of Health Services				
Cal-Works	24-958-29	93.570	245,430	-
Total Pass through, Contra Costa County Department of Health Services:			<u>861,520</u>	<u>-</u>
Total DHHS			<u>2,531,413</u>	<u>499,317</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, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture ("USDA")				
Direct awards				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
CalFresh E&T - Fresh Success	2578	10.561	<u>200,163</u>	-
Total USDA			<u>200,163</u>	-
Total Expenditures of Federal Awards			<u><u>\$ 5,250,821</u></u>	<u><u>\$ 831,928</u></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, 2022

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, 2022. 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 \$514,131 at June 30, 2022.

Rubicon Programs Incorporated and Affiliates
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

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>Assistance Listing Number</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	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, 2022

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, 2022

There were no prior year findings.