

Rubicon Programs Incorporated and Affiliates

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

June 30, 2020
(With Comparative Totals for 2019)



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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, 2020, 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, 2020, 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.

Emphasis of Matter

As described in Note 17, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this 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 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 February 11, 2021, 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 2019 consolidated financial statements, and our report dated December 3, 2019 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

February 11, 2021

Rubicon Programs Incorporated and Affiliates
Consolidated Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,933,439	\$ 3,208,994
Accounts receivable, net	2,259,128	2,339,045
Pledges receivable	870,250	2,467,000
Notes receivable	-	22,103
Prepaid expenses	193,473	212,085
Deposits and other assets	292,258	314,568
Total current assets	<u>10,548,548</u>	<u>8,563,795</u>
Noncurrent assets		
Pledges receivable, net of current portion	300,000	-
Property and equipment, net	<u>3,003,215</u>	<u>3,365,658</u>
Total noncurrent assets	<u>3,303,215</u>	<u>3,365,658</u>
Total assets	<u><u>\$ 13,851,763</u></u>	<u><u>\$ 11,929,453</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 291,902	\$ 663,640
Accrued liabilities	1,399,287	1,155,636
Other current liabilities	120,395	94,461
Current portion of capital lease obligation	59,327	101,004
Current portion of notes payable	191,736	420,663
Paycheck Protection Program loan payable	2,026,600	-
Total current liabilities	<u>4,089,247</u>	<u>2,435,404</u>
Long-term liabilities		
Capital lease obligation, net of current portion	51,014	83,229
Notes payable, net of current portion	<u>2,667,903</u>	<u>2,854,324</u>
Total long-term liabilities	<u>2,718,917</u>	<u>2,937,553</u>
Total liabilities	<u>6,808,164</u>	<u>5,372,957</u>
Net assets		
Without donor restrictions	3,121,856	2,859,290
With donor restrictions	<u>3,921,743</u>	<u>3,697,206</u>
Total net assets	<u>7,043,599</u>	<u>6,556,496</u>
Total liabilities and net assets	<u><u>\$ 13,851,763</u></u>	<u><u>\$ 11,929,453</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, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains and other support				
Support, grants and contributions	\$ 994,627	\$ 2,321,408	\$ 3,316,035	\$ 5,582,528
Program service contracts and grants	8,170,247	-	8,170,247	7,710,997
Landscape services	5,867,317	-	5,867,317	6,229,433
Other revenue	165,389	-	165,389	209,362
Investment income	28,153	-	28,153	20,234
Net assets released from restriction	<u>2,096,871</u>	<u>(2,096,871)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>17,322,604</u>	<u>224,537</u>	<u>17,547,141</u>	<u>19,752,554</u>
Functional expenses				
Program services	<u>13,148,358</u>	<u>-</u>	<u>13,148,358</u>	<u>12,850,574</u>
Support services				
Management and general	3,437,164	-	3,437,164	3,065,795
Fundraising	<u>474,516</u>	<u>-</u>	<u>474,516</u>	<u>532,662</u>
Total support services	<u>3,911,680</u>	<u>-</u>	<u>3,911,680</u>	<u>3,598,457</u>
Total functional expenses	<u>17,060,038</u>	<u>-</u>	<u>17,060,038</u>	<u>16,449,031</u>
Change in net assets	262,566	224,537	487,103	3,303,523
Net assets, beginning of year	<u>2,859,290</u>	<u>3,697,206</u>	<u>6,556,496</u>	<u>3,252,973</u>
Net assets, end of year	<u>\$ 3,121,856</u>	<u>\$ 3,921,743</u>	<u>\$ 7,043,599</u>	<u>\$ 6,556,496</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, 2020
(With Comparative Totals for 2019)

		Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	2020 Total	2019 Total
Personnel expenses						
Salaries	\$ 7,347,036	\$ 1,907,841	\$ 258,723	\$ 2,166,564	\$ 9,513,600	\$ 8,887,327
Employee benefits and payroll taxes	<u>1,630,365</u>	<u>346,764</u>	<u>45,486</u>	<u>392,250</u>	<u>2,022,615</u>	<u>2,069,349</u>
Total personnel expenses	8,977,401	2,254,605	304,209	2,558,814	11,536,215	10,956,676
Occupancy	662,323	91,838	74	91,912	754,235	840,726
Consultants and professional services	1,521,043	295,261	155,911	451,172	1,972,215	1,870,238
Landscape operations	459,685	-	-	-	459,685	661,364
Office expenses	478,338	356,945	6,144	363,089	841,427	695,884
Transportation and mileage	230,198	23,851	842	24,693	254,891	349,326
Depreciation and amortization	354,927	148,501	3,303	151,804	506,731	551,266
Program and participant support	373,676	-	-	-	373,676	230,074
Other staff costs	28,959	129,156	-	129,156	158,115	114,851
Events and marketing	15,664	38,758	4,033	42,791	58,455	112,525
Miscellaneous non-operating	<u>46,144</u>	<u>98,249</u>	<u>-</u>	<u>98,249</u>	<u>144,393</u>	<u>66,101</u>
	<u>\$ 13,148,358</u>	<u>\$ 3,437,164</u>	<u>\$ 474,516</u>	<u>\$ 3,911,680</u>	<u>\$ 17,060,038</u>	<u>\$ 16,449,031</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, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 487,103	\$ 3,303,523
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	506,731	513,239
Changes in operating assets and liabilities		
Accounts receivable	79,916	(257,555)
Pledges receivable	1,296,750	(1,766,800)
Prepaid expenses	18,611	1,059
Deposits and other assets	22,310	(11,354)
Accounts payable	(371,737)	452,018
Accrued liabilities	243,650	(15,662)
Other current liabilities	25,934	89,837
Net cash provided by operating activities	<u>2,309,268</u>	<u>2,308,305</u>
Cash flows from investing activities		
Payment received on notes receivables	22,103	21,051
Purchase of property and equipment	(163,487)	(151,291)
Net cash used in investing activities	<u>(141,384)</u>	<u>(130,240)</u>
Cash flows from financing activities		
Payments on line of credit	-	(3,189,000)
Proceeds from borrowings on line of credit	-	1,767,000
Payments on capital lease obligations	(54,373)	(105,621)
Proceeds from borrowings on notes payable	-	1,038,484
Payments on notes payable	(415,666)	(352,250)
Proceeds from Paycheck Protection Program loan payable	2,026,600	-
Net cash provided by (used in) financing activities	<u>1,556,561</u>	<u>(841,387)</u>
Net increase in cash and cash equivalents	3,724,445	1,336,678
Cash and cash equivalents, beginning of year	<u>3,208,994</u>	<u>1,872,316</u>
Cash and cash equivalents, end of year	<u>\$ 6,933,439</u>	<u>\$ 3,208,994</u>

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ 98,273	\$ 126,317
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Supplemental schedule of noncash investing and financing activities

Acquisition of vehicles with capital lease	\$ 19,517	\$ 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, 2020

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, 2020

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, 2020, 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 recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

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, 2020, the Organization did not receive donated materials and/or service which met the criteria for recognition.

Revenue recognition

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.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Government grants - A portion of the Organization's revenues is derived from cost-reimbursable federal and state contracts and grants, 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 \$859,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

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.

- 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 they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.
- 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 in advanced of the revenue recognition criteria being as deferred revenue. There was no deferred revenue at June 30, 2020.

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.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020.

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, 2019 from which the summarized information was derived from.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting policy

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topics 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is condition or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019 using the modified prospective method. The adoption of ASU 2018-08 didn't have a significant impact on the Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

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. The new standard is effective for the Organization for the fiscal year beginning July 1, 2020. 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.

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.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

Management has evaluated subsequent events through February 11, 2021, 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	\$ 2,231,466
Other	<u>27,662</u>
	<u><u>\$ 2,259,128</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.

Future collections of pledges receivable are expected as follows:

Year ending June 30,

2021	\$ 870,250
2022	<u>300,000</u>
	<u><u>\$ 1,170,250</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 3,995,480
Furniture and fixtures	1,239,662
Buildings	1,751,629
Vehicles	652,227
Land	<u>498,460</u>
	8,137,458
Accumulated depreciation and amortization	<u>(5,134,243)</u>
	<u><u>\$ 3,003,215</u></u>

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

5. PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense amounted to \$506,731 for the year ended June 30, 2020.

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

Accrued vacation	\$ 640,058
Accrued salaries and payroll taxes	392,125
Accrued interest	106,831
Other accrued liabilities	<u>260,273</u>
	<u><u>\$ 1,399,287</u></u>

7. 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,

2021	\$ 59,327
2022	31,480
2023	<u>19,534</u>
	<u><u>\$ 110,341</u></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, 2020) and extends through April 30, 2021. 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, 2020, the Organization was in compliance with the covenant requirements. There was no outstanding balance on the line of credit as of June 30, 2020.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

9. NOTES PAYABLE

Notes payable are detailed as follows:

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.	\$ 5,288
Note payable to Source America for a 5 year loan, unsecured, quarterly payment of \$8,082, including interest at 1.625%, due May 2021.	32,326
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.	4,380
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
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 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.	174,868
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.	535,995
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.	4,812
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.	408,616

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

9. NOTES PAYABLE (continued)

Note payable to Non-Profit Finance Fund for a 5 year loan, unsecured, monthly payments of \$3,954, including interest at 5.00%, due January 2024.	464,336
Note payable to Toro-Exmark for a 4 year loan, secured by equipments, monthly payments of \$748, non-interest bearing, due June 2022.	17,937
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.	59,156
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.	7,244
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
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, 2020

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.

	255,000
	<u>2,860,995</u>
Less unamortized debt issuance costs	(1,356)
	<u>2,859,639</u>
Current portion	(191,736)
	<u><u>\$ 2,667,903</u></u>

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 191,736
2022	149,204
2023	382,749
2024	871,251
2025	66,904
Thereafter	<u>1,199,151</u>
	<u><u>\$ 2,860,995</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 six 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. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. 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. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Organization accounts for the PPP Loan under the debt model. The balance of the PPP Loan at June 30, 2020 amounted to \$2,026,600.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following:

Board designated for contingency reserve fund	\$ 637,354
Board designated for opportunity reserve fund	306,315
Board designated for capital reserve fund	51,962
Undesignated net assets	<u>2,126,225</u>
	<u>\$ 3,121,856</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Landscape program	\$ 2,886
Time-restricted	1,800,000
Community and workforce service	2,103,857
Other	<u>15,000</u>
	<u>\$ 3,921,743</u>

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

Landscape program	\$ 25,971
Time-restricted	175,000
Community and workforce service	1,886,383
Other	<u>9,517</u>
	<u>\$ 2,096,871</u>

13. CONCENTRATIONS

Two landscape customers comprised approximately 36% of total landscape services revenue during the year ended June 30, 2020.

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, 2020 was 50% of an employee's deferral up to \$500 and amounted to \$43,462.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

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>	
2021	\$ 306,035
2022	288,647
2023	181,596
2024	154,571
2025	<u>13,826</u>
	<u>\$ 944,675</u>

Rent expense under operating leases for the year ended June 30, 2020 was \$310,148.

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 2020.

Rubicon Programs Incorporated and Affiliates
Notes to Consolidated Financial Statements
June 30, 2020

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	\$ 6,933,439
Pledges receivable	1,170,250
Accounts receivable, net	<u>2,259,128</u>
	<u>10,362,817</u>
Less: amounts unavailable for general expenditure within one year	
Purpose restricted net assets	(2,121,743)
Noncurrent pledges receivable	<u>(300,000)</u>
	<u>(2,421,743)</u>
	<u>\$ 7,941,074</u>

Based on average monthly cash expenses for the year ended June 30, 2020 of approximately \$1,379,000, the Organization has financial assets available to fund approximately 5.75 months of expenses.

17. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Several states in the U.S., including California, where the Organization is located, have declared a state of emergency. In response, the U.S. Government enacted the CARES Act, which includes significant provisions to provide relief and assistance to affected organizations. COVID-19 could adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Organization in a variety of ways. The Organization cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak, the CARES Act and other governmental initiatives is highly uncertain and subject to change.

SUPPLEMENTARY INFORMATION

Rubicon Programs Incorporated and Affiliates
Consolidating Statement of Financial Position
June 30, 2020

ASSETS

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current assets						
Cash and cash equivalents	\$ 6,242,900	\$ 355,777	\$ 59,268	\$ 275,494	\$ -	\$ 6,933,439
Accounts receivable, net	1,907,230	19,805	6,939	325,154	-	2,259,128
Contributions receivable	870,250	-	-	-	-	870,250
Intercompany receivables	125,433	-	-	659,563	(784,996)	-
Prepaid expenses	160,068	5,060	9,444	18,901	-	193,473
Deposits and other assets	37,538	-	254,720	-	-	292,258
Investments in subsidiaries	450,000	-	-	-	(450,000)	-
Total current assets	<u>9,793,419</u>	<u>380,642</u>	<u>330,371</u>	<u>1,279,112</u>	<u>(1,234,996)</u>	<u>10,548,548</u>
Non-current assets						
Property and equipment, net	2,739,608	51,401	164,658	47,548	-	3,003,215
Contributions receivable, net of current portion	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Total non-current assets	<u>3,039,608</u>	<u>51,401</u>	<u>164,658</u>	<u>47,548</u>	<u>-</u>	<u>3,303,215</u>
Total assets	<u>\$ 12,833,027</u>	<u>\$ 432,043</u>	<u>\$ 495,029</u>	<u>\$ 1,326,660</u>	<u>\$ (1,234,996)</u>	<u>\$ 13,851,763</u>

Rubicon Programs Incorporated and Affiliates
Consolidating Statement of Financial Position
June 30, 2020

LIABILITIES AND NET ASSETS

	Rubicon Programs Incorporated	Rubicon Enterprises, Inc.	Rubicon Homes	Rubicon Landscape Corporation	Eliminating Entries	Total
Current liabilities						
Accounts payable	\$ 283,623	\$ 122	\$ 1,961	\$ 6,196	\$ -	\$ 291,902
Accrued liabilities	1,308,964	26,748	-	63,575	-	1,399,287
Other current liabilities	107,351	-	9,598	-	3,446	120,395
Current portion of capital lease obligation	53,411	303	-	5,613	-	59,327
Current portion of notes payable	111,761	-	58,100	21,875	-	191,736
Intercompany payables	-	112,205	-	676,237	(788,442)	-
Paycheck Protection Program loan payable	2,026,600	-	-	-	-	2,026,600
Total current liabilities	<u>3,891,710</u>	<u>139,378</u>	<u>69,659</u>	<u>773,496</u>	<u>(784,996)</u>	<u>4,089,247</u>
Long-term liabilities						
Capital lease obligation, net of current portion	14,924	13,821	-	22,269	-	51,014
Notes payable, net of current portion	<u>1,804,622</u>	<u>-</u>	<u>476,540</u>	<u>386,741</u>	<u>-</u>	<u>2,667,903</u>
Total long-term liabilities	<u>1,819,546</u>	<u>13,821</u>	<u>476,540</u>	<u>409,010</u>	<u>-</u>	<u>2,718,917</u>
Total current liabilities	<u>5,711,256</u>	<u>153,199</u>	<u>546,199</u>	<u>1,182,506</u>	<u>(784,996)</u>	<u>6,808,164</u>
Net assets						
Without donor restrictions	3,200,028	278,844	(51,170)	144,154	(450,000)	3,121,856
With donor restrictions	<u>3,921,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,921,743</u>
Total net assets	<u>7,121,771</u>	<u>278,844</u>	<u>(51,170)</u>	<u>144,154</u>	<u>(450,000)</u>	<u>7,043,599</u>
Total liabilities and net assets	<u>\$ 12,833,027</u>	<u>\$ 432,043</u>	<u>\$ 495,029</u>	<u>\$ 1,326,660</u>	<u>\$ (1,234,996)</u>	<u>\$ 13,851,763</u>

Rubicon Programs Incorporated and Affiliates
Consolidating Statement of Activities
For The Year Ended June 30, 2020

	<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	\$ 3,316,035	\$ -	\$ -	\$ -	\$ -	\$ 3,316,035
Program service contracts and grants	8,265,016	-	207,667	-	(302,436)	8,170,247
Landscape services	3,109,932	1,504,173	-	1,253,212	-	5,867,317
Other revenue	393,972	42,000	603	172,228	(443,414)	165,389
Investment income	<u>28,142</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>28,153</u>
Total revenues, gains and other support	<u>15,113,097</u>	<u>1,546,173</u>	<u>208,281</u>	<u>1,425,440</u>	<u>(745,850)</u>	<u>17,547,141</u>
Functional expenses						
Program services	11,457,308	988,094	116,762	1,332,406	(746,212)	13,148,358
Management and general	3,416,488	-	20,676	-	-	3,437,164
Fundraising	<u>474,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,516</u>
Total functional expenses	<u>15,348,312</u>	<u>988,094</u>	<u>137,438</u>	<u>1,332,406</u>	<u>746,212</u>	<u>17,060,038</u>
Changes in net assets	(235,215)	558,079	70,843	93,034	362	487,103
Net assets, beginning of year as previously reported	8,108,908	(1,031,519)	(122,013)	51,120	(450,000)	6,556,496
Restatement	(751,922)	751,922	-	-	-	-
Net assets, beginning of year as restated	<u>7,356,986</u>	<u>(279,597)</u>	<u>(122,013)</u>	<u>51,120</u>	<u>(450,000)</u>	<u>6,556,496</u>
Net assets, end of year	<u>\$ 7,121,771</u>	<u>\$ 278,482</u>	<u>\$ (51,170)</u>	<u>\$ 144,154</u>	<u>\$ (449,638)</u>	<u>\$ 7,043,599</u>

Rubicon Programs Incorporated and Affiliates
Statement of Functional Expenses - Rubicon Programs Incorporated
For The Year Ended June 30, 2020

	Programs	Landscape Services	Housing Management	Total Program Services	Management and General	Fundraising	Total
Personnel expenses							
Salaries	\$ 5,089,325	\$ 1,308,001	\$ -	\$ 6,397,326	\$ 1,887,165	\$ 258,723	\$ 8,543,214
Employee benefits and payroll taxes	967,411	315,666	-	1,283,077	346,764	45,486	1,675,327
Total personnel expenses	<u>6,056,736</u>	<u>1,623,667</u>	<u>-</u>	<u>7,680,403</u>	<u>2,233,929</u>	<u>304,209</u>	<u>10,218,541</u>
Consultants and professional services	1,435,379	108,315	11,273	1,554,968	295,261	155,911	2,006,140
Other staff costs	23,483	2,459	-	25,942	129,156	-	155,098
Occupancy	306,622	61,855	105,034	473,511	91,838	74	565,423
Office expenses	271,117	79,322	12,973	363,413	356,945	6,144	726,502
Depreciation and amortization	70,955	184,857	38,027	293,839	148,501	3,303	445,643
Program and participant support	373,133	-	-	373,133	-	-	373,133
Transportation and travel	49,223	106,545	-	155,768	23,851	842	180,461
Landscape operations	-	310,175	-	310,175	-	-	310,175
Events and marketing	5,889	8,565	-	14,454	38,758	4,033	57,245
Miscellaneous	<u>17,873</u>	<u>185,828</u>	<u>8,001</u>	<u>211,702</u>	<u>98,249</u>	<u>-</u>	<u>309,951</u>
	<u>\$ 8,610,410</u>	<u>\$ 2,671,588</u>	<u>\$ 175,308</u>	<u>\$ 11,457,308</u>	<u>\$ 3,416,488</u>	<u>\$ 474,516</u>	<u>\$ 15,348,312</u>

Rubicon Programs Incorporated and Affiliates
Statement of Functional Expenses - Rubicon Enterprises, Inc.
For The Year Ended June 30, 2020

	Program Services <u>(Landscaping)</u>	Management and General	<u>Total</u>
Personnel expenses			
Salaries	\$ 366,278	\$ -	\$ 366,278
Employee benefits and payroll taxes	<u>147,845</u>	<u>-</u>	<u>147,845</u>
Total personnel expenses	514,123	-	514,123
Landscape operations	28,966	-	28,966
Transportation and mileage	57,499	-	57,499
Occupancy	88,874	-	88,874
Office expenses	37,512	-	37,512
Consultants and professional services	149,618	-	149,618
Events and marketing	2,005	-	2,005
Other staff costs	2,024	-	2,024
Depreciation and amortization	13,194	-	13,194
Miscellaneous	<u>94,282</u>	<u>-</u>	<u>94,282</u>
	<u>\$ 988,097</u>	<u>\$ -</u>	<u>\$ 988,097</u>

Rubicon Programs Incorporated and Affiliates
Statement of Functional Expenses - Rubicon Homes
For The Year Ended June 30, 2020

	<u>Rental Operations</u>	<u>Management and General</u>	<u>Total</u>
Salaries, benefits and fees	-	20,676	20,676
Utilities	7,056	-	7,056
Operating and maintenance	52,830	-	52,830
Taxes, property and liability insurance	12,917	-	12,917
Interest	8,513	-	8,513
Depreciation and amortization	<u>35,446</u>	<u>-</u>	<u>35,446</u>
	<u>\$ 116,762</u>	<u>\$ 20,676</u>	<u>\$ 137,438</u>

Rubicon Programs Incorporated and Affiliates
Statement of Functional Expenses - Rubicon Landscape Corporation
For The Year Ended June 30, 2020

	Program Services <u>(Landscaping)</u>	Management and General	<u>Total</u>
Personnel expenses			
Salaries	\$ 604,151	\$ -	\$ 604,151
Employee benefits and payroll taxes	<u>198,643</u>	<u>-</u>	<u>198,643</u>
Total personnel expenses	802,794	-	802,794
Landscape operations	123,684	-	123,684
Transportation and mileage	99,227	-	99,227
Occupancy	40,052	-	40,052
Office expenses	83,471	-	83,471
Consultants and professional services	147,908	-	147,908
Events and marketing	50	-	50
Other staff costs	1,592	-	1,592
Depreciation and amortization	12,449	-	12,449
Miscellaneous	<u>21,178</u>	<u>-</u>	<u>21,178</u>
	<u>\$ 1,332,405</u>	<u>\$ -</u>	<u>\$ 1,332,405</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, 2020, 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 February 11, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Armanino^{LLP}
San Francisco, California

February 11, 2021

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, 2020. 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, 2020.

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^{LLP}
San Francisco, California

February 11, 2021

Rubicon Programs Incorporated and Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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	\$ 25,387	\$ -
Pass-through program from:				
Alameda County Workforce Development				
Second Chance Smart Reentry	18-19-RUBI-SCA	16.922	70,052	-
Total DOJ			95,439	-
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				
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	224,043	-
WIOA Dislocated Worker Formula Grants - Eden Area	900203	17.278	319,752	-
WIOA Dislocated Workers - Eden Area	900203	17.277	33,295	-
Contra Costa County Employment and Human Services				
WIOA Adult Program, WIOA Dislocated Worker Formula Grants	18-430-0	17.258, 17.278	1,090,125	432,585
Prison to Employment Services	18-456-0	17.xxx	7,332	-
Total pass-through programs			1,097,457	432,585
Direct awards				
Reintegration of Ex-Offenders - Non-Youth	PE-30750-17-60-A-6	17.270	458,474	-
Total direct awards			458,474	-
Total DOL			2,133,021	432,585

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, 2020

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	316,339	-
Fathers Advancing Community Together	90FK0062-02-04	93.086	1,356,912	-
Community Services Block Grant - Oakland Community Action Partnership Grant	18F-5002,19F4002	93.569	38,164	-
			<u>1,711,415</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	495,112	-
Career and Employment Center - South County	900203	93.558	548,059	-
Contra Costa County Department of Health Services				
Cal-Works	24-958-26	93.570	91,007	-
			<u>2,845,593</u>	<u>-</u>
Total DHHS				
U.S. Department of Agriculture ("USDA")				
Direct awards				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	FRS-009-17/ FRS-			
CalFresh E&T - Fresh Success	009-18	10.561	194,865	-
			<u>194,865</u>	<u>-</u>
Total USDA				
Total Expenditures of Federal Awards			<u>\$ 5,850,623</u>	<u>\$ 432,585</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, 2020

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, 2020. 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, 2020.

Rubicon Programs Incorporated and Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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>
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, 2020

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, 2020

There were no prior year findings.