Bill Wilson Center

Consolidated Financial Statements
and Supplementary Information
June 30, 2018
(With summarized comparative totals for June 30, 2017)

Together with
Independent Auditors' Report
and Single Audit Reports

BILL WILSON CENTER
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June 30, 2018

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bill Wilson Center
Santa Clara, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bill Wilson Center (a California public benefit corporation, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We 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. 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
Bill Wilson Center
Santa Clara, California

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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* ("Uniform Guidance"), 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 October 5, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Robert Lee + Associates, LLP

San Jose, California
October 5, 2018

BILL WILSON CENTER

Consolidated Statement of Financial Position

June 30, 2018

(With summarized comparative totals for June 30, 2017)

	June 30, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,069,684	$ 2,107,186
Investments	1,180,029	1,131,356
Receivables, net, current portion	3,511,379	2,046,092
Prepaid expenses and deposits	239,511	231,053
Total current assets	6,000,603	5,515,687
Receivables, net, non-current portion	216,592	110,738
Property and equipment, net	13,310,850	13,690,001
Restricted cash and cash equivalents	430,318	410,777
Total assets	$ 19,958,363	$ 19,727,203
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit payable	$ 300,000	$ -
Accounts payable	499,783	341,751
Accrued expenses	1,421,206	1,574,923
Deposits payable	148,351	225,510
Deferred revenue	412	1,728
Notes payable, current	91,603	68,479
Total current liabilities	2,461,355	2,212,391
Long-term interest payable	245,695	204,652
Notes payable, non-current, net	3,580,363	3,634,515
Total liabilities	6,287,413	6,051,558
Commitments and contingencies		
Net assets:		
Unrestricted	5,038,364	4,716,747
Temporarily restricted	8,632,586	8,958,898
Total net assets	13,670,950	13,675,645
Total liabilities and net assets	$ 19,958,363	$ 19,727,203

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

BILL WILSON CENTER

Consolidated Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2018

(With summarized comparative totals for the year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Comparative Totals
Support and revenue:				
Support:				
Contributions	$ 41,516	$ 230,419	$ 271,935	$ 264,459
Contributions in-kind	422,095	-	422,095	566,672
Special events, net	157,921	-	157,921	133,194
Foundations and corporations	335,799	229,179	564,978	376,759
United Way	3,346	-	3,346	2,025
Total support	960,677	459,598	1,420,275	1,343,109
Revenue:				
Federal government awards	5,702,048	-	5,702,048	4,017,278
State and local government awards	11,914,250	4,550	11,918,800	11,849,038
Investment income, net	49,977	-	49,977	51,458
Gain (loss) on disposal of assets	(66)	-	(66)	(2,784)
Fees for services	236,913	-	236,913	315,681
Rental income	219,680	-	219,680	185,239
Miscellaneous income	30,936	-	30,936	99,173
Total revenue	18,153,738	4,550	18,158,288	16,515,083
Net assets released from restrictions	790,460	(790,460)	-	-
Total support and revenue	19,904,875	(326,312)	19,578,563	17,858,192
Expenses:				
Program services	16,905,721	-	16,905,721	14,819,532
Supporting services:				
Management and general	1,890,650	-	1,890,650	1,696,432
Fundraising and development	351,897	-	351,897	311,489
Total supporting services	2,242,547	-	2,242,547	2,007,921
Total expenses before depreciation and amortization	19,148,268	-	19,148,268	16,827,453
Change in net assets before depreciation and amortization	756,607	(326,312)	430,295	1,030,739
Depreciation and amortization expense	434,990	-	434,990	417,873
Change in net assets	321,617	(326,312)	(4,695)	612,866
Net assets, beginning of year	4,716,747	8,958,898	13,675,645	13,062,779
Net assets, end of year	$ 5,038,364	$ 8,632,586	$ 13,670,950	$ 13,675,645

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

BILL WILSON CENTER

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2018

	2018								
	Program Services								
	Mental Health Services	Residential Services	Foster Family Services	Youth & Family Services	Counseling Services	Transitional Housing Services	Drop-In Center	Peacock Commons	Total Program Services
Staff compensation	$ 2,159,161	$ 1,428,480	$ 300,197	$ 1,347,056	$ 495,677	$ 1,338,052	$ 690,884	$ 105,731	$ 7,865,238
Employee benefits	459,729	275,675	64,191	283,570	108,366	282,255	127,163	20,415	1,621,364
Payroll taxes	185,428	127,609	26,645	124,746	40,900	117,213	66,303	8,322	697,166
Communication costs	33,105	28,784	12,402	14,476	13,262	53,739	8,471	5,030	169,269
Conference, conventions and meetings	2,914	2,187	877	8	480	1,762	1,352	970	10,550
Equipment and furniture purchases	17,932	15,950	3,050	27,365	594	44,175	10,642	28,431	148,139
Food and beverage	6,006	79,436	863	17,988	2,446	241,578	52,654	18,405	419,376
Foster family fees	-	-	343,843	-	-	6,838	-	-	350,681
Insurance	31,122	46,322	8,913	9,901	5,855	32,043	5,258	8,706	148,120
Interest expense	-	1,380	-	-	14,481	48,479	-	31,714	96,054
Maintenance and equipment rental	24,920	62,153	2,912	14,069	6,090	66,516	13,107	74,831	264,598
Memberships, dues and licenses	14,714	25,760	5,941	1,708	386	2,690	90	5,618	56,907
Occupancy	161,914	10,079	25,928	462,570	35,586	1,191,781	17,283	4,160	1,909,301
Payments to sub-recipients	-	-	-	335,760	-	76,146	-	-	411,906
Postage and shipping	3,132	790	653	1,751	842	736	339	52	8,295
Printing and publications	32,718	9,343	3,085	12,759	15,081	13,366	29,822	3,210	119,384
Professional fees	411,822	44,342	6,866	54,912	307,626	51,944	30,666	120,322	1,028,500
Reserve for bad debts	-	2,699	13,009	-	-	1,839	-	453	18,000
Recruiting and training costs	16,171	36,528	9,598	5,217	2,833	10,118	5,312	267	86,044
Service charges	-	324	-	50	2,116	45	-	1,502	4,037
Specific assistance	286	69,317	16,751	106,816	-	540,537	81,050	34,544	849,301
Supplies	23,037	43,502	7,190	27,257	9,650	52,763	34,031	8,118	205,548
Travel and transportation	42,113	29,133	9,888	33,982	1,216	41,127	6,457	2,592	166,508
Utilities	23,981	67,027	1,603	4,081	3,995	93,022	12,960	44,766	251,435
Total expenses before depreciation and amortization	3,650,205	2,406,820	864,405	2,886,042	1,067,482	4,308,764	1,193,844	528,159	16,905,721
Depreciation and amortization	23,904	99,083	1,712	-	17,960	59,908	11,205	183,964	397,736
Total expenses	$ 3,674,109	$ 2,505,903	$ 866,117	$ 2,886,042	$ 1,085,442	$ 4,368,672	$ 1,205,049	$ 712,123	$ 17,303,457

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

BILL WILSON CENTER

Consolidated Statement of Functional Expenses (Continued)

For the Year Ended June 30, 2018

(With summarized comparative totals for the year ended June 30, 2017)

	2018					2017
	Total Program Services	Support services: Management and General	Support services: Fundraising and Development	Support services: Totals	Total Program and Support Services	Comparative Totals
Staff compensation	$ 7,865,238	$ 1,354,538	$ 244,518	$ 1,599,056	$ 9,464,294	$ 8,225,189
Employee benefits	1,621,364	151,694	26,564	178,258	1,799,622	1,753,967
Payroll taxes	697,166	80,274	26,971	107,245	804,411	684,456
Communication costs	169,269	27,232	1,887	29,119	198,388	189,901
Conference, conventions and meetings	10,550	6,187	1,176	7,363	17,913	16,371
Equipment and furniture purchases	148,139	10,256	1,688	11,944	160,083	141,780
Food and beverage	419,376	5,021	64	5,085	424,461	402,696
Foster family fees	350,681	-	-	-	350,681	294,831
Insurance	148,120	36,123	1,451	37,574	185,694	162,744
Interest expense	96,054	1,029	-	1,029	97,083	106,131
Maintenance and equipment rent	264,598	22,372	2,588	24,960	289,558	264,305
Memberships, dues and licenses	56,907	12,085	4,843	16,928	73,835	66,193
Occupancy	1,909,301	7,159	73	7,232	1,916,533	1,385,257
Payments to sub-recipients	411,906	-	-	-	411,906	329,573
Postage and shipping	8,295	1,310	1,172	2,482	10,777	10,197
Printing and publications	119,384	11,439	11,440	22,879	142,263	125,934
Professional fees	1,028,500	63,710	13,336	77,046	1,105,546	1,150,511
Reserve for bad debts	18,000	-	-	-	18,000	60,331
Recruiting and training costs	86,044	29,667	1,088	30,755	116,799	62,381
Service charges	4,037	26,068	4,106	30,174	34,211	24,505
Specific assistance	849,301	3,592	-	3,592	852,893	786,480
Supplies	205,548	4,895	5,247	10,142	215,690	172,581
Travel and transportation	166,508	17,077	478	17,555	184,063	147,167
Utilities	251,435	18,922	3,207	22,129	273,564	263,972
Total expenses before depreciation and amortization	16,905,721	1,890,650	351,897	2,242,547	19,148,268	16,827,453
Depreciation and amortization	397,736	28,230	9,024	37,254	434,990	417,873
Total expenses	$ 17,303,457	$ 1,918,880	$ 360,921	$ 2,279,801	$ 19,583,258	$ 17,245,326

BILL WILSON CENTER

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2018 and 2017

	For the Years Ended June 30, 2018	2017
Cash flows from operating activities:		
Change in net assets	$ (4,695)	$ 612,866
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	434,990	417,873
Donated assets	-	(95,254)
Loss on disposal of fixed assets	66	2,784
Net realized and unrealized (gain) loss on investments	24,755	(26,797)
Changes in operating assets and liabilities:		
Receivables	(1,571,141)	286,764
Prepaid expenses and deposits	(8,458)	80,282
Accounts payable	158,032	50,916
Accrued expenses	(153,717)	114,833
Deposits payable	(77,159)	100,086
Deferred revenue	(1,316)	(23)
Net cash provided (used) by operating activities	(1,198,643)	1,544,330
Cash flows from investing activities:		
Proceeds from sale of investments	146,222	113,414
Purchases of investments	(219,650)	(137,131)
Purchases of property and equipment	(14,369)	(607,052)
Net cash used by investing activities	(87,797)	(630,769)

BILL WILSON CENTER

Consolidated Statement of Cash Flows (Continued)

For the Year Ended June 30, 2018 and 2017

	For the Years Ended June 30, 2018	2017
Cash flows from financing activities:		
Payments on notes payable	$ (72,564)	$ (64,191)
Proceeds from loans including accrued interest	41,043	41,044
Repayments on line of credit	-	(300,000)
Borrowings on line of credit	300,000	95,000
Net cash (used) provided by financing activities	268,479	(228,147)
Increase (decrease) in cash and cash equivalents	(1,017,961)	685,414
Cash and cash equivalents, beginning of year	2,517,963	1,832,549
Cash and cash equivalents, end of year	$ 1,500,002	$ 2,517,963
Cash and cash equivalent reconciliation:		
Cash and cash equivalents	$ 1,069,684	$ 2,107,186
Restricted cash and cash equivalents	430,318	410,777
Total cash and cash equivalents	$ 1,500,002	$ 2,517,963

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 56,039	$ 65,237

Supplemental disclosure of non-cash transactions

Property and equipment acquired with debt	$ 38,969	$ -
Transfer of assets from construction-in-progress to property and equipment	$ -	$ 50,000

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

Note 1 - Organization, principles of consolidation and program summaries:

Organization - Bill Wilson Center ("BWC") was incorporated as a California non-profit organization on March 29, 1974 and provides services to the residents of Santa Clara County. The Organization's mission is to support and strengthen the community by serving youth and families through counseling, housing, education and advocacy. The Organization emphasizes the importance of collaborative program development and service delivery.

Principles of consolidation - The consolidated financial statements include the accounts of a subsidiary, Peacock Commons, LLC, (the "LLC") a California limited liability company of which Bill Wilson Center is the sole member (collectively, the Organization). The LLC was formed on April 25, 2011 to provide housing for low income persons, where no adequate housing exists for such groups; or to serve as a general partner in a limited partnership which owns and operates housing for the benefit of low income persons who are in need of affordable, decent, safe and sanitary housing and related services. The Peacock Commons apartments were certified for occupancy on April 26, 2012. All intercompany accounts have been eliminated in the accompanying consolidated financial statements.

Program summaries - The Organization operates programs in eight distinct areas as follows:

Mental Health Services

- Mental Health Services are provided to Medi-Cal eligible individuals and include therapy and psychiatric services, including intensive outpatient and school linked services.
- Young Adult and Transition Age Youth Mental Health services provide immediate access to therapy and psychiatric services through a crisis line.
- BWC Connections connects young adults to housing, education, and mental health resources within Bill Wilson Center.

Residential Services

- Provides short-term housing for homeless and runaway youth at BWC's Residential Programs and host homes. Youth receive intensive individual, group and family counseling in order to reunite youth with their families.
- Quetzal House provides short-term housing for girls, ages 13 to 17, who are chronic runaways from the foster care system or from their families.
- Transitional Housing Placement Program provides semi-independent living for youth ages 16 to 19, including parenting youth, who are in the foster care system. The youth learn the skills they need to become self-sufficient.

Foster Family Services

- Foster Family Program recruits foster families and matches children in the foster care system with families that are trained and supported to care for them. Includes Foster To Adopt, Intensive Therapeutic Foster Care and Treatment Foster Care Services.
- Volunteer Case Aide Program matches trained volunteers with children in foster care who need services such as tutoring, mentoring, and supervised visits.
- Parenting Classes build communication skills between parents and youth, ages 12 to 17.

Note 1 - Organization, principles of consolidation and program summaries (continued):

Youth and Family Services

- Direct Referral Program provides services to first time offenders under the age of 15 who are at risk of re-offending. Youth participate in 7 Challenges and their parents may attend parenting classes.
- Support and Enhancement Services provides intensive case management and cognitive behavioral therapy services for youth on probation.
- Safe Place provides youth with easy access to services or safety.
- Family Advocacy Services provides support to families who have youth attending Lincoln or Mt. Pleasant High Schools who are struggling due to their family's homelessness.
- Rapid Rehousing and Supportive Services provides case management and rental assistance to youth and young parent families.
- Independent Living Program provides current and former foster youth and young adults, ages 16 to 21, with essential life skills through individual case management, housing and financial assistance, educational classes and workshops, pro-social activities and events, counseling services, and youth leadership development.

Drop-In-Center

- Drop-In-Center for homeless youth and young adults provides basic necessities as well as case management, job readiness, housing assistance, HIV prevention, and outreach services with the goal of helping youth and young adults exit the streets.

Counseling Services

- Contact Cares volunteers provide supportive listening, information and referral through 24-hour crisis lines.
- Counselors provide low-cost, professional counseling services to families and individuals of all ages.
- Parent-Child Interactive Therapy and Training provides therapeutic coaching to parents with young children in an effort to build positive relationships.
- School Outreach Counseling provides on-site counseling services to Santa Clara Unified School District middle and high school students, and several other schools.
- Child Abuse Treatment Program provides counseling for children and youth who have experienced abuse and neglect.
- Centre for Living with Dying provides emotional support to adults and children facing life-threatening illness or the trauma of the loss of a loved one.
- Healing Heart Program provides emotional support to children and youth who have experienced the loss of a loved one.
- Critical Incident Stress Management provides training and support for first responders.

Transitional Housing Services

- Transitional Housing Program provides housing and support services for homeless young adults ages 18 - 24, including parenting young adults and their infants/toddlers.
- THP+ provides rental subsidies and supportive services for young adults who have aged out of foster care.

Note 1 - Organization, principles of consolidation and program summaries (continued):

- THP+ Foster Care provides housing and support services for young adults who have elected to stay in foster care after turning 18.
- LGBTQ Transitional Living Program is a supportive housing program for homeless young adults, ages 18 to 21, who identify as LGBTQ.
- Young Adult Shelter provides emergency shelter and supportive services to homeless victimized young adults between the ages of 18 and 24.
- LGBTQ Host Home Program matches people who can provide temporary, interim housing to LGBTQ young adults, ages 18 to 24, who are currently homeless.
- Emergency Housing Services provides a Transitional Housing to Rapid Re-Housing (TH-RRH) option for homeless young adults who to have the highest need for support.

Peacock Commons

- Permanent Housing Apartment Complex provides affordable rent and supportive services for young adults and families residing at Peacock Commons.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization presents its consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”), which requires the Organization to report information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes.
- *Temporarily restricted net assets* - include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting year. The Organization has elected to report as an increase in temporarily restricted net assets any restricted revenue received in the current year for which the restrictions have been met in the current year.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments. The Organization did not have any permanently restricted net assets at June 30, 2018 and 2017.

Note 2 - Summary of significant accounting policies (continued):

Use of estimates - The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include the allowance for doubtful accounts, the discount for present value on contributions receivable, the useful lives of property and equipment, future payment estimates on loans, and the allocation of expenses by function. Actual results could differ from these estimates under different conditions.

Cash and cash equivalents - Cash and cash equivalents include demand deposits in banks and money market funds. The carrying amount in the consolidated statement of financial position approximates fair value.

Revenue recognition - The Organization's programs are supported by client fees, government grants and contracts and by contributions from individuals, corporations and foundations. The Organization receives cost reimbursement contract revenue as well as fixed rate contract revenue. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Organization agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. Certain contracts have provisions for annual settlements to provide for recovery of costs for service capacity required to be provided, but not utilized, and for repayment of amounts billed in excess of contract limits. Estimated settlements are accrued by the Organization as a reconciliation reserve and are reported in the consolidated statements of activities and changes in net assets. These amounts approximate fair value as they are expected to be received or paid within one year.

Contributions are recognized when the donor makes a pledge that is, in substance, an unconditional promise to give. Unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisor. There were no conditional promises to give at June 30, 2018 and 2017.

In-kind contributions - Significant donated equipment, facility and other goods are recorded at their estimated fair market value as of the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization may also receive donated services that do not require specific expertise but which are nonetheless central to the Organization's operations; these amounts are not recorded.

Rental income - The Organization owns properties that are rented to individuals at reduced rental rates as part of the services of the Organization. Rental income is recorded in the same month that the payment is earned.

Note 2 - Summary of significant accounting policies (continued):

Functional expense allocations - The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, specifically identified expenses are charged to the applicable program. The remaining costs are allocated among the programs and services benefited based on management estimates.

Advertising - The Organization's policy is to expense advertising costs to operations as incurred. The Organization incurred approximately $4,000 in advertising expenses for the years ended June 30, 2018 and 2017.

Investments - The Organization's investments are valued in accordance with GAAP, including fair value measurements. The Organization invests in marketable securities and money market funds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Contributions of investments are recorded at estimated fair value at the date of donation and are sold as soon as reasonably possible. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Realized gains or losses resulting from sales or maturities are the differences between the investment cost basis and the sale or maturity settlement of the investment. Dividend and interest income are recognized when earned.

Receivables, net - Receivables consist of grants receivable, contracts receivable, pledges receivable and other receivables. Grants receivable consist primarily of amounts awarded by governmental agencies for various purposes. Contracts receivable consist primarily of amounts billed for services provided. Pledges receivable are recorded when an unconditional promise to pay has been made to the Organization. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Prepaid expenses and deposits - Prepaid expenses primarily consist of payments made associated with the Organization's insurance policies and rent. Such prepayments are amortized over the term of the related insurance coverage or lease agreement. Deposits consist of security deposits on rented property.

Property and equipment, net - Property and equipment are recorded at cost, or if contributed, at the estimated fair market value when donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. There were no restrictions placed on property and equipment at June 30, 2018 and 2017.

Note 2 - Summary of significant accounting policies (continued):

Depreciation and amortization - Depreciation and amortization is computed using the straight-line method over estimated useful lives of the related assets which range from five to ten years for automobiles and furniture and equipment; and ten to forty years for buildings and improvements. The Organization capitalizes all expenditures for equipment and improvements in excess of $2,500. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Notes payable, net - Notes payable includes building and loan acquisition costs incurred in connection with the mortgage note payable, secured by deed of trust on real property are being amortized over the remaining lives of the building or loan term. Amortization of loan fees is computed using the straight-line method over the life of the related loans, amortization expense amounted to approximately $2,600 for each of the years ended June 30, 2018 and 2017.

Long-lived assets - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to-date.

Construction in progress - Construction in progress represents assets acquired and not yet placed into service. Applicable interest charges incurred during the construction are capitalized as an element of the cost and are amortized over the asset's estimated useful life.

Restricted cash and cash equivalents - Restricted cash and cash equivalents include demand deposits in banks and money market funds that are restricted by donors to be maintained in separate accounts. The carrying amount in the consolidated statements of financial position approximates fair value.

Deposits payable - The Organization receives security deposits from residents of Peacock Commons, the transitional housing program, and from the County of Santa Clara for placement of foster youth.

Deferred revenue - Deferred revenue is recorded for rents and grants received from sources in advance of the period for which the payment is due.

Federal awards - Federal awards consist of funds received from the federal government for specific projects. Substantially all of the Organization's federal award revenue is derived from cost reimbursement grants, which are billed to the grantor after costs have been incurred. Federal award revenue and unbilled federal awards are recognized to the extent the related costs are incurred.

Note 2 - Summary of significant accounting policies (continued):

Federal awards (continued) - Federal awards are subject to review and audit by the grantor agencies in accordance with the Single Audit Act and Office of Management and Budget ("OMB") Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Although such audits could result in expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material to the consolidated financial statements at June 30, 2018 and 2017.

Fair value of financial instruments - Financial instruments included in the Organization's consolidated statement of financial position as of June 30, 2018 and 2017 include cash and cash equivalents, receivables, investments, accounts payable, accrued expenses and notes payable. The balances of these instruments represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying consolidated statement of financial position at their estimated fair values.

Concentration of revenue sources - For the years ending June 30, 2018 and 2017, approximately 90% and 89%, respectively, of the Organization's support and revenue is derived from grants from Federal, State and local government agencies.

Concentration of credit risk - Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash, cash equivalents and receivables. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits. It is the Organization's opinion that it is not exposed to any significant credit risks.

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2018 management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2014 and forward.

Note 2 - Summary of significant accounting policies (continued):

Summarized comparative information - 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was obtained.

Reclassification - Certain fiscal year 2017 balances have been reclassified to conform to the 2018 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Recent accounting pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers (Topic 606)". The ASU provides guidance over the core principle of recognizing 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. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition", and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing". The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. Management has not determined the impact on the consolidated financial statements.

In February 2016, the FASB issued FASB ASU No. 2016-02 "Leases." The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. Management has not determined the impact of this pronouncement.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements (continued) - In August 2016, the FASB issued ASU No. 2016-14 “Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities.” The ASU is intended to improve identified issues about the current financial reporting for Not-for-Profits. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

In June 2018, the FASB issued ASU No. 2018-08 “Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors’ report, which is the date the consolidated financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2018.

Note 3 - Receivables, net:

The following amounts are reported as receivables as of June 30:

	2018	2017
Grants receivable	$ 4,237,340	$ 2,516,770
Contracts receivable	129,811	211,130
Pledges receivable	319,275	307,413
Accounts receivable	29,903	4,927
Total receivables	4,716,329	3,040,240
Less: allowance for doubtful accounts and fair value adjustment	(988,358)	(883,410)
Total receivables, net	3,727,971	2,156,830
Less: current portion	(3,511,379)	(2,046,092)
Non-current portion	$ 216,592	$ 110,738

Note 3 - Receivables, net (continued):

Receivables are recorded at fair value which includes a discount rate of 5% at June 30, 2018. Maturities for receivables are as follows:

Year Ending June 30,		
2019	$	4,447,532
2020		150,857
2021		64,557
2022		38,981
2023		10,602
Thereafter		3,800
Total		4,716,329
Less: allowance for doubtful accounts and fair value adjustment		(988,358)
Less: current portion		(3,511,379)
Non-current portion	$	216,592

Note 4 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Note 4 - Investments (continued):

All investments are at quoted prices in active markets for identical assets (Level 1 inputs) as follows at June 30:

	2018	2017
Cash held-for-investments	$ 32,603	$ 121,300
Fixed income	575,081	544,869
Equity securities	572,345	465,187
Net investments	$ 1,180,029	$ 1,131,356

The following schedule summarizes the investment activity as of June 30:

	2018	2017
Interest and dividends	$ 33,890	$ 32,910
Realized gain on investments, net	12,831	16,750
Unrealized gain (loss) on investments, net	11,924	10,047
	58,645	59,707
Less management fees	(8,668)	(8,249)
Net investment income	$ 49,977	$ 51,458

Note 5 - Property and equipment, net:

Property and equipment consists of the following at June 30:

	2018	2017
Land	$ 3,934,417	$ 3,934,417
Buildings and improvements	13,301,889	13,287,404
Furniture and equipment	447,872	447,872
Vehicles	95,186	61,717
	17,779,364	17,731,410
Accumulated depreciation and amortization	(4,468,514)	(4,041,409)
Property and equipment, net	$ 13,310,850	$ 13,690,001

Depreciation and amortization expense was approximately $435,000 and $418,000 for the years ended June 30, 2018 and 2017, respectively.

Note 6 - Line of credit:

The Organization is obligated under a line of credit, maturing December 15, 2018 and secured by the personal property of the Organization. The line is available up to $500,000 and bears interest at the greater of the bank's prime rate or 4.25% (5% at June 30, 2018). This agreement and all of the other Wells Fargo Bank agreements require the Organization to comply with certain covenants. Management is not aware of any violations of these covenants.

Note 7 - Notes payable:

The Organization had the following notes payable at June 30:

	2018	2017
San Jose Enclave - Wells Fargo Bank	$ 514,443	$ 549,067
Summerdale - Wells Fargo Bank	487,598	520,667
Peacock Court - City of Sunnyvale	100,000	100,000
Peacock Court - Housing Trust	500,000	500,000
Peacock Court - County of Santa Clara	200,000	200,000
Peacock Court - CalHFA	757,120	757,120
Jackson Street - City of Sunnyvale	45,000	45,000
Jackson Street - Housing Trust	35,000	35,000
509 View Street - City of Mountain View	404,814	404,814
509 View Street - City of Sunnyvale	72,000	72,000
Socorro Residence - City of Sunnyvale	590,000	590,000
Subaru Motors Finance	34,097	-
Total notes payable	3,740,072	3,773,668
Less loan fees	(68,106)	(70,674)
Less current portion	(91,603)	(68,479)
Non-current portion	$ 3,580,363	$ 3,634,515

During the year ended June 30, 2016 the Organization obtained a loan through the Housing Trust for rehabilitation of the Bill Wilson Residential Center. The loan was recorded as a temporary restricted asset when the improvements were placed in service in 2017.

During the year ended June 30, 2015, the Organization performed renovations of buildings located at 1284 and 1294 Jackson Avenue in Santa Clara, California. To partially finance the renovation, the Organization borrowed $80,000 in loans, $35,000 from the Housing Trust and $45,000 from the City of Sunnyvale. The Housing Trust loan bears simple interest, deferred at 2% and becomes due in December 2044. The City of Sunnyvale loan bears simple interest, deferred at 3.00% and is due in October 2044.

Note 7 - Notes payable (continued):

During the year ended June 30, 2014, the Organization purchased real property at 1141 Summerdale Dr., San Jose, California. To finance the purchase of this property the Organization refinanced the San Jose Enclave property and borrowed an additional $302,465 and entered into a new loan in the amount of $618,750. The refinanced loan bears interest at 5.25%, is due February 15, 2029 and requires monthly principal and interest payments of $5,252. Interest paid during the years ended June 30, 2018 and 2017 was approximately $27,000 and $29,000, respectively. The new loan with Wells Fargo Bank bears interest at 5.25%, is due February 15, 2029 and requires monthly principal and interest payments of $4,999. Interest paid during the years ended June 30, 2018 and 2017 was approximately $26,000 and $30,000, respectively.

On June 24, 2010, the Organization obtained a Community Development Block Grant (CDBG) loan from the County of Santa Clara in the amount of $200,000 to purchase real property located at 3661 Peacock Court in Santa Clara, California. The loan is secured by a Deed of Trust and bears simple interest, deferred at 3% and is due January 2068. During the year ended June 30, 2011, the Organization renovated the building. To partially finance the renovation, the Organization borrowed $100,000 of CDBG funds from the City of Sunnyvale, secured by Peacock Court. The loan bears simple interest, deferred at 3.00% and is due January 2066. In addition, the Organization secured two $370,400 loans and a $500,000 loan from Opportunity Fund Northern California. During fiscal year 2012, a total of $912,766 was drawn on these loans. The Organization refinanced these loans in fiscal year 2013 with two loans through the Housing Trust for $500,000 and the California Housing Finance Agency for $757,120. The Housing Trust loan bears no interest and becomes due January 2068. The California Housing Finance Agency ("CalHFA") loan bears simple interest, deferred at 3.00% and is due January 2068. In connection with this refinancing, Mental Health Services Act ("MHSA") funds in the amount of $836,495 have been set aside by CalHFA in a Capitalized Operating Subsidy Reserve account. These funds are an asset of CalHFA, and will become revenue to the Organization when and if disbursed. These funds may be disbursed to the Organization for the purpose of supplementing Peacock Commons, LLC rental shortfalls for the payment of approved Operating Expenses associated with seven MHSA eligible apartments.

The Organization obtained Community Development Block Grant (CDBG) loans from the City of Mountain View and the City of Sunnyvale to purchase real property located at 509 View Street, Mountain View, California. The City of Mountain View loan, in the amount of $404,814, is structured as an equity sharing arrangement whereby the City of Mountain View will receive 80% of the market value of the property upon a transfer of the property. The amount recorded is the estimated equity share of the property. The loan bears no interest and has no due date. The City of Sunnyvale loan, in the amount of $72,000 is due and payable on June 30, 2026. There is no interest on $26,000 of the $72,000, while the remaining $46,000 bears simple interest of 3% per annum, deferred. Upon acquisition of the property, $13,800 of accrued interest on the $46,000 was assumed by the Organization. The Organization accrued interest of $1,380 for the years ended June 30, 2018 and 2017.

Note 7 - Notes payable (continued):

During the year ended June 30, 2013, the Organization purchased real property at 1353 Socorro Avenue, Sunnyvale, California. To finance the purchase of this property the Organization borrowed $590,000 from City of Sunnyvale. The loan bears simple interest at 1.00% and is due March 2043.

The future scheduled principal payments under these notes are as follows:

Year Ending June 30,		
2019	$	91,603
2020		90,611
2021		80,086
2022		84,393
2023		88,931
Thereafter		3,304,448
Total	$	3,740,072

Note 8 - Buildings - Grant liens and restrictions:

The Organization has loans with no specified due date that have been recorded as temporarily restricted net assets and not as loans requiring mandatory principal and interest payback. However, disposition, change in use, or cessation of operations requires a mandatory repayment of principal and accrued interest.

During the fiscal year ended June 30, 1994, the Organization received the following grants for the acquisition and development of real property located at 3490 The Alameda in Santa Clara, California:

A Community Development Block Grant (CDBG) of $48,500 from the City of Sunnyvale. This amount is secured by a Trust Deed on the subject property, bears 3% simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a runaway and homeless youth shelter. As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $37,734 and $36,279, respectively, with an annual accrual of $1,455.

A grant of $980,000 from the Redevelopment Agency of the City of Santa Clara. This amount is secured by a Trust Deed on the subject property, bears 3% simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a runaway and homeless youth shelter. As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $737,450 and $708,050, respectively, with an annual accrual of $29,400.

Note 8 - Buildings - Grant liens and restrictions (continued):

During the fiscal year ended June 30, 1997, the Organization received the following grants for the acquisition of real property located at 1284-1294 Jackson Street in Santa Clara, California;

> A grant of $200,000 from the Department of Housing and Urban Development and a grant of $200,000 from the Redevelopment Agency of Santa Clara both passed through the City of Santa Clara. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing 3% simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a teenaged parent family shelter. As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $259,500 and $247,500, with an annual accrual of $12,000. The terms of the grants require the Organization to maintain a $50,000 reserve account for the maintenance and repair of the subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

During the fiscal year ended June 30, 1999, the Organization received the following grants for the acquisition of real property located at 2120 Main Street in Santa Clara, California;

> A grant of $77,743 from the Department of Housing and Urban Development and a grant of $297,257 from the Redevelopment Agency of Santa Clara, both passed through the City of Santa Clara. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing 3% simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as transitional housing for homeless teens. As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $220,313 and $209,063, respectively, with an annual accrual of $11,250. The terms of the grants require the Organization to maintain a $50,000 reserve account for the maintenance and repair of subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

Note 8 - Buildings - Grant liens and restrictions (continued):

During the fiscal year ended June 30, 2002, the Organization received the following grants:

A grant of $75,000 from the Redevelopment Agency of the City of Santa Clara for seismic upgrade and related rehabilitation work at 1284 Jackson Street, Santa Clara, California. This amount is secured by a Trust Deed on the subject property, bears no interest and will be considered paid in full if the Organization continues to use the facility as a youth transitional housing project for a period of twenty years (until approximately November 2020).

A grant of $405,100 from the Department of Housing and Urban Development and a grant of $204,583 from the Redevelopment Agency of Santa Clara, both passed through the City of Santa Clara for the acquisition of 3551 Shafer Drive, Santa Clara, California. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and will be considered paid in full if the Organization continues to use the facility as a youth transitional housing project for a period of thirty years (until approximately June 2032). As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $292,646 and $274,355, respectively, with an annual accrual of $18,290. The terms of the grants require the Organization to maintain a $10,000 reserve for the maintenance and repair of the subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

During the fiscal year ended June 30, 2007, the Organization received the following grant for the acquisition, operations, and rehabilitation of real property located at 3661 Peacock Court in Santa Clara, California:

An on-going grant of $4,767,565 from the Redevelopment Agency of the City of Santa Clara, with $4,725,605 advanced as of June 30, 2018 and 2017. The Redevelopment Agency of the City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facilities as housing for low income persons and families at risk of homelessness. As of June 30, 2018 and 2017, accrued interest on this obligation amounted to $1,325,091 and $1,183,323, respectively, with an annual accrual of $141,768. The terms of the grant requires the Organization to maintain a reserve account for the maintenance and repair of the subject property equal or greater than 3% of gross rents received.

Note 8 - Buildings - Grant liens and restrictions (continued):

During the fiscal year ended June 30, 2011, the Organization received the following grants:

> A grant of $251,044 in HOME Investment Partnerships ("HOME") funding passed through from the City of Santa Clara for rehabilitation of 3661 Peacock Court, Santa Clara, California. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing no interest, and the principal will not become due as long as the Organization continues to use the facility as housing for low income persons and families at risk of homelessness.
>
> A grant of $1,917,445 in HOME funding passed through the City of San Jose for rehabilitation of 3661 Peacock Court, Santa Clara, California. This amount is secured by a Trust Deed on the subject property, bearing no interest, and the principal will be forgiven if the Organization continues to use the facility for fifty-five years as housing for low income persons and families at risk of homelessness. As of June 30, 2018 and 2017, the City of San Jose has advanced $1,917,445.
>
> A grant of $82,959 from the City of Santa Clara for the installation of solar panels at 3490 The Alameda, Santa Clara, California. This amount is unsecured, bears no interest and will be considered paid in full if the Organization maintains the solar panels for a period of ten years (until approximately August 2021).

During the year ended June 30, 2016, the Organization obtained a loan through the Housing Trust for $595,000 to fund the rehabilitation of the Bill Wilson Residential Center at 3490 The Alameda, Santa Clara, California. The loan bears no interest and will be forgiven in April 2026 if the Organization complies with all terms.

During the year ended June 30, 2017, the Organization obtained a Community Development Block Grant (CDBG) loan from the City of Mountain View in the amount of $50,000 for rehabilitation activities at 509 View Street, Mountain View, California. The loan bears simple interest, deferred at 3% and will be forgiven on November 30, 2031 if the Organization complies with all terms.

BILL WILSON CENTER
Notes to Consolidated Financial Statements
June 30, 2018

Note 9 - Temporarily restricted net assets:

The temporarily restricted net assets activities for the year ended June 30, 2018 were as follows:

	June 30, 2017	Additions	Releases	June 30, 2018
Pledges receivable	$ 201,595	$ 268,797	$ (201,595)	$ 268,797
Crisis - Residential RHY SC	-	2,500	(2,500)	-
Quetzal House	-	14,310	(14,310)	-
Transitional housing	3,251	500	(500)	3,251
Transitional housing plus program	1,000	-	-	1,000
Independent Living Program	-	2,880	(2,880)	-
Getting to Zero Program	-	4,073	(4,073)	-
THP+FC Program	1,177	2,500	-	3,677
Transtional Living Program - LGBTQ	-	3,255	(3,255)	-
FAS Programs	5,625	-	(5,625)	-
Rapid Rehousing Programs	-	20,000	(20,000)	-
Adobe & 100 Women Foundation - Drop-in-center	58,007	6,507	(57,999)	6,515
Centre for Living with Dying	25,000	24,010	(29,010)	20,000
Healing Heart (Valle Monte League)	-	59,858	(59,858)	-
Centre For Living - Aids Retreat	2,923	593	(1,150)	2,366
TAY - Interim Housing	-	1,000	(1,000)	-
Drop in Center - Stanley Foundation	14,061	-	(14,062)	(1)
CHAT Program	25,000	25,000	(25,000)	25,000
Adopt-a-family	-	13,815	(13,815)	-
Peacock Commons	-	10,000	(3,400)	6,600
Reserve fund for facility operating cost at Shafer Drive	10,000	-	-	10,000
Time restricted contributions	28,889	-	-	28,889
Reserve fund for facility operating costs	100,000	-	-	100,000
Property restricted by liens and restrictions:				
View Street	50,000	-	-	50,000
Shafer Drive	404,698	-	(8,628)	396,070
The Alameda	2,289,330	-	(111,240)	2,178,090
Jackson Street	449,798	4,550	(26,763)	427,585
Main Street	323,498	-	(6,537)	316,961
Peacock Commons	4,965,046	-	(177,260)	4,787,786
Total temporarily restricted net assets	$ 8,958,898	$ 464,148	$ (790,460)	$ 8,632,586

Note 9 - Temporarily restricted net assets (continued):

The temporarily restricted net assets activities for the year ended June 30, 2017 were as follows:

	June 30, 2016	Additions	Releases	June 30, 2017
Pledges receivable	$ 182,265	$ 201,595	$ (182,265)	$ 201,595
Residential services	-	3,000	(3,000)	-
Quetzal House	-	30,264	(30,264)	-
Contact cares	-	1,000	(1,000)	-
Transitional housing	3,251	3,200	(3,200)	3,251
Transitional housing plus program	1,000	-	-	1,000
THP+FC Program	1,177	-	-	1,177
FAS Programs	-	25,800	(20,175)	5,625
Rapid Rehousing Programs	-	45,000	(45,000)	-
Applied Materials and others -				-
Drop-in-center	27,807	5,635	(19,381)	14,061
Adobe & 100 Women Foundation -				-
Drop-in-center	101,606	-	(43,599)	58,007
Centre for Living with Dying	25,000	40,435	(40,435)	25,000
Healing Heart (Valle Monte League)	-	62,666	(62,666)	-
Centre For Living - Aids Retreat	4,743	121	(1,941)	2,923
Housing Trust - Shelter Furniture				-
and Equipment	-	10,000	(10,000)	-
Encore.org - Fellowship	2,962	-	(2,962)	-
Foster Care Youth - Individuals	-	2,135	(2,135)	-
CHAT Program	-	25,000	-	25,000
Adopt-a-family	-	26,604	(26,604)	-
Counseling services	-	5,000	(5,000)	-
Reserve fund for facility				-
operating cost at Shafer Drive	10,000	-	-	10,000
Time restricted contributions	28,889	-	-	28,889
Reserve fund for facility				-
operating costs	100,000	-	-	100,000
Property restricted by				
liens and restrictions:				
View Street	-	50,000	-	50,000
Shafer Drive	413,323	-	(8,625)	404,698
The Alameda	1,782,640	648,491	(141,801)	2,289,330
Jackson Street	476,489	-	(26,691)	449,798
Main Street	330,035	-	(6,537)	323,498
Peacock Commons	5,142,306	-	(177,260)	4,965,046
Total temporarily				
restricted net assets	$ 8,633,493	$ 1,185,946	$ (860,541)	$ 8,958,898

Note 10 - Retirement plans:

401(k) plan - The Organization maintains a 401(k) defined contribution plan (the "Plan") in which employees who have met certain service and eligibility requirements may participate. Under the Plan, eligible employees may make contributions through a salary reduction agreement. Each year, the Organization may contribute to the Plan an amount determined at the Organization's discretion. For the years ended June 30, 2018 and 2017, the Board of Directors approved a total contribution of approximately $303,000 and $479,000, respectively, to the Plan.

403(b) plan - The Organization has a 403(b) defined contribution plan (the "403(b) Plan") in which employees who have met certain service and eligibility requirements may participate. Each eligible employee may elect to contribute to the 403(b) Plan.

Note 11 - Special events:

The Organization had the following revenue and expenses from special events for the years ended June 30:

	2018	2017
Special event income		
Revenues	$ 18,500	$ 20,060
Contributions	180,598	165,521
Special event income, net	199,098	185,581
Special event direct expenses	41,177	52,387
Special events, net	$ 157,921	$ 133,194

Total fundraising expenses for the year ended June 30, 2018 and 2017 were approximately $402,000 and $373,000, respectively.

Note 12 - Related-party transactions:

For the years ending June 30, 2018 and 2017, the Organization received contributions of approximately $39,000 and $52,000, respectively, from Board members, management and their affiliated organizations.

Note 13 - Commitments and contingencies:

Lease commitments - The Organization is obligated under various facility leases, expiring at various dates through October 2023 and containing renewal clauses, for the rental of office space and residential units. Monthly payments under these leases total approximately $54,000 and $43,000 for the years ended June 30, 2018 and 2017, respectively, and the total rental expense incurred under leases was approximately $643,000 and $514,000, respectively.

The future minimum commitments under these leases are as follows:

Year Ending June 30,		
2019	$	574,725
2020		164,958
2021		99,597
2022		102,276
2023		78,138
Total	$	1,019,694

The Organization's total occupancy expense was approximately $1,917,000 and $1,385,000 for the years ended June 30, 2018 and 2017, respectively. Total rent expense included lease payments as described above, month-to-month leases and client rental assistance.

The Organization is also committed under various operating lease agreements for office equipment, with termination dates through May 2023. Monthly payments under these leases total approximately $7,000 and $6,000 for the years ended June 30, 2018 and 2017, respectively, and total payments made pursuant to these leases were approximately $83,000 and $72,000, respectively. The future annual minimum commitments under these leases are as follows:

Year Ending June 30,		
2019	$	86,515
2020		71,431
2021		65,765
2022		57,645
2023		26,266
Total	$	307,622

Note 13 - Commitments and contingencies (continued):

Contingencies - The Organization, during the normal course of operating its business, may be subject to various lawsuits, licensing reviews, and government audits. Management believes that losses resulting from these matters, if any, would either be covered under the Organization's insurance policy or are immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Organization.

SUPPLEMENTARY INFORMATION

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Bill Wilson Center
Santa Clara, 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 Bill Wilson Center (the "Organization", a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 5, 2018.

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 consolidated 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 consolidated 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.

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INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

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 consolidated 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*. We noted certain other matters that were reported to management of the Organization in a separate letter.

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.

Robert Lee +Associates, LLP

San Jose, California
October 5, 2018

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Bill Wilson Center
Santa Clara, California

Report on Compliance for Each Major Federal Program

We have audited Bill Wilson Center's (the "Organization", a nonprofit organization) 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, 2018. The Organization's major federal programs are identified in the summary of auditors' 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.

Auditors' 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* (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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE (CONTINUED)

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, 2018.

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 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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Purpose of This Report

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.

Robert Lee + Associates, LLP

San Jose, California
October 5, 2018

BILL WILSON CENTER
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant identifying number	Federal program expenditures	Passed through to subrecipients
U.S. Department of Housing and Urban Development				
Continuum of Care				
Direct Award:				
Transitional housing - North County	14.267	CA0032L9T001609	$ 201,848	$ -
Transitional housing - North County	14.267	CA0032L9T001508	117,873	-
Transitional housing - South County	14.267	CA0031L9T001710	306,986	-
Transitional housing - South County	14.267	CA0031L9T001609	265,000	-
Peacock Commons	14.267	CA1032L9T001606	155,409	-
Peacock Commons	14.267	CA1032L9T001505	95,299	-
Rapid ReHousing for Youth	14.267	CA1379L9T001601	176,201	-
Rapid ReHousing for Youth	14.267	CA1379L9T001500	76,207	
Rapid ReHousing for Homeless Youth	14.267	4300013327	367,069	-
Total Continuum of Care Program*			1,761,892	-
Community Development Block Grants				
Passed through the City of San Jose				
Enclave Renovation Project	14.218	CDI-14-017	31,269	-
Passed through the City of Santa Clara				
Family Therapy/School Outreach	14.218	-	73,946	-
Passed through the City of Sunnyvale				
Family & Individual Counseling Services	14.218	1718-827550	24,509	-
Total Community Development Block Grants			129,724	-
Passed through the City of San Jose				
Emergency Shelter Grant - Rapid Rehousing	14.231	ESG-15-006B	317,102	196,022
Total Emergency Shelter Grant			317,102	196,022
Total U.S. Department of Housing and Urban Development			**2,208,718**	**196,022**
U.S. Department of Justice				
Crime Victim Assistance				
Passed through California Office of Emergency Services				
Homeless Youth and Exploitation Program	16.575	HX16151430	93,678	
Homeless Youth and Exploitation Program	16.575	HX17161430	61,414	
Specialized Emergency Housing Program	16.575	KE17011430	147,334	
Transitional Housing Program	16.575	XH16011430	193,769	
Child Abuse Treatment Program	16.575	AT17031430	174,662	
Child Abuse Treatment Program	16.575	AT16021430	59,449	
Total Crime Victim Assistance			**730,306**	**-**
Subtotal			**$ 2,939,024**	**$ 196,022**

* Denotes a major program

The accompanying notes are an integral part of this schedule

BILL WILSON CENTER
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant identifying number	Federal program expenditures	Passed through to subrecipients
EXPENDITURES OF FEDERAL AWARDS (CONTINUED):				
Subtotal from previous page			**$ 2,939,024**	**$ 196,022**
U.S. Department of Health and Human Services:				
Foster Care Programs:				
Passed-through County of Santa Clara:				
AFDC-FC - Foster Family Services	93.658	0268.01.01	186,714	-
AFDC-FC - Crisis Residential	93.658	0268.00.01	475,775	-
AFDC-FC - Quetzal House	93.658	0268.00.01	291,235	-
THP Plus Foster Care	93.658	0268.18.01	441,162	-
Total Foster Care Programs			1,394,886	-
Transitional Living Programs:				
Direct award				
Transitional living - LGBTQ Youth and Young Adult	93.550	90CX7151-01	111,207	-
Transitional living - Maternity Group Home	93.550	90CX6994-05	168,652	-
Total Transitional Living Programs			279,859	-
Runaway and Homeless Youth Programs:				
Direct Award				
Basic Center - South County	93.623	90CY6989-01	156,365	-
Basic Center - South County	93.623	90CY6670-03	46,678	-
Basic Center - North County	93.623	90CY6982-01	127,437	-
Basic Center - North County	93.623	90CY6669-03	61,184	-
			391,664	-
Other Programs:				
Passed-through County of Santa Clara:				
HRSA-Ryan White HIV/AIDS Treatment	93.914	H89HA00046	29,702	-
Chafee Foster Care Independent Living Program*	93.674	4300013916	666,913	-
Total U.S. Department of Health and Human Services:			**2,763,024**	**-**
Total Expenditures of Federal Awards			**$ 5,702,048**	**$ 196,022**

* Denotes a major program

The accompanying notes are an integral part of this schedule

Note 1 - Organization and operations:

Bill Wilson Center (the "Organization") was incorporated as a California non-profit organization on March 29, 1974, and provides services to the residents of Santa Clara County. The organization's mission is to support and strengthen the community by serving youth and families through counseling, housing, education, and advocacy. Bill Wilson Center emphasizes the importance of collaborative program development and service delivery

Note 2 - Summary of significant accounting policies:

Basis of accounting - Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122 Cost Principles for Non-Profit Organizations, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The information in the accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal grant and loan activity of the Organization under programs of the federal government for the year ending June 30, 2018. The information in the SEFA 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). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. Although the Organization is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the SEFA.

BILL WILSON CENTER

Single Audit Reports
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Bill Wilson Center.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the basic consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the consolidated financial statements.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the Organization is reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Major program	CFDA #	Expenditures
Continuum of Care Program	14.267	$ 1,761,892
Chafee Foster Care Independence Program	93.674	666,913
Total major programs		$ 2,428,805
Total Federal Awards		$ 5,702,048
Percentage of total federal award expenditures tested		43%

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Organization was determined to not be a low risk auditee.

B. FINDINGS - CONSOLIDATED FINANCIAL STATEMENTS AUDIT

Current Year Findings

No consolidated financial statements audit findings noted in the current year.

Prior Year Findings

No consolidated financial statements audit findings noted in the prior year.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Current Year Findings

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Prior Year Findings

There are no prior year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*