Bill Wilson Center

Consolidated Financial Statements
and Supplementary Information
June 30, 2013 and 2012

Together with
Independent Auditors' Report

BILL WILSON CENTER
TABLE OF CONTENTS
June 30, 2013

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bill Wilson Center
San Jose, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bill Wilson Center (the "Organization"), a California public benefit corporation, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the 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.

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. 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 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.

To the Board of Directors of
Bill Wilson Center

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bill Wilson Center as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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 2012 consolidated financial statements, and our report dated October 11, 2012, 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, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 10, 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 10, 2013

BILL WILSON CENTER
Consolidated Statements of Financial Position

	June 30, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,111,675	$ 829,631
Investments	900,891	775,459
Receivables, net, current portion	2,236,648	1,896,042
Prepaid expenses and deposits	159,207	157,895
Total current assets	4,408,421	3,659,027
Receivables, net, non-current portion	119,079	110,486
Property and equipment, net	13,122,946	12,808,529
Restricted cash and cash equivalents	334,482	-
Other assets	73,381	52,923
Total assets	$ 18,058,309	$ 16,630,965
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit payable	$ 85,000	$ 100,000
Accounts payable	385,064	680,095
Accrued expenses	1,081,812	947,106
Deposits	87,864	136,124
Deferred revenue	844	10,034
Notes payable, current	43,388	40,424
Total current liabilities	1,683,972	1,913,783
Long term interest payable	44,184	26,485
Notes payable, non-current	2,952,698	1,861,223
Total liabilities	4,680,854	3,801,491
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted	3,931,155	2,397,063
Temporarily restricted	9,446,300	10,432,411
Total net assets	13,377,455	12,829,474
Total liabilities and net assets	$ 18,058,309	$ 16,630,965

BILL WILSON CENTER

Consolidated Statement of Activities and Changes in Net Assets

For the year ended June 30, 2013

(With comparative totals for the year ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Comparative Totals
Support and revenue:				
Support:				
Contributions	$ 126,587	$ 108,243	$ 234,830	$ 152,952
Contributions in-kind	445,264	-	445,264	432,534
Special events, net	122,709	-	122,709	114,660
Foundations and corporations	60,901	179,486	240,387	528,717
United Way	9,319	-	9,319	60,831
Total support	764,780	287,729	1,052,509	1,289,694
Revenue:				
Federal government awards	2,269,125	-	2,269,125	4,205,942
State and local government awards	10,468,574	-	10,468,574	8,250,148
Investment income	78,651	-	78,651	19,072
Gain on disposal of assets	7,851	-	7,851	1,413
Fees for services	249,221	-	249,221	211,214
Rental income	228,755	-	228,755	39,909
Miscellaneous income	24,451	-	24,451	55,437
Total revenue	13,326,628	-	13,326,628	12,783,135
Net assets released from restrictions	1,273,840	(1,273,840)	-	-
Total support and revenue	15,365,248	(986,111)	14,379,137	14,072,829
Expenses:				
Program services	12,365,427	-	12,365,427	10,817,519
Supporting services:				
Management and general	1,240,457	-	1,240,457	1,143,571
Fundaising and development	225,272	-	225,272	244,277
Total supporting services	1,465,729	-	1,465,729	1,387,848
Total expenses	13,831,156	-	13,831,156	12,205,367
Change in net assets	1,534,092	(986,111)	547,981	1,867,462
Net assets, beginning of year	2,397,063	10,432,411	12,829,474	10,962,012
Net assets, end of year	$ 3,931,155	$ 9,446,300	$ 13,377,455	$ 12,829,474

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

BILL WILSON CENTER

Consolidated Statement of Functional Expenses - Program Services

For the year ended June 30, 2013

	2013								
	Program Services								
	Mental Health Services	Residential Services	Foster Care Services	Children & Youth Services	Family Services	Transitional Housing Services	Drop-In Center	Peacock Commons	Totals
Staff compensation	$ 1,958,468	$ 1,303,110	$ 313,451	$ 328,681	$ 351,338	$ 792,549	$ 348,343	$ 148,702	$ 5,544,642
Employee benefits	406,120	249,007	60,493	63,944	75,221	168,670	71,547	31,451	1,126,453
Payroll taxes	181,324	109,829	27,355	30,481	30,906	70,258	31,055	13,174	494,383
Bad debt expense	125,251	23,425	6,602	-	1,098	2,075	-	819	159,270
Conference, conventions and meetings	3,358	3,602	3,225	4	2,536	62	88	455	13,330
Equipment purchases	91,044	27,547	2,356	1,148	467	13,974	1,683	27,731	165,950
Equipment rent & maintenance	51,222	123,181	7,313	5,579	13,947	62,033	34,803	61,996	360,074
Food and beverage	25,875	142,070	16	452	1,487	129,984	100,326	3,004	403,215
Foster family fees	-	13,720	332,385	-	-	-	-	-	346,105
Insurance	27,121	41,583	10,020	2,426	5,892	17,167	6,069	11,498	121,777
Memberships, dues and licenses	35,024	14,124	6,402	64	214	351	-	5,586	61,765
Occupancy	131,620	5,302	28,175	28,604	23,649	623,575	2,758	22,055	865,739
Payments to sub-recipients	100,000	160,557	-	21,000	-	-	54,411	-	335,968
Postage and shipping	2,743	1,540	1,247	743	574	1,333	500	882	9,562
Printing and publications	27,474	11,810	3,905	6,172	16,513	8,697	8,310	2,299	85,181
Professional fees	288,522	31,394	47,698	4,924	297,850	12,346	5,892	83,080	771,704
Recruiting and training costs	8,998	6,729	17,523	459	2,723	1,099	830	270	38,631
Service charges	2,503	1,547	513	409	2,043	1,297	411	1,387	10,110
Specific assistance	6,868	84,798	14,675	8,643	634	260,270	30,280	46,636	452,803
Supplies	34,089	37,985	5,819	11,867	16,095	12,595	21,371	24,241	164,062
Telephone	33,035	24,728	12,910	9,553	9,905	23,843	9,179	5,886	129,038
Travel and transportation	41,021	39,980	13,891	3,749	916	18,383	7,717	2,194	127,850
Utilities	29,549	56,201	482	1,059	4,900	38,707	10,477	23,224	164,599
Total expenses before depreciation amortization and interest expense	3,611,228	2,513,769	916,455	529,962	858,908	2,259,268	746,050	516,569	11,952,209
Depreciation and amortization	15,974	78,161	551	-	17,814	31,639	6,031	203,017	353,187
Interest expense	-	2,899	-	-	26,757	-	-	30,375	60,031
Total expenses	$ 3,627,203	$ 2,594,830	$ 917,006	$ 529,962	$ 903,478	$ 2,290,906	$ 752,081	$ 749,961	$ 12,365,427

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, 2013

(With comparative totals for the year ended June 30, 2012)

	2013					
	Total Program Services	Support services: Management and General	Support services: Fundraising and Development	Support services: Totals	Total Program and Support Services	2012 Comparative Totals
Staff compensation	$ 5,544,642	$ 869,458	$ 151,695	$ 1,021,153	$ 6,565,796	$ 6,007,203
Employee benefits	1,126,453	138,876	29,025	167,901	1,294,353	1,140,658
Payroll taxes	494,383	55,320	13,452	68,772	563,154	511,395
Bad debt expense	159,270	-	-	-	159,270	152,401
Conference, conventions and meetings	13,330	1,641	393	2,034	15,364	13,437
Equipment purchases	165,950	2,600	3,514	6,114	172,064	100,800
Equipment rent and maintenance	360,074	17,645	3,299	20,944	381,018	224,588
Food & beverage	403,215	119	-	119	403,334	343,905
Foster family fees	346,105	-	-	-	346,105	343,593
Insurance	121,777	25,607	1,210	26,817	148,594	149,431
Memberships, dues and licenses	61,765	4,505	757	5,262	67,026	42,567
Occupancy	865,739	28,916	105	29,021	894,760	982,347
Payments to sub-recipients	335,968	-	-	-	335,968	114,500
Postage and shipping	9,562	607	1,014	1,621	11,183	12,900
Printing and publications	85,181	2,187	3,345	5,532	90,713	98,711
Professional fees	771,704	12,725	3,218	15,943	787,647	670,717
Recruiting and training costs	38,631	9,514	694	10,208	48,838	33,982
Service charges	10,110	8,259	184	8,443	18,553	16,371
Specific assistance	452,803	25	-	25	452,828	414,085
Supplies	164,062	2,303	1,846	4,150	168,212	158,286
Telephone	129,038	15,780	1,552	17,332	146,370	129,349
Travel and transportation	127,850	4,175	18	4,193	132,042	107,204
Utilities	164,599	11,330	1,525	12,855	177,454	171,927
Total expenses before depreciation amortization and interest expense	11,952,209	1,211,594	216,845	1,428,439	13,380,648	11,940,357
Depreciation and amortization	353,187	22,442	8,427	30,869	384,056	223,582
Interest expense	60,031	6,421	-	6,421	66,452	41,428
Total expenses	$ 12,365,427	$ 1,240,457	$ 225,272	$ 1,465,729	$ 13,831,156	$ 12,205,367

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

BILL WILSON CENTER
Consolidated Statements of Cash Flows

	For the Years Ended June 30, 2013	2012
Cash flows from operating activities:		
Change in net assets	$ 547,981	$ 1,867,462
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	384,056	223,582
Gain on disposal of fixed assets	(7,851)	(1,413)
Net unrealized (gain) loss on investments	(37,764)	4,074
Donated securities included in support	(53,462)	(3,231)
Changes in operating assets and liabilities:		
Receivables	(349,199)	(305,473)
Prepaid expenses and deposits	(1,312)	42,029
Other assets	(43,527)	1,139
Accounts payable and accrued expenses	(160,325)	(88,943)
Deposits held	(48,260)	(2,558)
Deferred revenue	(9,190)	(5,066)
Net cash provided by operating activities	221,147	1,731,602
Cash flows from investing activities:		
Proceeds from sale of investments	168,374	201,083
Purchases of investments	(202,580)	(218,311)
Purchases of land, buildings and equipment	(667,553)	(2,758,614)
Net cash used by investing activities	(701,759)	(2,775,842)
Cash flows from financing activities:		
Payments on notes payable	(619,175)	(36,963)
Proceeds from loans including accrued interest	1,731,313	912,766
Payments on line of credit	(15,000)	-
Net cash provided by financing activities	1,097,138	875,803
Increase (Decrease) in cash and cash equivalents	616,526	(168,437)
Cash and cash equivalents, beginning of year	829,631	998,068
Cash and cash equivalents, end of year	$ 1,446,157	$ 829,631
Cash and cash equivalent reconciliation:		
Cash and cash equivalents	$ 1,111,675	$ 829,631
Restricted cash and cash equivalents	334,482	-
Total cash and cash equivalents	$ 1,446,157	$ 829,631

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 65,798	$ 36,001

Supplemental disclosure of non-cash transactions

Land, buildings and equipment acquired forgivable loans	$ -	$ 2,515,577
Transfer of assets from construction in process to buildings and building improvements	-	4,722,024

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

BILL WILSON CENTER

Notes to Consolidated Financial Statements

June 30, 2013

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

Organization - 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. 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 the Organization is the sole member. 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 consolidate financial statements.

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

Mental Health Services

- Mental Health Services are provided for Medi-Cal eligible children and youth and include therapy and psychiatric services.
- Transition age youth may gain immediate access to mental health services through a crisis line.
- TAY Inn provides short term housing for homeless youth dealing with mental health issues

Residential Services

- Short-term housing for homeless and runaway youth at BWC's shelter and host homes. Intensive individual, group and family counseling in order to reunite youth with their families.
- Quetzal House provides short-term housing for girls, ages 13 - 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 16-19, 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, and intensive therapeutic foster care and Multi-dimensional Treatment Foster Care.
- Volunteer Case Aide Program matches trained volunteers with children in foster care who need services such as tutoring, mentoring, and supervised visits.

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

Foster Family Services (continued)
- THP+ Foster Care provides housing and support services for youth who have elected to stay in foster care after turning 18.

Youth Services
- Competency Development Services provides youth in the juvenile justice system and first time offenders an alternative to incarceration. Youth participate in 7 Challenges and their parents attend parenting classes.
- 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.
- Therapeutic counseling for children and youth who have experienced abuse and neglect.

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

Family Services
- Contact Cares volunteers provide supportive listening, and information and referral on 24-hour crisis lines.
- Family and Individual Counseling provides low-cost, professional counseling services to families and individuals of all ages.
- School Outreach Counseling provides counseling services on site at Santa Clara Unified School District middle and high school students, and several other schools.
- Family Advocacy Services provides support to families who have children attending Lincoln or Mt. Pleasant High Schools who are struggling due to their family's homelessness.
- Centre for Living with Dying provides emotional support to adults and children facing life-threatening illness or the trauma of having a loved one die.
- Healing Heart program supports 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
- Transitional Housing Program provides housing and support services for homeless youth ages 16 - 24, including parenting youth and their infants/toddlers.
- THP+ provides rent subsidies and support services for youth who have aged out of foster care.

Peacock Commons
- Permanent Housing Apartment complex provides affordable rent and support services for youth and families residing in 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 follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Generally Accepted Accounting Principles ("GAAP"), the Organization reports information regarding its consolidated financial position and operating activities in 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. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current year for which the restrictions have been met in the current year.
- *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.
- *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, 2013 and 2012.

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 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.

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

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 contact 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 grant receivable or grant payable and are reported in the consolidated statements of financial position. 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 and depending on whether the restrictions are met in the current period. 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, 2013 and 2012.

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.

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.

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

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

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's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are recognized when earned.

Receivables - 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 prepaid rent. Such prepayments are amortized over the term of the related insurance coverage or lease agreement. Deposits consist of security deposits on rental property.

Property and equipment - 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 plant and equipment at June 30, 2013 and 2012.

Depreciation and amortization - Depreciation 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. Amortization of loan fees is computed using the straight-line method over the life of the related loans.

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

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.

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.

Other assets - Other assets consist of loan fees associated with issuance of debt which are amortized over the life of the related debt.

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 received from clients in advance of the period for which the rent 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.

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") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* ("A-133 audit"). 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, 2013 and 2012.

Fair value of financial instruments - Financial instruments included in the Organization's consolidated statement of financial position as of June 30, 2013 and 2012 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 using methodologies described above.

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

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.

Concentration of revenue sources - For the years ending June 30, 2013 and 2012, approximately 88.58% and 88.51%, respectively, of the Organization's support and revenue is derived from grants from Federal, State and local government agencies.

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, 2013 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, 2010 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2009 and forward.

Advertising - The Organization's policy is to expense advertising costs to operations as incurred. The Organization did not incur any advertising expenses for the years ended June 30, 2013 and 2012.

Special events - Special events are reported net of expenses of approximately $65,000 and $48,000, for the years ended June 30, 2013 and 2012, respectively.

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 financial statements for the year ended June 30, 2012, from which the summarized information was obtained.

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

Reclassifications - Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Subsequent events - Subsequent events are evaluated through October 10, 2013, 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, 2013.

Note 3 - Receivables:

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

	2013	2012
Grants receivable	$ 2,566,174	$ 1,566,296
Contracts receivable	99,093	401,063
Pledges receivable	327,569	503,359
Accounts receivable	11,013	27,660
Total receivables	3,003,849	2,498,378
Less: allowance for doubtful accounts	(648,122)	(491,850)
Total receivables, net	2,355,727	2,006,528
Less current portion	(2,236,648)	(1,896,042)
Non-current portion	$ 119,079	$ 110,486

Pledges receivable are recorded at fair value which includes a discount rate of 5% at June 30, 2013:

Year Ending June 30,	
2014	$ 110,923
2015	87,365
2016	58,087
2017	41,467
2018	18,934
Thereafter	10,793
Total	327,569
Less allowance for doubtful accounts and fair value adjustment	(97,567)
Less: current portion	(110,923)
Long-term portion	$ 119,079

BILL WILSON CENTER

Notes to Consolidated Financial Statements

June 30, 2013

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.

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

	2013	2012
Cash held for investments	$ 77,229	$ 85,547
Fixed income	346,008	284,212
Equity securities	477,654	405,700
Net investments	$ 900,891	$ 775,459

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

	2013	2012
Interest and dividends	$ 27,838	$ 23,454
Realized gain (loss) on investments	13,049	(308)
Unrealized gain (loss) on investments	37,764	(4,074)
Total investment income	78,651	19,072
Management fees	(6,189)	(5,614)
Net investment income	$ 72,462	$ 13,458

Note 5 - Property and equipment:

Property and equipment consists of the following at June 30:

	2013	2012
Land	$ 3,353,279	$ 2,997,004
Buildings and improvements	11,813,206	11,494,830
Furniture and equipment	416,330	415,801
Vehicles	76,458	136,830
Total property and equipment	15,659,273	15,044,465
Less accumulated depreciation	(2,536,327)	(2,235,936)
Property and equipment, net	$ 13,122,946	$ 12,808,529

Depreciation expense was approximately $361,000 and $214,000 for the years ended June 30, 2013 and 2012, respectively.

Note 6 - Line of credit:

The Organization is obligated under a line of credit, maturing March 15, 2014 and secured by the personal property of the Organization. The line is available up to $300,000 and bears interest at the bank's prime rate (3.25%). As of June 30, 2013, the line of credit balance was $85,000 and interest paid during the year under this line was $3,232. As of June 30, 2012, the line of credit balance was $100,000 and interest paid during the year under this line was $3,314.

BILL WILSON CENTER
Notes to Consolidated Financial Statements
June 30, 2013

Note 7 - Notes payable:

The Organization had the following notes payable at June 30:

	2013	2012
713 Fremont Street - Wells Fargo Bank	$ 372,152	$ 412,067
Peacock Court - City of Sunnyvale	100,000	100,000
Peacock Court - Opportunity Fund	-	578,866
Peacock Court - Housing Trust	500,000	333,900
Peacock Court - County of Santa Clara	200,000	-
Peacock Court - CAFHA	757,120	-
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	-
Total notes payable	2,996,086	1,901,647
Current portion	(43,388)	(40,424)
Non-current portion	$ 2,952,698	$ 1,861,223

During the year ended June 30, 2010, the Organization purchased real property located at 713 Fremont Street, Santa Clara, California. To finance the purchase of this property the Organization borrowed $487,500, secured by real property located at 691-693 South 2nd Street in San Jose, California. The loan bears interest at 7.38%, is due April 15, 2020 and requires monthly principal and interest payments of $5,784. Interest paid during the years ended June 30, 2013 and 2012 was $29,490 and $32,327 respectively.

During the year ended June 30, 2011, the Organization began renovation of a building located at 3661 Peacock Court in Santa Clara, California. To partially finance the renovation, the Organization borrowed $100,000 of HOME Investment Partnerships funds form 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 fifty-five years after completion of the rehabilitation assuming no acceleration due to an event of default has occurred. The California Housing Finance Agency bears simple interest, deferred at 3.00% and is due in 55 years. In connection with this refinancing, MHSA Funds in the amount of $815,500 have been set aside by CAFHA in a Capitalized Operating Subsidy Reserve account. These funds are an asset of CAFHA, 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.

Note 7 - Notes payable (continued):

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 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. For the years ended June 30, 2013 and 2012, $1,380 of interest was accrued for each year.

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

Year Ending June 30,		
2014	$	43,388
2015		46,701
2016		50,266
2017		54,104
2018		58,234
Thereafter		2,743,393
Total	$	2,996,086

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.

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

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, CA:

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 three percent 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, 2013 and 2012, accrued interest on this obligation amounted to $30,459 and $29,004, 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 three percent 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, 2013 and 2012, accrued interest on this obligation amounted to $590,450 and $561,050, respectively, with an annual accrual of $29,400.

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, CA;

A grant of $375,000 from the Department of Housing and Urban Development. This amount is unsecured, bears no interest and will be considered paid in full if the Organization continues to use the facility as a teenaged parent family shelter for a period of twenty years (until approximately November 2016), with the last ten years being prorated.

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 three percent 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, 2013 and 2012, accrued interest on this obligation amounted to $199,500 and $187,500, respectively, 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.

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

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, CA;

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 three percent 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, 2013 and 2012, accrued interest on this obligation amounted to $164,063 and $152,813, 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.

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, 2013 and 2012, accrued interest on this obligation amounted to $201,194 and $182,903, 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.

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

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, CA:

An on-going grant of $4,767,565 from the Redevelopment Agency of the City of Santa Clara, with $4,725,605 and $4,190,064 advanced as of June 30, 2013 and 2012, respectively. 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, 2013 and 2012, accrued interest on this obligation amounted to $616,251 and $483,626, respectively. 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.

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 funds 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, 2013 and 2012, the City of San Jose has advanced $1,917,445 and $1,911,445, respectively.

A grant of $82,959 from the City of Santa Clara for the installation of solar panels at 3490 The Alameda, Santa Clara, CA. 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).

BILL WILSON CENTER

Notes to Consolidated Financial Statements

June 30, 2013

Note 9 - Temporarily restricted net assets:

The temporarily restricted net assets activities for the year ended June 30, 2013 were as follows:

	July 1, 2012	Additions	Releases	June 30, 2013
United Way	$ 50,000	$ -	$ (50,000)	$ -
Pledges receivable	199,955	16,691		216,646
Residential services	28,027	22,000	(22,522)	27,505
RES - TANF	-	800	-	800
Quetzal House	-	5,594	-	5,594
Counseling services	4,000	-	(3,789)	211
Contact Care	-	3,300	(3,300)	-
Safe place	3,664	-	(3,664)	-
THP+FC	-	500	(500)	-
Transitional housing	5,137	-	(1,575)	3,562
THP- Maternity	-	1,211	(1,211)	-
Drop in center remodel (Stanley Family Foundation)	25,000	-	-	25,000
Drop in center	-	4,688	(4,688)	-
Drop in Center- Silicon Valley Char Found	-	33,064	(33,064)	-
Adobe - Youth Works Academy	-	50,000	-	50,000
Center for living with Dying	-	12,223	(12,223)	-
Healing Heart (Valle Monte League)	-	38,921	(38,921)	-
Centre For Living-Aids Retreat	-	100	-	100
Future Family Foster Care	-	300	(300)	-
Future Family - Adoption	-	2,535	(2,535)	-
Child Abuse Prevention (San Disk Foundation)	20,000	-	(9,828)	10,172
Adopt a family	-	28,243	(28,243)	-
Peacock	-	1,000	(1,000)	-
Core operating support for accounting and HR	59,960	-	(59,960)	-
Reserve fund for facility operating cost at Shafer drive	10,000	-	-	10,000
Contributed use of facility	23,706	-	(17,736)	5,970
Time restricted contributions	28,889	-	-	28,889
Reserve fund for facility operating costs	100,000	-	-	100,000
Property restricted by liens and restrictions:				
Shafer Drive	440,288	-	(8,499)	431,789
The Alameda	2,078,420	-	(82,959)	1,995,461
Jackson St	543,777	-	(19,855)	523,922
Main St	354,190	2,800	(7,344)	349,646
Peacock Commons	6,457,398	63,759	(860,124)	5,661,033
Total temporarily restricted net assets	$ 10,432,411	$ 287,729	$ (1,273,840)	$ 9,446,300

BILL WILSON CENTER
Notes to Consolidated Financial Statements
June 30, 2013

Note 9 - Temporarily restricted net assets (continued):

The temporarily restricted net assets activities for the year ended June 30, 2012 were as follows:

	July 1, 2011, as restated	Additions	Releases	June 30, 2012
United Way	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Pledges receivable	210,468	-	10,513	199,955
Residential services	-	82,344	54,317	28,027
Counseling services	-	4,000	-	4,000
Safe place	-	5,000	1,336	3,664
Transitional housing	5,408	-	271	5,137
Fatherhood works	5,000	-	5,000	-
Adopt a family	6,389	26,876	33,265	-
Center for living with dying/Healing heart	-	45,333	45,333	-
Child abuse prevention	-	20,000	-	20,000
CHAT	-	7,750	7,750	-
Core operating support	119,960	-	60,000	59,960
Van purchase	33,000	-	33,000	-
Facility operating cost at Shafer Drive	10,000	-	-	10,000
Building renovations and improvements	24,545	-	24,545	-
Drop in center remodel	-	30,100	5,100	25,000
Contributed use of facility	-	35,646	11,940	23,706
Board designated endowment fund	28,889	-	-	28,889
Reserve fund for facility operating costs	100,000	-	-	100,000
Property restricted by liens and restrictions:				
Shafer Drive	448,888	-	8,600	440,288
The Alameda	2,144,134	20,839	86,553	2,078,420
Jackson Street	560,349	3,535	20,107	543,777
Main Street	360,453	-	6,263	354,190
Peacock Court	4,580,466	1,908,943	32,011	6,457,398
Total temporarily restricted net assets	$ 8,687,949	$ 2,240,366	$ 495,904	$ 10,432,411

Note 10 - Lease commitments:

The Organization is obligated under various facility leases, expiring through October 2017 and containing renewal clauses, for the rental of residential units. The total rental expense incurred under leases for the years ending June 30, 2013 and June 30, 2012 was approximately $335,000 and $246,000, respectively. The future minimum commitments under these leases are as follows:

Year Ending June 30,		
2014	$	267,130
2015		168,903
2016		145,451
2017		150,600
2018		50,629
Total	$	782,713

The Organization's total occupancy expense was approximately $895,000 and $982,000 for the years ended June 30, 2013 and 2012, respectively. Total rent expense included lease payments as described above, month-to-month leases and client lease assistance.

The Organization is also committed under various operating lease agreements for office equipment, with termination dates through June 2018. Monthly payments under these leases total $4,654 and $4,675 for the years ended June 30, 2013 and 2012, respectively, and total payments made pursuant to these leases were $55,843 and $56,101, respectively. The future annual minimum commitments under these leases are as follows:

Year Ending June 30,		
2014	$	46,345
2015		37,783
2016		22,489
2017		20,465
2018		14,862
Total	$	141,944

Note 11 - Profit sharing plans:

The Organization maintains two discretionary profit sharing plans, which includes a cash or deferred arrangement under code section 401(k) (the "Plan"). The Plans are defined contribution plans covering all employees for the Organization who work more than 1,000 hours, have twelve months of service and are age eighteen or older. They are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year, the Organization may contribute to the Plans an amount determined at the Organization's discretion. For the years ended June 30, 2013 and 2012, the Board of Directors approved a total contribution of approximately $284,000 and $274,000, respectively, to the Plans.

Each participant's account is credited with the Organization's contributions, the Plans' earnings, employee salary deferrals, and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant gross compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. A participant is 100 percent vested on their own deferrals, and is 50 percent vested after one year of service and 100 percent vested after two years of service on the Organization's contributions.

Upon termination of service, participants who are eligible for a distribution from the Plans and have an account less than $5,000, cannot remain in the plan and must either rollover their funds or take a distribution. If terminated participants do not return their Distribution Election Form within 90 days of termination of employment, their account will be transferred to an IRA, in their name, at Community Bank, NA in Utica, NY if their distribution is between $200 and $5,000 (if their distribution is $200 or less, the amount will be paid out directly to the participant via check).

Terminated participants with distributions over $5,000 are eligible to rollover, take a distribution or remain in the plan until retirement.

The Organization also has a retirement plan adopted under code section 403(b) (the "403(b) Plan"), with an effective date of January 1, 1999. The 403(b) Plan is maintained for the exclusive benefit of eligible employees and their beneficiaries. All employees are eligible for the plan, except non-resident aliens and employees normally scheduled to work less than 20 hours per week. Pre-tax elective deferrals and rollover contributions are permitted under the terms of the plan.

Upon termination of service, 403(b) Plan participants can elect to receive their benefits in a lump sum distribution, including rollover distribution, or receive installment payments.

Note 12 - Concentration of risks and 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 is immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Organization.

SUPPLEMENTARY INFORMATION

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 of
Bill Wilson Center

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 financial statements of Bill Wilson Center (the "Organization"), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2013, 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 10, 2013.

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.

To the Board of Directors of
Bill Wilson Center

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*.

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 10, 2013

Robert Lee
& Associates, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Bill Wilson Center

Report on Compliance for Each Major Federal Program

We have audited Bill Wilson Center's (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

226 Airport Parkway, Suite 350 San Jose, CA 95110 www.rlallp.com Office: 408.855.6770 Fax: 408.855.6774

To the Board of Directors of
Bill Wilson Center

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, 2013

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 OMB Circular A-133, 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. 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.

To the Board of Directors of
Bill Wilson Center

Report on Internal Control over Compliance (Continued)

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robert Lee & Associates, LLP

San Jose, California
October 10, 2013

BILL WILSON CENTER

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant identifying number	Federal program expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing Program:			
Direct Award:			
Supportive housing	14.235	CA0032B9T001104	$ 167,978
Supportive housing	14.235	CA0032B9T001003	142,641
Transitional housing	14.235	CA0031L9T001205	263,482
Transitional housing	14.235	CA0031B9T001104	258,348
Peacock Commons	14.235	CA1032B9T001101	107,344
Peacock Commons	14.235	CA01B7000002	162,628
Total Supportive Housing Program			1,102,421
Community Development Block Grants			
Passed through the City of Santa Clara			
Family Therapy/School Outreach	14.218	-	69,003
Passed through the City of Sunnyvale			
Crisis Counseling	14.218	1213-825920	23,174
Total Community Development Block Grants			92,177
Passed through the City of San Jose			
Emergency Shelter Grant	14.231	ESG-12-001	174,434
Emergency Shelter Grant	14.231	ESG-12-002	227,450
Total Emergency Shelter Grant*			401,884
Total U.S. Department of Housing and Urban Development			**1,596,482**
U.S. Department of Justice			
Passed through California Emergency Management Agency			
Child Abuse Prevention Program	16.575	AT10011430	25,000
Total U.S. Department of Justice			**25,000**
U.S. Department of Homeland Security			
Passed through Santa Clara County Board of Federal Emergency Management Agency			
Federal Emergency Management Agency-Phases 30	97.024	LRO ID 088000-021	892
Total U.S. Department of Homeland Security			**892**
Subtotal			**$ 1,622,374**

* Denotes a major program

BILL WILSON CENTER

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant identifying number	Federal program expenditures
EXPENDITURES OF FEDERAL AWARDS (CONTINUED):			
Subtotal from previous page			**$ 1,622,374**
U.S. Department of Health and Human Services:			
Foster Care Programs:			
Passed-through County of Santa Clara:			
Foster care	93.658	-	129,825
Foster care intensive treatment	93.658	-	13,177
AFDC-FC Quetzal house	93.658	-	276,064
AFDC-FC crisis residential	93.658	-	438,980
Total Foster Care Programs*			858,045
Transitional Living Programs:			
Direct award			
Transitional living - maternity group home	93.550	90CX6994/01	35,378
Transitional living - maternity group home	93.550	09CX5063/05	133,164
Transitional living	93.550	09CX5053/05	41,405
Total Transitional Living Programs			209,947
Runaway and Homeless Youth Programs:			
Direct Award			
Runaway and homeless youth	93.623	90CY2567/01	159,751
Runaway and homeless youth	93.623	90CY2196/03	62,912
Runaway and homeless youth	93.623	90CY2572/01	132,527
Runaway and homeless youth	93.623	90CY2329/03	71,725
Total Runaway and Homeless Youth Programs			426,915
Street outreach			
Direct Award			
Street outreach	93.557	09YO0153/02	78,381
Street outreach	93.557	09YO0153/01	23,685
Total Street Outreach*			102,066
Total U.S. Department of Health and Human Services:			**1,596,973**
Total Expenditures of Federal Awards			**$ 3,219,347**

* Denotes a major program

BILL WILSON CENTER
Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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 - 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.

The information in the accompanying Schedule of Expenditures of Federal Awards ("SEFA") include federal grant and loan activities of the Organization and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

Note 3 - Subrecipients:

Of the federal expenditures presented in the Schedule, the Organization provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
14.231	Emergency Shelter Grant	$214,968

BILL WILSON CENTER
Single Audit Reports
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

A. SUMMARY OF AUDIT 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 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 unmodified 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
Foster care programs	93.658	$ 858,045
Emergency shelter grant	14.231	401,884
Street outreach program	93.557	102,066
Total major programs		$ 1,361,995
Total Federal Awards		$ 3,219,347
Percentage of total Federal award expenditures tested		42%

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The Organization was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year Findings

No financial statements audit findings noted in the current year.

Prior Year Findings

2012-1 Restatement of previously issued financial statements

Observation:
During fiscal year ended June 30, 2012, the Organization re-examined its contracts with various governmental agencies previously recorded as permanently restricted net assets. The examination revealed that these loans are more accurately depicted as temporarily restricted loans as they have time and purpose restrictions that can be satisfied. As a result, the amount of $7,774,291 was restated from permanently restricted net assets to temporarily restricted net assets.

Recommendation:
We recommend that the Organization review its internal controls and procedures for ways to strengthen internal controls over financial reporting to avoid future misstatements.

Management's response to significant deficiency:
The Organization added a Chief Financial Officer in August of 2011. Under the direction of the CFO, the reporting position on net restricted assets was reviewed. The CFO recommended that certain loans and their underlying assets be changed from permanently restricted net assets to temporarily restricted net assets. This review facilitated the above mentioned restatement and ongoing oversight is intended to prevent future similar misstatements.

Status
Implemented

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

Current Year Findings

No findings or questioned costs were noted on the Organization's major programs in the current year.

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

Prior Year Findings

No findings or questioned costs were noted on the Organization's major programs in the prior year.