CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDITS OF FINANCIAL STATEMENTS

for the years ended June 30, 2016 and 2015

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of Caminar (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caminar as of June 30, 2016 and 2015, 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.

Other Matters

Other Information
Our audit was conducted for the purpose of forming an opinion on the 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, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 17, 2016, on our consideration of Caminar'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 Caminar's internal control over financial reporting and compliance.

Burr Pilger Mayer, Inc.

San Jose, California
November 17, 2016

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash	$ 162,010	$ 1,005,058
Investments	163,788	33,394
Government contracts and program service fees receivable	1,950,817	1,837,889
Prepaid expenses and deposits	369,219	226,625
Total current assets	2,645,834	3,102,966
Funds held for others	32,181	40,236
Government cost report receivable	589,019	589,019
Property and equipment, net	3,785,158	3,959,947
Total assets	$ 7,052,192	$ 7,692,168
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 359,505	$ 246,420
Payroll and insurance payables	1,156,182	943,583
Deferred revenue	3,500	708,058
Security deposits payable	17,551	16,266
Other liabilities	65,686	52,355
Notes payable, current portion	123,244	74,916
Total current liabilities	1,725,668	2,041,598
Accrued interest payable	17,485	11,608
Notes payable, net of current portion	1,276,142	1,307,840
Total liabilities	3,019,295	3,361,046
Net assets:		
Unrestricted:		
Unrestricted	1,272,999	1,525,127
Invested in property and equipment	2,368,287	2,565,582
Total unrestricted net assets	3,641,286	4,090,709
Temporarily restricted net assets	391,611	240,413
Total net assets	4,032,897	4,331,122
Total liabilities and net assets	$ 7,052,192	$ 7,692,168

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

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

STATEMENT OF ACTIVITIES

for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Government contracts	$ 14,780,907	$ -	$ -	$ 14,780,907
Governmental assistance in-kind	31,192	-	-	31,192
Program service fees	1,039,440	-	-	1,039,440
Resident contribution	121,058	-	-	121,058
Other affordable rental income	1,209,109	-	-	1,209,109
Private contracts and grants	456,729	437,485	-	894,214
Donations	104,099	1,825	-	105,924
Donations in-kind	173,205	-	-	173,205
Special events:				
Contributions and revenue	270,692	107,050	-	377,742
Direct benefit to donors	(47,016)	-	-	(47,016)
Other income:				
Social venture income	26,246	-	-	26,246
Investment income	1,305	-	-	1,305
Other income	25,299	-	-	25,299
Net assets released from restrictions	395,162	(395,162)	-	-
Total support, revenue and other income	18,587,427	151,198	-	18,738,625
Expenses:				
Program services	16,012,154	-	-	16,012,154
Supporting services:				
Management and general	2,543,715	-	-	2,543,715
Fundraising	480,981	-	-	480,981
Total supporting services	3,024,696	-	-	3,024,696
Total expenses	19,036,850	-	-	19,036,850
Change in net assets	(449,423)	151,198	-	(298,225)
Net assets at beginning of year	4,090,709	240,413	-	4,331,122
Net assets at end of year	$ 3,641,286	$ 391,611	$ -	$ 4,032,897

CAMINAR

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STATEMENT OF ACTIVITIES

for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Government contracts	$ 14,144,251	$ -	$ -	$ 14,144,251
Governmental assistance in-kind	57,986	-	-	57,986
Program service fees	1,226,159	-	-	1,226,159
Resident contribution	247,213	-	-	247,213
Other affordable rental income	1,073,920	-	-	1,073,920
Private contracts and grants	354,554	442,528	-	797,082
Donations	226,338	-	-	226,338
Donations in-kind	238,898	-	-	238,898
Special events:				
Contributions and revenue	401,663	-	-	401,663
Direct benefit to donors	(43,121)	-	-	(43,121)
Other income:				
Social venture income	26,262	-	-	26,262
Investment income	1,493	-	-	1,493
Other income	23,618	-	-	23,618
Government cost report income	842,825	-	-	842,825
Net assets released from restrictions	297,985	(297,985)	-	-
Total support, revenue and other income	19,120,044	144,543	-	19,264,587
Expenses:				
Program services	15,568,848	-	-	15,568,848
Supporting services:				
Management and general	2,278,436	-	-	2,278,436
Fundraising	508,346	-	-	508,346
Total supporting services	2,786,782	-	-	2,786,782
Total expenses	18,355,630	-	-	18,355,630
Change in net assets	764,414	144,543	-	908,957
Net assets at beginning of year	3,326,295	95,870	-	3,422,165
Net assets at end of year	$ 4,090,709	$ 240,413	$ -	$ 4,331,122

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

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Salaries	$ 8,083,065	$ 1,469,863	$ 184,284	$ 9,737,212
Employer taxes and insurance	1,126,320	116,999	15,932	1,259,251
Employee benefits	980,546	134,201	11,166	1,125,913
	10,189,931	1,721,063	211,382	12,122,376
Building and household supplies and furnishings	278,781	4,981	246	284,008
Client support, program and utilities expenses	193,800	71	1,362	195,233
Client food and beverage	104,572	-	-	104,572
Client rent	1,523,006	-	-	1,523,006
Donated food distributed	203,037	-	-	203,037
Contracted and professional services	1,309,123	365,664	56,961	1,731,748
Insurance	104,004	34,121	413	138,538
Interest	53,476	11,926	-	65,402
Memberships, dues and subscriptions	31,876	2,468	4,155	38,499
Miscellaneous	103,001	19,740	-	122,741
Marketing, advertising and promotions	10,208	4,414	143,689	158,311
Office and computer supplies and furnishings	249,082	102,264	6,505	357,851
Payroll and bank charges	1,866	19,380	5,776	27,022
Postage	4,045	8,309	3,930	16,284
Printing	6,324	1,806	17,633	25,763
Rent	804,099	79,663	14,427	898,189
Staff and Board of Directors functions and retreats	41,501	18,674	526	60,701
Staff recruitment, screening and training	92,781	75,040	1,562	169,383
Telephone	102,216	12,914	633	115,763
Travel and vehicles	214,160	27,264	2,478	243,902
Utilities	157,042	-	-	157,042
Total expense before depreciation and amortization	15,777,931	2,509,762	471,678	18,759,371
Depreciation and amortization	234,223	33,953	9,303	277,479
Total expenses	$ 16,012,154	$ 2,543,715	$ 480,981	$ 19,036,850
Percentage	84.1%	13.4%	2.5%	100.0%

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STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	$ 8,035,949	$ 1,244,638	$ 135,486	$ 9,416,073
Employer taxes and insurance	1,143,029	99,075	11,148	1,253,252
Employee benefits	1,063,543	138,738	8,359	1,210,640
	10,242,521	1,482,451	154,993	11,879,965
Building and household supplies and furnishings	232,727	4,328	191	237,246
Client support, program and utilities expenses	149,321	89	272	149,682
Client food and beverage	93,817	-	-	93,817
Client rent	1,392,433	-	-	1,392,433
Donated food distributed	296,884	-	-	296,884
Contracted and professional services	1,004,293	469,224	85,344	1,558,861
Insurance	126,709	16,039	619	143,367
Interest	58,658	-	-	58,658
Memberships, dues and subscriptions	20,753	2,219	2,761	25,733
Miscellaneous	32,934	18,731	26	51,691
Marketing, advertising and promotions	10,623	4,448	186,801	201,872
Office and computer supplies and furnishings	182,258	82,092	5,100	269,450
Payroll and bank charges	1,986	19,827	6,197	28,010
Postage	5,820	5,441	2,958	14,219
Printing	7,844	1,021	20,254	29,119
Rent	766,156	75,733	21,060	862,949
Staff and Board of Directors functions and retreats	42,855	11,020	1,894	55,769
Staff recruitment, screening and training	91,652	16,358	374	108,384
Telephone	86,543	8,118	499	95,160
Travel and vehicles	249,278	23,267	6,020	278,565
Utilities	213,511	4,514	336	218,361
Total expense before depreciation and amortization	15,309,576	2,244,920	495,699	18,050,195
Depreciation and amortization	259,272	33,516	12,647	305,435
Total expenses	$ 15,568,848	$ 2,278,436	$ 508,346	$ 18,355,630
Percentage	84.8%	12.4%	2.8%	100.0%

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

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	$ (298,225)	$ 908,957
Adjustments to reconcile change in net assets to net cash flows (used in) provided by operating activities:		
Depreciation	277,479	305,435
Realized and unrealized gain on investments	1,253	666
Donated investment securities	(131,647)	(162,207)
Loss on disposal of fixed assets	-	15,413
(Increase)/decrease in operating assets:		
Government contract and program service fees receivable	(112,928)	(39,268)
Prepaid expenses and deposits	(142,594)	232,844
Funds held for others	8,055	(13,222)
Government cost report receivable	-	(589,019)
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	113,085	36,482
Payroll and insurance payables	212,599	84,965
Refundable advance	-	(253,806)
Deferred revenue	(704,558)	490,485
Security deposits payable	1,285	(31,275)
Other liabilities and accrued interest payable	19,208	25,847
Total adjustments	(458,763)	103,340
Net cash (used in) provided by operating activities	(756,988)	1,012,297
Cash flows from investing activities:		
Proceeds from sale of investments	-	160,561
Proceeds from disposal of property and equipment	-	2,500
Purchase of property and equipment	(102,690)	(37,819)
Net cash (used in) provided by investing activities	(102,690)	125,242
Cash flows from financing activities:		
Proceeds from notes payable	41,478	-
Net proceeds (payments) from line of credit	50,000	(400,000)
Payments on notes payable and capital leases	(74,848)	(80,110)
Net provided by (used in) financing activities	16,630	(480,110)
(Decrease) increase in cash	(843,048)	657,429
Cash, beginning of the year	1,005,058	347,629
Cash, end of the year	$ 162,010	$ 1,005,058
Supplementary information:		
Cash paid for interest	$ 59,733	$ 57,349

1. Organization

Caminar (the "Organization"), headquartered in San Mateo, California, is a nonprofit public benefit corporation with over 50 years of experience providing community based support services for transition age youth, adults, and older adults with mental health, physical, and developmental disabilities. Its mission is to improve the quality of life for people with disabilities by providing opportunities to live in the community with dignity and independence. The Organization is committed to developing and providing innovative programs and services that enable people with disabilities to live, work, and pursue an education in their communities based on their choices and abilities.

The Organization's clients are primarily referred from county agencies and local hospitals that are generally not equipped to handle the specialized treatment which they require to fully and effectively integrate into the community. The majority of clients come from low and very low income households, and a majority of the Organization's clients are homeless at the time of their referral. In addition, most clients face multiple barriers and stressors that co-occur with, and/or are a result of, their mental illnesses including alcohol and/or drug dependence, serious medical problems, legal problems, lack of income and resources, lack of health coverage, and inadequate or non-existent social supports. The number of people the Organization serves annually has grown from 41 individuals in 1964 to over 2,000 today. The Organization offers a wide variety of specialized programs and supports in San Mateo, Solano, Butte and San Francisco counties and has plans to expand services.

The Organization also seeks to address the social and community barriers to wellness by organizing public events and symposia focused on reducing the social stigma of mental illness and promoting and highlighting the efforts and accomplishments of researchers in the field.

The Organization is accredited by CARF (The Commission for the Accreditation of Rehabilitation Facilities).

CARF is an international accrediting body with 50 years of experience in helping service providers consistently strive to offer the highest quality services. Caminar, as an accredited service provider, has demonstrated a high level of accountability and conformance to internationally accepted standards that promote excellence. Caminar has achieved this accreditation in a broad range of services/programs: Assertive Community Treatment Psychosocial Rehabilitation, Case Management/Services Coordination, Crisis Stabilization, Community Integration, Community Employment Services (Job Development, Employment Supports and Planning Services).

Caminar Service Locations

<u>San Mateo County</u>
The Organization provides San Mateo County residents with supportive and community-based therapeutic and social rehabilitation programs for young adults and adults with mental illness, including crisis and transitional residential treatment, intensive case management, supported employment and education, a medication clinic, a community food pantry, and permanent housing.

Offering a full spectrum of inter-related programs and services, clients are supported in their recovery by moving from one program component to another targeted to their particular needs and challenges.

Continued

1. Organization, continued

Caminar Service Locations, continued

San Mateo County, continued

The Organization offers five supported case management programs and three residential programs that provide a holistic strengths-based approach to recovery, health, and wellness. The case management programs are FSP (Full Service Partnership), REACH (Recovery, Empowerment and Community Housing), New Ventures, YAIL (Young Adult Independent Living), and WRAPP (Wellness, Recovery and Partnership Program). The residential programs are Redwood House (Crisis Residential), Hawthorne House (Adult Transitional Residential) and Eucalyptus House (Adult, Transition Age Youth, and Young Adult Transitional Residential). Depending on the level of client functioning and the amount and types of supports needed, clients are assigned to programs that assist them in meeting their basic needs wherever they are on the spectrum of health. Clients may transition to more intensive services or graduate to less intensive services depending on their level of need and the course of their illness. Programs in San Mateo also provide supportive services to people with co-occurring disorders. The staff is trained in substance abuse and mental health recovery and is dedicated to each individual's unique recovery journey. The Organization believes that vital parts of the recovery process are the encouragement and expert facilitation of employment, education, and creative talents – all of which are supported by the Organization's holistic approach to services.

The Organization in San Mateo County also offers several foundation-funded programs which are consistent with the Organization's mission and goals as described above. These include Bridges to Wellness, a clinic-based health and wellness adjunct, providing vital health and nutrition education and monitoring, and, an art therapy program which provides regular opportunities for creative self-expression to a vulnerable population that often struggles to find a medium for effective communication.

The Organization's Olivos is a private-pay, ACT (Assertive Community Treatment) program offering mental health services to individuals in their homes and community. The program, which is now in its fourth year of operation, offers psychiatric assessment and care, individualized care plans and case management, medication management, vocational and education goal planning and assistance, as well as coordination with family and other care providers.

The Organization's social enterprise, 240 Linden Street, is a 38-unit apartment building housing both tenants from the market at large and individuals who receive rent assistance from the San Mateo Housing Authority and the Organization's case management and FSP programs. The Organization contracts with a professional property management company who employs a full time, live-in building manager to oversee the safe and efficient management of the property. Some among those receiving rent assistance are provided case management services by the Organization as well as other mental health providers. This social enterprise offers independent community living to individuals who experience mental illness.

Caminar of San Mateo County serves approximately 1,200 clients annually in all of its program components.

Continued

1. Organization, continued

Caminar Service Locations, continued

Solano County

The Organization's Solano County programs include a Wellness and Recovery Center, case management programs, and a supportive housing program. The Wellness and Recovery Center is a recovery oriented drop-in center for mental health consumers in the community who would benefit from supportive programming and socialization opportunities. The case management programs include FSP (Full Service Partnership) intensive case management for Adult and Older Adult with embedded medication clinic and psychiatric and nursing services, and CCM (Comprehensive Case Management) to support clients in their recovery by assisting them to live as independently as possible in the community. During the year ended June 30, 2015, the Organization started a new intensive case management program called HOME (Homeless Motivation and Engagement) focusing on individuals with serious mental illness who are also experiencing homelessness. The goal of this program is to engage this population in mental health treatment and support them in finding housing, and restarting their journey to wellness. The Organization's extensive supportive housing program in Solano County provides the full spectrum of supportive housing options from short-term transitional housing to long-term permanent housing.

In addition, the Organization has operated Laurel Creek crisis residential facility for the past 15 years. This CARF accredited 15 bed facility provides a safe home like environment where clients can recover after an inpatient hospitalization or to prevent an inpatient hospitalization. Participants usually stay at the facility between 14 and 30 days and between 150 to 175 clients are served at this facility annually. During the fiscal year ended June 30, 2016, the Organization started to partner with a private health care provider and their clients.

The Organization also facilitates mental health collaborative meetings and training processes with the local community based organizations who provide a continuum of services in Solano County. Caminar of Solano County serves approximately 650 clients annually.

Butte County

The Organization has been active in Butte County since the 1980's when it opened a transitional residential home for people with severe mental illness. Caminar of Butte County has since expanded services to include individuals who have developmental and physical disabilities and now offers a variety of programs designed to promote independent living and community integration.

Programs include:

- Friendship Circle – community socialization
- Orientation to Community Employment – assisting individuals with developmental disabilities to identify and prepare for community employment
- Jobs Plus – employment preparation, job development, job coaching and situational assessment
- Avenida Apartments – a 14-unit supportive housing project providing property management/housing to individuals who have a mental illness and who have experienced homelessness

The region also operates two social enterprises: Sensible Cyclery and Protouch which give hands-on training to help clients develop the necessary skills for community employment. Sensible Cyclery sells reconditioned bicycles at an affordable price and Protouch provides low-cost janitorial and landscaping services.

Caminar of Butte County provides services to approximately 230 individuals each year, 70% of its client population having a developmental disability and 30% having a mental illness.

Continued

1. Organization, continued

Caminar Service Locations, continued

San Francisco County
The Organization expanded into San Francisco County by providing vocational services through Jobs Plus. Approximately 70% of the clients served through Jobs Plus have not worked in the last 10 years due to disability.

The Organization now provides Jobs Plus services in several counties: San Francisco, San Mateo, Solano, Butte and Santa Clara. From researching job opportunities to developing skills to ensure job retention, Jobs Plus services cover the full range of employment stages. Vocational counselors work with each individual to understand personal and professional strengths and job preferences. They assist clients with pre-employment activities (job/company research, resume writing, interview prep) as well as with soft skill development (workplace interaction skills, dress code and hygiene expectations). Once on the job, Jobs Plus staff are available to provide tailored job coaching to ensure ongoing success in the workplace.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

The Organization receives payments from San Mateo County to provide mental health services to its eligible residents. Management estimates the amount of revenue at the time reimbursement reports are submitted to the County. Amounts received in excess of the estimated revenue amount are reported as refundable advances. The refundable advance is adjusted to reflect the surplus amount, if any, of the contract that is approved to be carried over into the following year.

Subsequent to the end of the year, San Mateo County provides information regarding the total units of service and the allowable costs. The refundable advance amount is adjusted at the time of the annual reconciliation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include the Operating Fund, Board Designated Funds and the Unrestricted Equipment Fund. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

Continued

2. Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Temporarily restricted net assets include resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. The Organization does not imply a time restriction on gifts of long lived assets. Resources of this fund originate from gifts, grants and bequests.

Permanently restricted net assets include the endowment funds which consist of gifts and bequests accepted with the donor stipulation that the principal or fixed assets item be restricted in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor. The Organization does not have any permanently restricted net assets at June 30, 2016 and 2015.

Reclassification

Certain balances in the prior year have been reclassified to conform to the current year presentation. These reclassifications have not effect on previously reported changes in net assets.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their usage, regardless of liquidity. The Organization occasionally maintains cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. Management does not believe the Organization is exposed to any significant risk on cash accounts.

Investments

Investments are stated at fair value based on quoted market prices provided by investment managers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. The unrealized gain or loss for the current period is reported as investment income.

Fair Value Measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Accounting principles generally accepted in the United States of America establish a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair value determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Government Contracts and Program Service Fees Receivable

Receivables arise principally from charges to funding sources for current expenses. At June 30, 2016 and 2015, the Organization considered accounts receivable to be fully collectible. For both years, June 30, 2016 and 2015, approximately 84% of the Organization's funding comes from governmental contracts.

Funds Held for Others

The Organization maintains cash and cash accounts under agency relationships for others. Such amounts are not assets owned by or contributed to the Organization.

Property and Equipment, net

Property and equipment are stated at cost of acquisition or construction or at fair value if donated. The cost of maintenance and repairs are charged to expense as incurred. Depreciation is based on the straight-line method over the estimated useful lives of the assets.

The Organization capitalizes and depreciates significant assets with values of $5,000 or more. However, certain assets, such as flooring replacements, furniture and equipment, that usually have useful lives longer than one year are frequently replaced, and are expensed accordingly. The useful lives of the assets are estimated as follows:

Building and improvements	7 - 40 years
Leasehold improvements	5 - 10 years
Household furnishings and equipment	5 - 7 years
Office furniture and equipment	5 years
Vehicles	5 - 10 years

2. Summary of Significant Accounting Policies, continued

Government Cost Report Receivable or Refundable Advance

The Organization enters into an annual contract with the County of San Mateo to provide mental health services to its eligible residents. The estimated billing in excess of costs to be reimbursed is recorded as a refundable advance. Any costs in excess of billings are recorded as government cost report receivable. At the end of a contract year, the Organization determines an estimate of allowable costs that they believe will be reimbursed and submits it to the County. An analysis is completed by the County during which a computation of a Maximum Allowable Reimbursement ("MAR") is completed. The MAR is computed based on the units of service and the allowable cost per unit. Once the determination is received from the County, the Organization adjusts the refundable advance or government cost report receivable accordingly. If the MAR exceeds the costs, the reimbursed revenue is recognized and the surplus is applied to the following year as a refundable advance. If the cost exceeds the MAR, the reimbursed revenue is recognized as a receivable related to the County contract. Management previously estimated a refundable advance of $253,806 for the year ended June 30, 2014. However, in fiscal year ended June 30, 2015, the refundable advance was reversed based on assessment and revisions made to prior years cost settlement reports. For the year ended June 30, 2015, the Organization recognized $842,825 related to the revisions of cost settlement report and a receivable of $589,019 has been recorded. As of June 30, 2016 and 2015, the Organization has $589,019 recorded as long-term government cost report receivable.

Deferred Revenue

The Organization recognizes support and revenue on the accrual basis of accounting. As of June 30, 2016 and 2015, the deferred revenue balance represents advance payments received from various government agencies for July 2016 and 2015. These amounts will be recognized when services are rendered.

Forgivable Loans

The Organization received forgivable loans which were used for the development of certain projects. These loans will be forgiven if the Organization has complied with certain terms and conditions of the loan throughout the loan term. If these conditions are not met, the monies would have to be repaid in full with accrued interest at varying interest rates. These loans are accounted for as unrestricted or temporarily restricted contributions when received, because the funds carry with them a restriction for the number of years the property must be used for housing. Management believes they will be able to comply with the terms and conditions of these loans throughout the loan terms. See Note 10 for additional details.

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified net assets and reported in the statement of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Government Contracts
Government contracts or cost-reimbursement type contracts are deemed to be exchange transactions and accordingly, are shown separately as government contracts in the statement of activities.

Donated Goods and Services

Donated goods are recorded at their estimated fair value as of the date of the donation. Donated services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which improve the efficiency of the Organization's operations. The value of these donated services is not reflected in the financial statements.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $37,954 and $77,235, respectively.

Functional Expense Allocation

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are charged to program and supporting services based on actual employee time incurred and on usage of resources.

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Certain costs are allocated among program services and supporting services based on actual employee time incurred and on usage of resources.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

The Organization's Federal Return of Organization Exempt from Income Tax (Form 990) for years since June 30, 2013 is subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Organization's state returns (Forms 199) for the years since June 30, 2012 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Continued

3. Fair Value Measurement – Investments

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 135,314	$ -	$ -	$ 135,314
Mutual funds	20,000	-	-	20,000
Foundation pool funds	-	8,474	-	8,474
	$ 155,314	$ 8,474	$ -	$ 163,788

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 1,929	$ -	$ -	$ 1,929
Mutual funds	22,740	-	-	22,740
Foundation pool funds	-	8,725	-	8,725
	$ 24,669	$ 8,725	$ -	$ 33,394

The Organization's valuation methodologies used for assets measured at fair value is a market approach. Fair values for assets in Level 2 are calculated using amortized cost which approximates fair value. There were no changes in methodologies used from year to year.

4. Property and Equipment, net

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	$ 766,420	$ 766,420
Buildings and improvements	4,527,580	4,527,580
Household furnishings and equipment	236,105	247,137
Vehicles	543,330	460,519
Office furniture and equipment	246,589	237,626
Leasehold improvements	461,420	461,420
	6,781,444	6,700,702
Less: accumulated depreciation	(2,996,286)	(2,740,755)
Total property and equipment	$ 3,785,158	$ 3,959,947

Depreciation expense for the years ended June 30, 2016 and 2015 was $277,479 and $305,435, respectively.

Continued

5. Notes Payable

Notes payable at June 30, 2016 and 2015 are secured by the property (unless otherwise noted) and consisted of the following:

	2016	2015
248 Redwood Avenue		
Wells Fargo Bank loan, in the original amount of $360,000, bears interest of 7.25% per annum and requires a monthly payment of $3,286. The loan is to be repaid in full by February 15, 2022 and is secured by a Deed of Trust. Interest expense was $14,287 and $16,041 in 2016 and 2015, respectively.	$ 183,257	$ 208,406
San Mateo County loan, in the original amount of $30,000, bears simple interest of 3% per annum, and has no payment required until April 2034 when the loan matures. The note is secured by a Deed of Trust. Interest expense was $1,272 and $1,026 in 2016 and 2015, respectively. Accrued interest payable was $13,088 and $11,608 at June 30, 2016 and 2015, respectively.	30,000	30,000
Hawthorne House		
San Mateo County loan, in the original amount of $275,000, non-interest bearing and matures on May 19, 2022. No payments are to be made during the term of the loan. The note is secured by a Deed of Trust. Upon maturity of the note or due to acceleration of the note upon sale of default, any proceeds from the payment of the note shall be disbursed to the County according to its beneficial interest in the property.	275,000	275,000
San Mateo County loan, in the original amount of $125,000, non-interest bearing and matures on May 19, 2022. No payments are to be made during the term of the loan. The loan is secured by a Deed of Trust. Upon maturity of the note or due to acceleration of the note upon sale of default, any proceeds from the payment of the note shall be disbursed to the county according to its beneficial interest in the property.	125,000	125,000

Continued

5. Notes Payable, continued

	2016	2015
Hawthorne House, continued		
San Mateo County loan, in the original amount of $90,000, non-interest bearing and matures on March 27, 2022. No payments are to be made during the term of the loan. The note is secured by a Deed of Trust. Upon maturity of the note or due to acceleration of the note upon sale of default, any proceeds from the payment of the note shall be disbursed to the County according to its beneficial interest in the property.	90,000	90,000
San Mateo County loan, in the original amount of $15,288, non-interest bearing and matures on March 27, 2022. No payments are to be made during the term of the loan. The note is secured by a Deed of Trust. Upon maturity of the note or due to acceleration of the note upon sale of default, any proceeds from the payment of the note shall be disbursed to the County according to its beneficial interest in the property.	15,288	15,288
Eucalyptus House		
Amerinational Community Service unsecured loan, in the original amount of $100,000, bears interest of 7% per annum, with monthly interest only payments of $299, and is adjustable every five years. Principal of 10%, 25%, 50% and 90% will be forgiven in years 5, 10, 15 and 20, respectively. The remaining principal shall be due and payable by October 1, 2018. Interest expense was $3,896 and $3,596 in 2016 and 2015, respectively.	10,000	10,000
Vehicles		
Various vehicles, used for programs, bears interest ranging from 0% to 4.99%, and total monthly payments of approximately $2,807 and $2,909 at June 30, 2016 and 2015, respectively. The loans are to be repaid in full on maturity dates ranging from April 2017 through December 2021 and are each secured by the vehicle title. Interest expense was $1,563 and $1,108 in 2016 and 2015, respectively.	58,657	50,862

Continued

5. Notes Payable, continued

	2016	2015
United American Bank In June 2014, the Organization refinanced the 230 Redwood Avenue and the Laurel Creek properties with United American Bank, in the original amount of $600,000, bearing interest at Prime Rate plus 1.75% (5.00% as of June 30, 2016). Thereafter, the interest rate is subject to change. Interest expense was $31,442 and $26,010 in 2016 and 2015, respectively. Monthly principal and interest payments of $3,984 are due until June 12, 2024 at which time an estimated final principal and interest payment of $378,360 will be due. The loan is secured by equipment and Deeds of Trust. The Organization was able to remain in compliance with financial covenants.	562,184	578,200
The Organization entered into a revolving line of credit agreement with United American Bank with a limit of $1,000,000 that matures on June 15, 2017. The purpose of the line of credit is to supply working capital for various operating expenses. The interest rate is equal to the Prime Rate plus 1.50% with a floor of 4.75% (4.75% as of June 30, 2016). Interest expense was $9,822 in 2016. The loan is secured by equipment and Deeds of Trust. The Organization was able to remain in compliance with financial covenants or had received waivers on the covenants.	50,000	-
Total notes payable	1,399,386	1,382,756
Current portion	(123,244)	(74,916)
Notes payable, net of current portion	$ 1,276,142	$ 1,307,840

Principal payments on notes payable for the next five years and thereafter are estimated as follows:

Year ending June 30,	
2017	$ 123,244
2018	57,386
2019	70,459
2020	64,281
2021	68,356
Thereafter	1,015,660
	$ 1,399,386

Continued

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Purpose restricted:		
Crisis and transitional residential programs - Redwood House, Hawthorne House, and Eucalyptus House	$ 132,474	$ 150,306
Bridges to Wellness	83,588	36,607
Supported housing	64,485	-
Jobs Plus vocational services	50,000	12,500
Wellness and Recovery Center	20,000	-
Other programs	1,064	1,000
Total purpose restricted	351,611	200,413
Time restricted - forgivable loan	40,000	40,000
Total restricted net assets	$ 391,611	$ 240,413

Temporary restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows for the years ended June 30, 2016 and 2015:

	2016	2015
Crisis and transitional residential programs - Redwood House, Hawthorne House, and Eucalyptus House	$ 132,568	$ 75,595
Bridges to Wellness	130,519	125,903
Supported housing	53,565	938
Jobs Plus vocational services	26,000	52,908
San Mateo County programs	20,250	-
Solano County case management (SAILS)	15,000	-
Food pantry	10,250	24,461
Transition Age Youth (TAY)	6,435	7,500
Other programs	475	3,180
Young Adult Independent Living (YAIL)	100	7,500
Total temporary restricted net assets	$ 395,162	$ 297,985

Continued

7. Donations In-kind

Donations in-kind consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Food donated by Second Harvest Food Bank	$ 173,205	$ 238,898
Food commodities from government agencies	31,192	57,986
	$ 204,397	$ 296,884

The above donations in-kind are reported in support and revenue under governmental assistance in-kind and donations in-kind.

8. Leases

Operating Leases

The Organization entered into a five year master lease of a 38 unit apartment building located in San Mateo County which commenced October 1, 2011, with two, five year renewal options. The base monthly rent at commencement was $28,333. Increases in the base rent are scheduled to occur every two years, and shall be the greater of: (a) the fair market rental value of the premises, not to exceed three (3%) of the then applicable base rent, or (b) $340,000 per year. The five year renewal option was exercised during the year ended June 30, 2016. The Organization leases the individual apartment units to program clients and other low income individuals under month-to-month leases.

The Organization entered into a ten year master lease of a multi-tenant office located in San Mateo County which commenced on August 1, 2012. The base monthly rent at commencement was $28,851. Increases in the base rent are scheduled to occur every twelve months at 3%. The Organization leases the space for administrative offices and for client clinical services.

The Organization leases offices facilities in counties which it operates and has leases for various office equipment and storage units with monthly rents ranging from $1,000 to $3,900.

Rent expense inclusive of the aforementioned master leases in 2016 and 2015 were $898,189 and $862,949, respectively. Future minimum lease payments are estimated as follows:

Year ending June 30,	
2017	$ 960,686
2018	931,486
2019	888,330
2020	804,649
2021	820,179
Thereafter	583,943
	$ 4,989,273

Continued

8. **Leases**, continued

Reimbursable Leases and Guarantees

The Organization has monthly leases and guaranteed lease payments in connection with its Satellite Housing programs. Under these programs, the Organization either leases the apartments directly or guarantees the rental of leases undertaken by the participants. The Organization receives full reimbursement for rentals from the participants and/or from various government and private supportive housing programs. Most leases are on a month-to-month basis. Total rents paid for and collected from clients before such participant reimbursements as of June 30, were as follows:

	2016	2015
Amount collected	$ 485,961	$ 407,186
Amount paid	$ 1,523,006	$ 1,392,433

9. Employee Benefit Plans

The Organization sponsors a 401(k) plan (the Plan). Eligible employees may participate on the first of the month following date of hire and are match eligible after one year of service. Employees are vested as to employer contributions and earnings thereon after two additional years of service. The Organization contributes 25% of the participants' contributions to the Plan on the first 6% of their salary. The Organization contributed $45,235 and $48,064 to the Plan for the years ended June 30, 2016 and 2015, respectively. Additional discretionary amounts may be contributed on an annual basis. For the years ended June 30, 2016 and 2015, the Organization did not contribute additional discretionary amounts to the Plan.

The Organization is the plan administrator and owner of a new 457(b) Top Hat deferred compensation group of management or highly compensated employees effective November 1, 2015. All contributions were equal to the amounts by which the participants had reduced their compensations pursuant to the salary Reduction Agreements of the participants. The participants were 100% vested in the balances of the participant's accounts attributable to elective deferrals.

10. Commitments and Contingencies

Forgivable Loans

In connection with the Eucalyptus House located in San Mateo, California, the Organization executed a promissory note in the original amount of $175,000 in favor of San Mateo County. The note is non-interest bearing and matures on July 22, 2016. Of the total loan, $50,000 has been repaid and the remaining balance of $125,000 will be forgiven by July 22, 2016 if the agreement is not in default. Subsequent to June 30, 2016 this note has been forgiven.

In connection with the Eucalyptus House located in Daly City, California, the Organization executed a promissory note in the amount of $100,000 in favor of Amerinational Community Services. The note bears simple interest of 7% and matures October 1, 2018. Payments of interest are due monthly in the amount of $591 for years 1-5, $533 for years 6-10, $446 for years 11-15, and $291 for years 16-20. If the Organization is in full compliance with conditions set forth in the loan agreement, the principal balance shall be reduced at the end of each five years under the following schedule: year five - 10%; year ten - 25%; year fifteen - 50%; year twenty - 90%. The remaining balance of $10,000 shall be due and payable at the end of the twenty-year term.

Continued

10. Commitments and Contingencies, continued

Forgivable Loans, continued

In connection with Avenidas Gardens (Housing Project) located in Chico, California, the Organization executed a promissory note in the original amount of $144,000 in favor of Tri-Counties Bank for the construction of Avenidas Gardens. The note is non-interest bearing and the principal shall be forgiven 15 years after the issuance of a certification of occupancy in December 2022.

In connection with Avenidas Gardens (Housing Project) located in Chico, California, the Organization executed a promissory note in the original amount of $250,000 in favor of the City of Chico for the construction of Avenidas Gardens. The note bears 3% simple interest and matures on October 30, 2035. Payments of interest and principal shall be deferred until the Organization sells refinances or transfers the Housing Project. If the Organization is in full compliance with the conditions set forth in the loan agreement, the Organization will have no obligation to repay any accrued and unpaid interest. In addition, the principal balance will be forgiven and the loan shall become a grant in October 2025.

In connection with Avenidas Gardens (Housing Project) located in Chico, California, the Organization executed a promissory note in the original amount of $548,655 in favor of the City of Chico Redevelopment Agency for the construction of Avenidas Gardens. The note bears 5% simple interest from August 2007 through August 2032, and matures on June 14, 2062. The note requires annual payments of $8,500 payable to the extent of 75% of the annual available residual receipts, as defined in the loan agreement. The payments will be applied towards outstanding interest during the first 25 years. If the residual receipts are insufficient to make the annual interest payment, the unpaid interest shall be deferred. Any accrued and unpaid interest will be forgiven between 2033 and 2043 at the rate of 10% per year. If the Organization is in full compliance with the loan agreement and regulatory agreement, the outstanding balance of the loan shall become a grant and will be forgiven in June 2062. If the Housing Project is sold, refinanced or otherwise transferred prior to the end of the term of the loan agreement, all principal and interest outstanding then shall be due and payable in full.

It is management's intent to comply with all these agreements and restrictions throughout the terms of the loans and accordingly, recognized the loans and accrued interest payable as revenue.

Other Contingencies

The Organization owns a small house that contains asbestos. The Organization has no plans to renovate or demolish the home at this time. The Organization is not aware of any need for major renovations caused by operation or other factors. The Organization has concluded that it does not have the information needed to estimate the cost to remove the asbestos and consequently cannot reasonably estimate the fair value of the liability.

The Organization administers programs which uses funds from various federal, state and local agencies and are subject to financial and compliance review by the grantors. Accordingly, the Organization's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The Organization does not expect that disallowed expenditures, if any, will materially affect the financial statements.

Continued

11. Subsequent Events

On October 12, 2016, the Organization entered into an agreement to merge with Family and Children Services of Silicon Valley ("FCS"), a California nonprofit public benefit corporation. FCS shall merge into Caminar on January 1, 2017, which is the closing date of the merger.

Management of the Organization has evaluated events and transactions subsequent to June 30, 2016 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that require recognition or disclosure in the financial statements for the year ended June 30, 2016, except as noted above. Subsequent events have been evaluated through the date the financial statements became available to be issued on November 17, 2016.

Supplementary Information

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Current Year Expenditure of Federal Awards			
U.S. Department of Education,			
Office of Special Education and Rehabilitative Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States			
Pass-through programs from:			
Butte County	84.126	29701	$ 142,370
San Mateo County	84.126	28844	221,143
Solano County	84.126	29145	288,273
San Francisco County	84.126	28946	314,551
Total - U.S. Department of Education			966,337
U.S. Department of Housing and Urban Development,			
Office of Community Planning and Development			
McKinney Act - Supportive Housing Program			
Direct Award	14.235	CA0779L9T191305	12,095
Direct Award	14.235	CA0300L9T181306	19,053
Direct Award	14.235	CA0294L9T181406	20,421
Direct Award	14.235	CA0981L9T181302	3,329
Direct Award	14.235	CA0779L9T191406	50,328
Direct Award	14.235	CA0300L9T181407	26,451
Direct Award	14.235	CA0298L9T181407	43,076
Direct Award	14.235	CA0981L9T181403	12,732
Direct Award	14.235	CA0294L9T181507	9,229
Total - U.S. Department of Housing and Urban Development			196,714
U.S. Department of Health and Human Services,			
Office of Substance Abuse and Mental Health Services Administration			
Block Grants for Community Mental Health Services			
Pass-through programs from:			
San Mateo County	93.958	73556	39,639
Solano County	93.958	3588	13,354
Community Services Block Grant			
Pass-through from City of Vacaville	93.569	N/A	19,081
Total - U.S. Department of Health and Human Services			72,074
U.S Department of Agriculture,			
Office of Food and Nutrition Service			
Emergency Food Assistance Program (Food Commodities)			
Pass-through from Second Harvest Food Bank	10.569	N/A	31,192
Total - U.S. Department of Agriculture			31,192
Total Current Year Expenditures of Federal Awards			$ 1,266,317

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Prior Year Federal Awards for which Continued Compliance is Required			
U.S. Department of Housing and Urban Development, Office of Community Planning and Development			
McKinney Act - Supportive Housing Program			
Direct Award	14.235	CA01B319001	$ 500,000
Community Development Block Grant			
Pass-through from San Mateo County	14.218	N/A	30,000
Pass-through from San Mateo County	14.218	N/A	125,000
Pass-through from San Mateo County	14.218	N/A	275,000
Pass-through from San Mateo County	14.218	N/A	90,000
Pass-through from San Mateo County	14.218	N/A	15,288
HOME Investment Partnership Program			
Pass-through from the City of Chico	14.239	N/A	250,000
Pass-through from the City of Chico	14.239	N/A	548,105
Total - U.S. Department of Housing and Urban Development			1,833,393
Total Prior Year Expenditures of Federal Awards for which Continued Compliance is Required			$ 1,833,393
Total Expenditures of Federal Awards			$ 3,099,710

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of the Organization and is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization did not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Pass-Through Awards

Pass-through entity identifying numbers are presented where available.

Food Subsidies

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. At June 30, 2016, the Organization had no food commodities in inventory.

3. Loans/Prior Year Expenditures

The accompanying Schedule of Expenditures of Federal Awards includes loan balances of $1,333,393 and $500,000 of expenditures for prior years for which continuing compliance is required.

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Independent Auditors' 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 Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)

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 Caminar (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caminar'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 Caminar's internal control. Accordingly, we do not express an opinion on the effectiveness of Caminar's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caminar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Burr Pilger Mayer, Inc.

San Jose, California
November 17, 2016

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

To the Audit Committee of Caminar
(A California Nonprofit Public Benefit Corporation)

Report on Compliance for Each Major Federal Program

We have audited Caminar's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Caminar's major federal programs for the year ended June 30, 2016. Caminar'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Caminar'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 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 Caminar'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 Caminar's compliance.

Opinion on Each Major Federal Program

In our opinion, Caminar 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, 2016.

Report on Internal Control Over Compliance

Management of Caminar 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 Caminar's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Caminar'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.

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.

Burr Pilger Mayer, Inc.

San Jose, California
November 17, 2016

CAMINAR

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

1.	Type of auditors' report issued:	Unmodified
2.	Internal control over financial reporting:	
	• Material weakness identified?	No
	• Significant deficiency?	None reported
3.	Noncompliance material to financial statements noted?	No

Federal Awards

4.	Internal control over major programs:	
	• Material weakness identified?	No
	• Significant deficiency?	None reported
5.	Type of auditors' report issued on compliance for major federal programs:	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7.	Identification of major programs:	

CFDA Number	Name of Federal Program
84.126	US Department of Education – Office of Special Education and Rehabilitation Services – Rehabilitation Services – Vocational Rehabilitative Grants to States

8.	Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
9.	Auditee qualified as low-risk auditee:	No

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Cost

No matters were reported.