CAMINAR
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2020

BPM

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 California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 auditor's 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, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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* 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 October 6, 2020, 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.

BPM LLP

Menlo Park, California
October 6, 2020

CAMINAR
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

ASSETS

Current assets:	
Cash and cash equivalents	$ 955,422
Investments	25,711
Government contracts and program service fees receivable, net	6,873,923
Prepaid expenses and deposits	938,877
Total current assets	8,793,933
Government cost report receivable, net	971,031
Property and equipment, net	26,386,495
Goodwill	50,000
Total assets	$ 36,201,459

LIABILITIES AND NET ASSETS

Current liabilities:	
Notes payable, current portion	$ 87,547
Accounts payable and accrued expenses	712,413
Payroll and insurance payables	1,832,065
Refundable advances	3,658,974
Security deposits payable and deferred rent	157,759
Other liabilities	428,342
Total current liabilities	6,877,100
Accrued interest payable	30,805
Unfunded pension liabilities	362,047
Notes payable, net of current portion	4,999,226
Total liabilities	12,269,178
Commitments and Contingencies (Note 14)	
Net assets:	
Without donor restrictions	22,293,175
With donor restrictions	1,639,106
Total net assets	23,932,281
Total liabilities and net assets	$ 36,201,459

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government contracts	$ 34,988,579	$ -	$ 34,988,579
Program service fees	1,597,531	-	1,597,531
Resident contribution	1,239,304	-	1,239,304
Social venture income	1,156,040	-	1,156,040
Other affordable rental income	550,158	-	550,158
Private contracts	255,476	-	255,476
Donations in-kind	182,915	-	182,915
Donations	152,111	94,402	246,513
Governmental assistance in-kind	5,193	-	5,193
Private grants	-	947,277	947,277
Special events:			
Contributions and revenue	523,774	-	523,774
Direct benefit to donors	(153,040)	-	(153,040)
Other income	163,452	-	163,452
Net assets released from restrictions	1,119,819	(1,119,819)	-
Total support, revenue and other income	41,781,312	(78,140)	41,703,172
Expenses:			
Program services	37,477,381	-	37,477,381
Supporting services:			
Management and general	4,733,762	-	4,733,762
Fundraising	598,243	-	598,243
Total supporting services	5,332,005	-	5,332,005
Total expenses	42,809,386	-	42,809,386
Change in net assets from operations	(1,028,074)	(78,140)	(1,106,214)
Other changes:			
Loss from pension fund	(131,237)		(131,237)
Loss from impairment of goodwill	(50,000)	-	(50,000)
Gain from building and land sale	728,006	-	728,006
Total other changes	546,769	-	546,769
Change in net assets	(481,305)	(78,140)	(559,445)
Net assets at beginning of year	22,774,480	1,717,246	24,491,726
Net assets at end of year	$ 22,293,175	$ 1,639,106	$ 23,932,281

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, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 21,250,991	$ 2,539,680	$ 347,364	$ 24,138,035
Employer taxes and insurance	1,913,874	181,864	27,759	2,123,497
Employee benefits	3,056,296	266,735	25,003	3,348,034
	26,221,161	2,988,279	400,126	29,609,566
Contracted and professional services	2,104,704	609,680	75,880	2,790,264
Client rent	2,252,690	-	-	2,252,690
Rent	2,017,691	159,835	41,289	2,218,815
Utilities and telephone	837,370	27,084	5,368	869,822
Occupancy	661,221	53,123	707	715,051
Office and computer supplies	544,584	135,911	32,528	713,023
Staff recruitment, screening and training	517,203	119,382	26,439	663,024
Client expense	497,141	1,511	86	498,738
Memberships, dues and subscriptions	218,629	175,911	1,498	396,038
Travel and vehicles	291,283	31,916	645	323,844
Insurance	258,335	58,277	1,044	317,656
Bad debt	218,355	-	-	218,355
Payroll and bank charges	55,209	127,919	1,489	184,617
Donated food distributed	182,002	-	-	182,002
Interest expense	104,081	65,677	-	169,758
Staff and Board of Directors functions and retreats	46,246	76,178	253	122,677
Marketing, advertising and promotions	5,294	2,910	10,871	19,075
Miscellaneous	1,605	4,406	20	6,031
Total expenses before depreciation and amortization	37,034,804	4,637,999	598,243	42,271,046
Depreciation and amortization	442,577	95,763	-	538,340
Total expenses	$ 37,477,381	$ 4,733,762	$ 598,243	$ 42,809,386

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

CAMINAR
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Cash flows from operating activities:	
Change in net assets	$ (559,445)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	538,340
Loss on impairment of goodwill	50,000
Realized and unrealized gain on investments	(248)
Donated investment securities	(17,281)
Gain from sale of fixed assets	(728,006)
Bad debt expense	218,355
Gain from forgiveness of debt	(50,000)
Increase in operating assets:	
Government contract and program service fees receivable	(922,928)
Prepaid expenses and deposits	(43,071)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(3,183)
Payroll and insurance payables	459,150
Refundable advances	1,833,434
Security deposits payable and deferred rent	77,441
Unfunded pension liability	106,343
Other liabilities and accrued interest payable	(46,396)
Net cash provided by operating activities	912,505
Cash flows from investing activities:	
Proceeds from sale of property and equipment	1,913,129
Purchase of property and equipment	(753,587)
Net cash provided by investing activities	1,159,542
Cash flows from financing activities:	
Proceeds from notes payable borrowings	28,446
Net payments from line of credit borrowings	(1,600,000)
Payments on notes payable	(91,937)
Net cash used in financing activities	(1,663,491)
Increase in cash and cash equivalents	408,556
Cash and cash equivalents, beginning of the year	546,866
Cash and cash equivalents, end of the year	$ 955,422
Supplementary information:	
Cash paid for interest	$ 169,758

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

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 prevention, treatment, and recovery services for transition age youth, adults, and older adults with complex health needs. Its mission is to empower and support individuals and families to move toward resilience, wellness, and independence. The board of directors, employees and volunteers share a belief in the potential for people to recover from behavioral health conditions and live full lives.

The Organization's service area includes five Northern California counties: Butte, San Francisco, San Mateo, Santa Clara, and Solano. The majority of program beneficiaries, referred to as clients, come from low and very low income households, and a significant portion of the Organization's clients are homeless at the time of their referral. Clients typically face multiple barriers and stressors that co-occur with, and/or are a result of, their behavioral health conditions, such as serious medical problems, histories of trauma, legal issues, unstable housing, family violence or abuse, lack of income and resources, and inadequate or non-existent social supports. The number of people the Organization serves annually has grown from 41 individuals in 1964 to over 20,000 today.

In addition to direct client services, the Organization 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, sharing stories of recovery, and providing extensive outreach and education services.

A number of the Organization's programs are accredited by the internationally-recognized accrediting body Commission for the Accreditation of Rehabilitation Facilities ("CARF"). CARF's mission is to promote the quality, value, and optimal outcomes of services through a consultative accreditation process that centers on enhancing the lives of the persons served. As an accredited service provider, the Organization has met high standards of accountability and demonstrated conformance to internationally accepted standards that promote excellence. The Organization has achieved this accreditation in the areas of Assertive Community Treatment, Case Management/Services Coordination, Crisis Stabilization, Community Integration, Community Employment Services (Job Development, Employment Supports and Planning Services), and Residential Treatment (Mental Health).

On May 1, 2018 and June 1, 2018, the Organization completed one acquisition with Healthy Partnerships ("HP") and one merger with Project Ninety ("P90"), respectively. These partnerships advanced organizational priorities to enhance and expand continuums of care and to deliver optimal care for clients and communities with increasingly complex needs.

Through its diverse and growing portfolio of programs, Caminar seeks to prevent and to alleviate underlying issues that affect the overall health and wellness of individuals, families, and communities. Using a holistic approach, staff members provide prevention, treatment, and recovery services across the spectrum of behavioral health and whole-person care needs. The mix of culturally competent, evidence-based programs and services vary by region. The Organization's activities are described as follows:

Prevention services aim to prevent the onset of behavioral health issues and to intervene early when symptoms emerge. Research shows that the interconnected nature of health factors mean that effective prevention in one area can have a positive effect in another area. For example, improving mental health may reduce the risk of substance abuse. The Organization's prevention services include school-based youth and family support services, the Healing and Reduction of Trauma in Schools ("HARTS") trauma-informed schools initiative, family violence and abuse prevention programs, and LGBTQ (lesbian, gay, bisexual, transgender, queer) youth and young adult wellness and peer support programming.

Continued

1. Organization, continued

Treatment and intervention services provide expert, individualized assistance for youth and adults coping with mental health and/or substance use disorder and related needs. Clinicians tailor treatment and supportive services to clients' individual needs, so that clients may stabilize from a crisis, learn to manage their conditions, and make progress toward their goals. The Organization's treatment services include crisis residential treatment, individual and family therapy, mental health case management, domestic violence survivor services, and residential and outpatient substance use treatment.

Recovery services provide critical support to empower individuals and families on their journeys of recovery. Programs teach and model wellness tools and skills, strengthen connections with personal support networks, and address factors that influence stability and wellness. Recovery services include integrated health care and health education (Bridges to Wellness), supported housing, supported education, supported employment (Jobs Plus), and peer support programming.

The Organization also operates social enterprises, which raise funds to reinvest in the Organization's mission. These enterprises include a concierge style behavioral health division (Olivos), housing complexes, and client-operated businesses which are located in Butte County.

More information about programs and their outcomes are available at www.caminar.org.

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.

Measure of Operation

The Organization includes in its measure of operation all support and revenue and expenses that are an integral part of its programs and supporting activities. The measure of operations does not include the gain from the sale of a building and land and certain other non-operating expenses that took place during the current year.

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.

Continued

2. Summary of Significant Accounting Policies, continued

Estimates, continued

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, the Organization prepares a cost report for all costs during the fiscal year and receivables are adjusted at the time of annual reconciliation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: without donor restriction and with donor restriction.

Net Assets Without Donor Restrictions – includes the operating fund and board designated funds. 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. There is an equipment fund that represents the amount invested in property and equipment, net of the related loan balance of $21,299,722 as of June 30, 2020. The remaining balance of net assets without donor restriction make up the operating fund, which had a balance of $993,453 as of June 30, 2020.

Net Assets With Donor Restrictions – includes 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.

Cash and Cash Equivalents

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. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Continued

2. Summary of Significant Accounting Policies, continued

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.

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 Organization'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. The Organization reviews accounts receivable on an ongoing basis to determine collectability. Balances that are determined to be uncollectible are written off against the allowance for doubtful accounts. The Organization recorded an allowance for doubtful accounts of $311,557 as of June 30, 2020.

Government Cost Reports Receivable

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 reports 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 reports 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.

Continued

2. Summary of Significant Accounting Policies, continued

Government Cost Reports Receivable, continued

As of June 30, 2020, the Organization had a receivable of $589,019 from San Mateo County and is in ongoing negotiations to reach a final settlement.

The Organization distinguishes certain Medi-Cal related contracts as a separate class of receivables due to the unique billing and settlement process, which can take more than a year to finalize. The Organization is in settlement process with the County of Santa Clara for its fiscal year contracts from 2008 through 2019. The Organization only bills for services which are allowed in accordance with the terms of the applicable contracts; however, an allowance is set to reflect the Organization's expectation on final settlement. At June 30, 2020, the Organization considers the net account receivable related to these contracts of $382,012 to be fully collectable.

As of June 30, 2020, the Organization has $971,031 recorded as long-term government cost reports receivable.

Property and Equipment, Net

Property and equipment, net 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 to 40 years
Leasehold improvements	5 to 10 years
Household furnishings and equipment	5 to 7 years
Office furniture and equipment	5 years
Vehicles	5 to 10 years

Other (Intangible) Assets - Goodwill

Goodwill originated from the acquisition of Healthy Partnership ("HP") on May 1, 2018. Goodwill is the excess of the purchase price over the fair value of identified net assets acquired in a business combination and was not the considered material for financial reporting purposes. The Organization annually performs impairments tests of goodwill in accordance with accounting guidance on Intangible Assets. The HP programs had a loss of $169,461 for the year ended June 30, 2020. Due to the COVID-19 pandemic, the Organization is expecting continued losses for some of the HP programs. As a result, the Organization determined Goodwill to be impaired and recorded an impairment loss of $50,000 for the year ended June 30, 2020. The Organization continues to monitor HP programs for underperforming programs.

Continued

2. Summary of Significant Accounting Policies, continued

Refundable Advances

The Organization recognizes support and revenue in the form of conditional contributions. As of June 30, 2020, the refundable advances balance represents advanced payments received from various government agencies. These amounts will be recognized when the conditions are met.

Forgivable Loans

In previous years, the Organization received forgivable loans which were used for the development of certain projects. These loans will be forgiven as long as the Organization complies 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 contributions with donor restriction 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 14 for additional details).

Revenue Recognition

Contributions, Donations, and Private Grants

Contribution revenue is recognized when contributions are received or promised. All contributions are considered available for general operations unless specifically restricted by the donor.

The Organization reports contributions as donor restricted if such contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions.

Government Contracts

The Organization receives government awards and has determined that the asset transfers are contributions, as the resource provider does not receive commensurate value in exchange for the assets transferred. Under Accounting Standards Codification ("ASC") Topic 958, a contribution is considered to be conditional when one or more barriers exist and the right to receive or retain payment or delivery of the promised asset is conditioned on meeting those barriers. The awards are considered conditional contributions due to the limited discretion as result of the specific requirements on how the assets may be spent. The majority of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Conditional contributions with conditions met and restrictions released in the same period are recorded as contributions without donor restrictions. Amounts received prior to incurring qualifying expenditures for which a barrier and right to return exist are reported as refundable advances in the statement of financial position. As of June 30, 2020, approximately 84% of the Organization's funding came from governmental contracts.

Continued

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Program Service Fees

During the year ended June 30, 2020, the Organization adopted ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), on a modified retrospective basis. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The Organization recognizes revenue when control of promised facilities or services is provided to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for using those facilities or services.

The Organization determines revenue recognition through the following steps:

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

Program service fees include private grants, resident contributions, affordable rental income, and social venture income. Each service includes only one performance obligation that is satisfied simultaneously as clients receive the services at a point in time. For certain contracts, the Organization is required to charge a variable fee based on a determination of the ability to pay. In the event that a client may have access to other resources, such as insurance, the full fee portion is billed to the third-party payer. If the amount billed to the third-party payer is subsequently determined to be uncollectible, either in whole or in part, the unpaid balance is written off.

The Organization's contracts do not include highly variable components. The timing of revenue recognition, billings and cash collections can result in billed accounts receivable, unbilled receivables (contract assets), and refundable advances (contract liabilities). The Organization had no unbilled receivables for the year ended June 30, 2020. All of the Organization's performance obligations for the year ended June 30, 2020 were satisfied and recorded at a point in time in the same reporting period.

Special Events

The Organization conducts two special events per year – In Concert with Caminar and Circle of Support. The donation revenue is recognized when the money is received for the current year's event. If amounts received are for a future year's event, the Organization will record unearned revenue. For special events conducted solely as fundraising activities, special event costs are reported as direct benefits to donors. All other direct and indirect costs are reported as fundraising expenses when incurred.

Continued

2. Summary of Significant Accounting Policies, continued

Fundraising Costs

Fundraising costs are expensed as incurred.

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 was $9,632 for the year ended June 30, 2020.

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, 2015 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, 2014 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Change in Accounting Principle

On July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective approach. Under this method, the guidance is applied only to the most current period presented in the financial statements. Topic 606 outlines a single comprehensive revenue recognition model for revenue arising from contracts with customers and superseded most of the previous revenue recognition guidance, including industry-specific guidance. Under Topic 606, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The adoption of Topic 606 had no significant impact to the Organization's net assets as of July 1, 2019, and no material impact to the Organization's revenue recognition policies as of and for the year ended June 30, 2020.

Continued

2. Summary of Significant Accounting Policies, continued

Change in Accounting Principle, continued

On July 1, 2019, the Organization adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 958"), using the modified prospective approach. The accounting for contributions has been modified to clarify distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third-party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional have been changed from a probability-based approach to one focused on barriers in an arrangement. The adoption of Topic 958 resulted in the reclassification of deferred revenue to refundable advance in the statement of financial position for the year ended June 30, 2020.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"). The objective of ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. In addition, ASU 2016-02 will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this accounting guidance and the various subsequent amendments that were issued by the FASB on its financial statements.

3. Liquidity and Availability

The Organization has $7,458,604 of financial assets available to meet cash needs for general expenditures over the next twelve months as of June 30, 2020. Assets consists of cash, receivables and short term investments. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

Total assets as of June 30, 2020:	$ 36,201,459
Less: non-financial assets and amounts not available to be used within one year:	
Prepaid expenses and deposits	(938,877)
Long-term receivables (more than 12 months)	(971,031)
Net fixed assets (property and equipment)	(26,386,495)
Goodwill	(50,000)
Total amount available within one year	7,855,056
Less: net assets with donor purpose restriction (Note 10)	(396,452)
Financial assets available to meet general expenditures over the next twelve months	$ 7,458,604

Continued

3. **Liquidity and Availability**, continued

Financial assets as of June 30, 2020:

Total assets as of June 30, 2020:	$	36,201,459
Cash	$	955,422
Short-term receivables		6,873,923
Short-term investments		25,711
Total financial assets as of June 30, 2020		7,855,056
Less: net assets with donor purpose restriction (Note 10)		(396,452)
	$	7,458,604

The Organization receives significant funding (84% of total revenue) from government contracts each year. The payment term for the majority of the government contracts is 45 days. The Organization strives to maintain financial assets sufficient to cover 45 days of general expenditures (approximately $5,200,000). The Organization has $7,458,604 of financial assets plus $3,000,000 of line of credit for a total of $10,458,604 available to meet cash needs for general expenditures as of June 30, 2020. Assets consists of cash, receivables and short-term investments. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements.

The Organization's liquidity management plan includes selling an additional property which could generate an additional proceeds. (See Note 15.)

The Organization monitors their liquidity management through weekly review of cash forecast by the Chief of Operations and Director of Finance and Accounting.

4. **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, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 24,862	$ -	$ -	$ 24,862
Foundation pool funds	-	849	-	849
	$ 24,862	$ 849	$ -	$ 25,711

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.

Continued

5. Receivables

Receivables consisted of the following as of June 30, 2020:

Government contracts and program services fee receivables:	
Government contract receivables	$ 6,737,893
Program service fee receivables	385,738
Allowance for doubtful accounts on program receivables	(311,557)
Pledges receivables	61,849
Total government contracts and program services fee receivables, net	6,873,923
Government cost reports receivables:	
Santa Clara County Medi-Cal	1,465,301
Allowance for doubtful accounts on Medi-Cal Santa Clara County cost reports, net	(1,083,289)
San Mateo County contract receivables, net	589,019
Total government cost reports receivables	971,031
Total receivables	$ 7,844,954

The government contracts receivables are related to various governmental contracts. As of June 30, 2020, the Organization considers the account receivable related to these contracts to be fully collectable within one year.

6. Property and Equipment, Net

Property and equipment, net consisted of the following as of June 30, 2020:

Land	$ 16,213,654
Buildings and improvements	12,817,437
Furniture and fixtures	554,325
Vehicles	628,944
Leasehold improvements	477,870
Software	347,726
	31,039,956
Less: accumulated depreciation and amortization	(4,653,461)
Total property and equipment	$ 26,386,495

Depreciation and amortization expense was $538,340 for the year ended June 30, 2020.

Continued

7. Notes Payable

Notes payable are secured by the property (unless otherwise noted) and consisted of the following as of June 30, 2020:

248 Redwood Avenue	
Wells Fargo Bank loan, in the original amount of $360,000, bears interest of 7.25%. The loan is to be repaid in full by February 15, 2022 and is secured by a Deed of Trust.	$ 62,347
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.	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 or 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
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 or 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
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 or 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

Continued

7. Notes Payable, continued

Hawthorne House, continued 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 or 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
County of San Mateo - Department of Housing Project 90, which has merged with the Organization, obtained a loan from San Mateo County Department of Housing with non-interest bearing and for the period of October 1, 2016 to September 30, 2046. 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 or default, any proceeds from the payment of the note shall be disbursed to the County according to its beneficial interest in the property.	2,214,861
Vehicle Vehicle is being used for programs, bears interest of 5.99%, and a monthly payment of approximately $600 at June 30, 2020. The loan is to be repaid in full on maturity date of July 2024 and is secured by the vehicle title.	25,383
Heritage Bank (Formerly known as United American Bank) In December 2017, the Organization refinanced the 375 Cambridge Avenue Palo Alto property with Heritage Bank, in the original amount of $920,000 that will mature on January 2, 2028. The interest rate is 4.25%. The loan is secured by equipment and a Deed of Trust.	796,413

Continued

7. Notes Payable, continued

Heritage Bank (Formerly known as United American Bank), continued

In October 2018, the Organization refinanced the 792 S. 3rd Street San Jose property with Heritage Bank, in the original amount of $600,000, bearing interest at 5.98% as of June 30, 2020. Interest expense was $35,625 in 2020. Monthly principal and interest payments of $3,891 are due until Oct 17, 2028 at which time an estimated final principal and interest payment of $456,467 will be due. The loan is secured by a Deed of Trust.	580,729
In October 2018, the Organization refinanced the 137 Elm St San Mateo property with Heritage Bank, in the original amount of $900,000, bearing interest at 5.98% as of June 30, 2020. Interest expense was $53,476 in 2020. Monthly principal and interest payments of $5,835.84 are due until Oct 17, 2028 at which time an estimated final principal and interest payment of $684,701 will be due. The loan is secured by a Deed of Trust.	871,752
Total notes payable and line of credit	5,086,773
Current portion of notes payable	(87,547)
Notes payable, net of current portion	$ 4,999,226

Interest expense was $169,758 for the year ended June 30, 2020.

The Organization has several financial covenants related to their Heritage Bank loans. The Organization was not in compliance with certain of these covenants as of June 30, 2020; however, the Organization received a waiver from Heritage Bank on the noncompliant covenants.

Continued

7. Notes Payable, continued

Principal payments on notes payable for the next five years and thereafter are estimated as follows as of June 30, 2020:

Year ending June 30:		
2021	$	96,818
2022		595,167
2023		65,862
2024		67,991
2025		65,831
Thereafter		4,195,104
	$	5,086,773

8. Line of Credit

The Organization has a loan agreement with a bank for a revolving line of credit with an authorized limit of $3,000,000. The outstanding principal bears interest at 5.75% and is secured by a Deed of Trust. The Organization drew and repaid various amounts throughout the year. There was no balance outstanding as of June 30, 2020.

9. Refundable Advances

On April 22, 2020, the Organization received loan proceeds in the amount of $1,000,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, and rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. The Organization intends to use the entire PPP loan amount for qualifying expenses. Under the terms of the PPP loan, certain amounts of the PPP loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The PPP loan will mature on April 22, 2022.

Government awards are considered to be conditional contributions as the right to retain payment is conditioned on meeting certain barriers. These barriers include the limited discretion in how the awards maybe spent. Conditional contributions are recognized in the period in which the Organization spends the award funds on qualifying expenses. A refundable advance balance of $2,658,974 represents grant awards received in advance, in which the conditions have not yet been met as of June 30, 2020. Amounts outstanding that have been neither received nor recognized on grant agreements as of June 30, 2020 total approximately $14,142,000. These signed grant agreements can be cancelled by the grantor with 30 days' notice to the Organization.

Continued

9. Refundable Advances, continued

Refundable advances consisted of the following as of June 30, 2020:

Qualifying PPP loan	$	1,000,000
Grant awards received in advance		2,658,974
Total refundable advances	$	3,658,974

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020:

Purpose restricted:		
Bridges to Wellness	$	8,174
COVID Relief Fund		125,087
Food Pantry		18,923
LGBTQ grants and donation		85,144
Residential services		43,606
San Mateo Region Services		5,000
Solano coordinated entry service		91,605
Stepping Stones - 30000		18,913
Total purpose restricted		396,451
Time restricted - forgivable loan		1,242,655
Total net assets with donor restrictions	$	1,639,106

Continued

10. Net Assets With Donor Restrictions, continued

The following net assets were released from restrictions during the year ended June 30, 2020:

Bridges to Wellness	$ 75,734
COVID Relief Fund	72,463
Food Pantry	3,201
Forgivable Loan -Time restricted	50,000
Getting to Zero	4,073
Jobs Plus vocational services	71,281
LGBTQ grants and donation	150,420
Positive Solutions	65,657
Project Ninety Service	28,315
Residential Services	79,950
Santa Clara Region service	348,340
Solano coordinated entry service	94,823
Solano Region Services	60,179
Stepping Stones - 30000	1,086
Supported Housing	9,877
Wellness Recovery Center -Solano (Van)	4,420
Total net assets released from restrictions	$ 1,119,819

11. Donations In-kind

Donations in-kind consisted of the following as of June 30, 2020:

Food donated by Second Harvest Food Bank	$ 176,810
In-kind donations - goods	6,105
Donations in-kind	182,915
Food commodities from government agencies	5,193
Governmental assistance in-kind	5,193
	$ 188,108

Continued

12. 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 percent (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 entered into a five year master lease of an office facility located in San Jose, California, which commenced on March 1, 2018. The base monthly rent at commencement was $23,912 subject to approximately a 3% annual increase.

The Organization entered into a five year master lease of an office facility located in San Jose, California, which commenced on August 1, 2019. The base monthly rent at commencement was $30,334, subject to approximately a 3% annual increase.

The Organization leases office facilities in counties which it operates, as well as leases for various office equipment and storage units, with monthly rents ranging from $1,000 to $9,000.

Rent expense, inclusive of the aforementioned leases, was $2,218,815 for the year ended June 30, 2020. Future minimum lease payments are estimated as follows:

Year ending June 30:	
2021	$ 2,108,900
2022	1,609,832
2023	817,627
2024	528,780
2025 and thereafter	95,014
	$ 5,160,153

Continued

12. 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, 2020 were as follows:

Amount collected	$ 550,158
Amount paid	$ 2,252,690

13. 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. Once an employee completes one year of employment, the Organization matches 100% of the employee's contribution up to 4% of their salary/wages. The Organization contributed $349,795 to the Plan for the year ended June 30, 2020. Additional discretionary amounts may be contributed on an annual basis. For the year ended June 30, 2020, the Organization did not contribute additional discretionary amounts to the Plan.

The Organization is the plan administrator and owner of a 457(b) Top Hat deferred compensation plan that is available to a group of management or highly compensated employees, and was 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.

As part of acquisition of P90, the Organization assumed a contribution Pension plan. P90 has a qualified, noncontributory defined benefit retirement plan (the "Plan"), which previously covered substantially all of its regular employees. There was an amendment effective June 30, 2006, which froze all future accruals under the Plan. The benefits are based upon a percentage of the average monthly earnings for the three consecutive calendar years proceeding retirement. The benefits are reduced by 50% of the employee's social security benefit. An employee became fully vested upon completion of six years of qualifying service. Non-key employees are entitled to a minimum benefit based upon the average of the highest five consecutive annual salaries, subject to certain restrictions. It is the policy of the Organization to pay all of the Plan costs determined by the actuary necessary to maintain the Plan.

Continued

13. Employee Benefit Plans, continued

The following tables set forth the Plan's funded status as provided by the consulting actuaries as of June 30, 2020:

Change in projected benefit obligation:		
Benefit obligation at July 1, 2019	$	763,641
Interest cost		34,504
Actuarial loss		107,943
Benefits paid		(148,935)
Projected benefit obligation at June 30, 2020	$	757,153
Change in Plan assets:		
Fair value of assets at July 1, 2019	$	507,937
Actual contributions		11,210
Actual return on Plan assets		24,894
Benefits paid		(148,935)
Fair value of assets at June 30, 2020	$	395,106

The following table sets forth the Plan's funded status as provided by the consulting actuaries as of June 30, 2020:

Fair value of assets of the Plan	$	395,106
Projected benefit obligation		757,153
Funded status	$	(362,047)

Amounts recognized in the statement of financial position were as follows as of June 30, 2020:

Pension liability	$	362,047

Amounts included in net assets without donor restrictions consisted of the following as of June 30, 2020:

Current pension liability	$	362,047
Prior pension liability as of July 1, 2019		255,704
Change recognized in current year statement of financial position	$	106,343

Continued

13. Employee Benefit Plans, continued

Net periodic pension cost included the following components as of June 30, 2020:

Interest cost	$	34,504
Actual return on Plan assets		(24,894)
Amortization of actuarial loss		29,398
Net periodic pension cost	$	39,008

Assumptions used to determine benefit obligations were as follows as of June 30, 2020:

Discount rate	3.51%
Rate of compensation increases	0.00%
Expected long-term rate of return on assets	5.00%
Measurement date	6/30/2020

Additional year-end information as of June 30, 2020:

Projected benefit obligation	$	757,153
Accumulated benefit obligation	$	757,153
Fair value of Plan assets	$	395,106

The fair values of the Plan assets by asset class were as follows as of June 30, 2020:

	Total	Level 1	Level 2
Cash equivalents	$ 28,676	$ 28,676	$ -
Equity securities	139,178	139,178	-
International	85,436	85,436	-
Fixed income securities	135,962	-	135,962
Miscellaneous	5,855	5,855	-
Total	$ 395,107	$ 259,145	$ 135,962

The policy of the Plan is to provide for growth of principal through diversification in a portfolio of common stocks, bonds, cash equivalents, and other investments which may reflect varying rates of return. Although there is no specific allocation to cash equivalents, the percentage of total assets allocated to cash equivalents at any time should be sufficient to assure enough liquidity to meet benefit disbursements and general operating expenses.

To develop the expected long-term rate of return on assets assumption, the Organization considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 5.0% long-term of return on assets assumption for the year ended June 30, 2020.

Continued

13. Employee Benefit Plans, continued

Estimated future pension benefit payments are as follows for the nineteen-year project period:

Year ending June 30:		
2021	$	455,332
2022		48,118
2023		27,584
2024		29,000
2025		25,275
Aggregate 5 fiscal years thereafter (2026-2029)		106,032
Total	$	691,341

14. Commitments and Contingencies

Forgivable Loans

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 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.

Continued

14. **Commitments and Contingencies**, continued

Forgivable Loans, continued

Additionally, in July 2015, the Organization received a direct award from the Department of Housing and Urban Development naming Caminar the recipient of the McKinney Act (Supportive Housing Program) Direct Award in the amount of $500,000. As outlined in the award contract, this loan will be forgiven over a 20-year period. After the first 10 years, if such project is used as supportive housing, HUD will reduce the percentage of the amount required to be repaid by 10% for each year in excess of 10 years. As such, the beginning balance as reported in the Schedule of Expenditures of Federal Awards was reduced to $300,000 and the year-end balance, reduced by 10% for the current year, was $250,000.

Since the merger of P90 in 2018, the Organization is responsible for the P90's San Mateo County notes. The total amount of the notes is $2,214,861. No interest will accrue on the notes and the outstanding balance will be forgiven in five equal 20% shares over the final five years of the 30 year term of the note, as long as the Organization maintains a contact with Behavioral Health and Recovery Services ("BHRS") and continues operating the facility as residential Substance Use Disorder ("SUD") treatment provider or uses the facility for another public purpose consistent with its non-profit mission, subject to approval by San Mateo County.

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.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Organization to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on its operations and financial results at this time.

Other Contingencies

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.

Legal Contingencies

The Organization is involved in various legal actions in the ordinary course of business. In the opinion of management, the outcome of these matters, individually or in the aggregate, would not have a material effect on the Organization's financial statements as of June 30, 2020.

Continued

15. Subsequent Events

In September 2020, the Organization accepted an offer to sell a property at 535 Baden Avenue in South San Francisco for $1,525,000.

Management of the Organization has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. Other than that which is mentioned above, the Organization did not have subsequent events that require recognition or disclosure in the financial statements for the year ended June 30, 2020. Subsequent events have been evaluated through the date the financial statements became available to be issued on October 6, 2020.

SUPPLEMENTARY INFORMATION

CAMINAR
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2020

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	30740	$ 134,039
San Mateo County	84.126	30965	250,744
San Francisco County	84.126	30968	391,469
Total - U.S. Department of Education			776,252
U.S. Department of Housing and Urban Development,			
Office of Community Planning and Development			
McKinney Act - Supportive Housing Program			
Direct Award	14.235	CA0298L9T181811	42,256
Direct Award	14.235	CA0300L9T181710	9,232
Direct Award	14.235	CA0300L9T181811	61,148
Direct Award	14.235	CA0779L9T191810	54,267
Direct Award	14.235	CA0981L9T181706	3,306
Direct Award	14.235	CA0981L9T181807	12,012
Direct Award	14.235	CA1863L9T191900	27,959
Loan Program	14.235	CA01B319001	300,000
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			1,308,285
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	120,114
Community Services Block Grant			
Pass-through from City of Vacaville	93.569	MOU	19,958
Total - U.S. Department of Health and Human Services			140,072
Substance Abuse Treatment and PreventionFederal Block Grant (SABG)			
South County Prevention	93.959	94658	94,628
Total - Substance Abuse Treatment and Prevention Federal Block Grant			94,628
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	5,193
Total - U.S. Department of Agriculture			5,193
Total Current Year Expenditures of Federal Awards			$ 2,324,430

See accompanying notes to Schedule of Expenditures of Federal Awards.

CAMINAR
(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2020

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 used the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for their Housing and Urban Development direct awards and used other negotiated indirect rates for other programs.

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. As of June 30, 2020, the Organization had no food commodities in inventory.

3. Loans/Prior Year Expenditures

The Schedule includes loan balances for prior years for which continuing compliance is required, as follows:

CFDA Number	Program Name	Balance as of June 30, 2019	Amount Forgiven	Balance as of June 30, 2020
14.235	McKinney Act - Supportive Housing Program	$ 300,000	$ (50,000)	$ 250,000
14.239	HOME Investment Partnership Program	250,000	-	250,000
14.239	HOME Investment Partnership Program	548,655	-	548,655
		$ 1,098,655	$ (50,000)	$ 1,048,655

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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 California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2020, 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 October 6, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BPM LLP

Menlo Park, California
October 6, 2020

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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 (a California nonprofit public benefit corporation) 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2020.

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.

BPM LLP

Menlo Park, California
October 6, 2020

CAMINAR
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2019

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	U.S. Department of Education, Office of Special Education and Rehabilitative Services - Vocational Rehabilitation Grants to States
14.239	US Department of Housing and Urban Development, HOME Investment Partnership Program

8. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
9. Auditee qualified as low-risk auditee:	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Cost

No matters were reported.