

BAY AREA COMMUNITY SERVICES, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

**BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Bay Area Community Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated statement of 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Organization'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 Organization'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Community Services, Inc. as of June 30, 2021, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated JUNE 20, 2022, on our consideration of Bay Area Community Services, Inc.'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 Bay Area Community Services, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Bay Area Community Services, Inc.'s 2020 financial statements, and our report dated May 21, 2021, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it was derived.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
June 20, 2022



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Together as One. Grant Bennett Associates is a Member of the Alliot Global Alliance of independent professional firms.

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2021
AND JUNE 30, 2020

Assets:	2021	2020
Cash and cash equivalents	\$ 8,502,555	\$ 14,482,477
Investments	90,473	27,397
Accounts receivable	1,617,180	176,136
Support receivable - contracts	20,049,346	7,759,168
Prepaid and deposits	297,674	713,243
Property and equipment, net	33,236,755	21,269,206
Contributed real estate	27,200	27,200
Total Assets	\$ 63,821,183	\$ 44,454,827
Liabilities and Net Assets:		
Accounts payable	\$ 1,844,809	\$ 808,233
Accrued liabilities	3,250,164	3,717,420
Client deposits	57,716	46,035
Unearned support	4,913,274	2,096,702
Short and long term debt	1,146,327	1,078,227
Loan Payable - PPP Loan	2,382,038	3,586,616
Investment in fixed assets	13,035,423	5,470,043
Total Liabilities	26,629,751	16,803,276
Net Assets		
With donor restrictions	16,164,005	12,355,858
Without donor restrictions	21,027,427	15,295,693
Total Net Assets	37,191,432	27,651,551
Total Liabilities and Net Assets	\$ 63,821,183	\$ 44,454,827

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
PUBLIC SUPPORT AND OTHER REVENUE				
Public Support:				
Contributions	\$ 434,628	\$ 58,880	\$ 493,508	\$ 732,132
Foundations	2,303,634	9,181,946	11,485,580	9,349,942
Government contracts	69,067,720	-	69,067,720	44,682,562
Total public support	<u>71,805,982</u>	<u>9,240,826</u>	<u>81,046,808</u>	<u>54,764,636</u>
Other Revenue:				
Program service fee	2,925,843	-	2,925,843	2,943,745
Interest income	51,456	-	51,456	6,445
Miscellaneous	206,403	-	206,403	553,402
Other fees	31,051	-	31,051	81,682
Total other revenue	<u>3,214,753</u>	<u>-</u>	<u>3,214,753</u>	<u>3,585,274</u>
Net assets released from restrictions	<u>5,432,679</u>	<u>(5,432,679)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>80,453,414</u>	<u>3,808,147</u>	<u>84,261,561</u>	<u>58,349,910</u>
EXPENSES				
Program services	67,949,548	-	67,949,548	46,918,145
Supportive services:				
Management and general	6,684,288	-	6,684,288	5,467,495
Fundraising	87,844	-	87,844	67,842
TOTAL EXPENSES	<u>74,721,680</u>	<u>-</u>	<u>74,721,680</u>	<u>52,453,482</u>
CHANGE IN NET ASSETS	<u>5,731,734</u>	<u>3,808,147</u>	<u>9,539,881</u>	<u>5,896,428</u>
NET ASSETS, beginning of year	<u>15,295,693</u>	<u>12,355,858</u>	<u>27,651,551</u>	<u>21,755,123</u>
NET ASSETS, end of year	<u>\$ 21,027,427</u>	<u>\$ 16,164,005</u>	<u>\$ 37,191,432</u>	<u>\$ 27,651,551</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020

	Program Services				Supportive Services		2021 Total Expenses	2020 Total Expenses
	Mental Health	Older Adults	Housing	Total Programs	Management and General	Fundraising		
EXPENSES:								
Salaries	\$ 13,024,668	\$ 26,500	\$ 10,435,972	\$ 23,487,140	\$ 3,098,489	\$ 68,365	\$ 26,653,994	\$ 21,243,718
Employee benefits	1,871,029	55,698	1,470,908	3,397,635	389,831	4,160	3,791,626	2,692,062
Payroll taxes	1,081,792	2,225	844,683	1,928,700	231,578	5,737	2,166,015	1,722,123
Contracted services	1,916,726	-	376,396	2,293,122	688,164	5,135	2,986,421	2,211,631
Supplies	558,215	145	1,588,970	2,147,330	158,333	836	2,306,499	1,699,895
Telephone	137,342	1,989	96,334	235,665	44,549	-	280,214	363,693
Occupancy	2,273,869	32	9,513,304	11,787,205	266,255	-	12,053,460	4,360,737
Equipment	236,397	268	551,735	788,400	850,576	-	1,638,976	1,904,062
Printing and publications	12,935	-	11,931	24,866	256,457	3,427	284,750	168,088
Transportation	589,279	-	87,203	676,482	94,593	-	771,075	730,790
Conferences	204,296	-	65,924	270,220	170,436	13	440,669	199,492
Client services	2,591,940	-	17,600,236	20,192,176	27,570	-	20,219,746	14,484,413
Insurance	27,130	411	84,275	111,816	62,976	171	174,963	114,445
Interest	-	-	262	262	38,430	-	38,692	1,484
Miscellaneous	7,248	-	66,229	73,477	294,602	-	368,079	136,508
Total Expenses Before Depreciation	24,532,866	87,268	42,794,362	67,414,496	6,672,839	87,844	74,175,179	52,033,141
Depreciation Expense	113,789	-	421,263	535,052	11,449	-	546,501	420,341
TOTAL FUNCTIONAL EXPENSES	\$ 24,646,655	\$ 87,268	\$ 43,215,625	\$ 67,949,548	\$ 6,684,288	\$ 87,844	\$ 74,721,680	\$ 52,453,482

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021
AND JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,539,881	\$ 5,896,428
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	546,501	420,341
Proceeds from PPP Loan forgiveness	(1,204,578)	-
Unrealized and realized gains on investments	(32,344)	(27,397)
Decrease (increase) in:		
Accounts and contracts receivable	(13,731,222)	(148,347)
Prepaid and deposits	415,569	(625,744)
Increase (decrease) in:		
Accounts payable	1,036,577	336,200
Accrued liabilities and client deposits	(455,575)	1,328,007
Unearned support	2,816,572	1,971,319
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,068,619)	9,150,807
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(30,733)	-
Investment in Fixed Assets	7,634,787	283,983
Purchase of property and equipment	(12,583,457)	(1,342,245)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,979,403)	(1,058,262)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	(2,663,150)	(248,435)
Proceeds from long-term borrowings	2,731,250	600,000
Proceeds from PPP Loan	-	3,586,616
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	68,100	3,938,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,979,922)	12,030,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,482,477	2,451,751
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,502,555</u>	<u>\$ 14,482,477</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest and mortgage interest	<u>\$ 158,740</u>	<u>\$ 128,313</u>

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: GENERAL

Bay Area Community Services, Inc. (BACS) is a not-for-profit corporation organized to provide a variety of behavioral health, housing, and social services to individuals including teens, adults, older adults, and families. BACS is funded principally by contracts from various governmental agencies. It also receives support from foundations, individual donations and client fees. BACS operates the following programs:

Adult Day Center – provides specialized group socialization activities to older adults with centers in Oakland. Funding is provided by donations. Program has closed

Case Management – provides clinical care coordination such as assessment, treatment, and brokerage to numerous community resources to individuals with severe and persistent mental illness. Funding is provided by Alameda, Solano, and Sacramento Counties and the City of San Mateo.

COVID-19 Shelter in Place (SIP) Homeless Respite – in response to the global COVID-19 pandemic, various Shelter In Place (SIP) program sites were operated on a time-limited and as-needed basis to reduce the spread of the Coronavirus and address the needs of vulnerable populations. Sites were located in Contra Costa and San Francisco counties.

Crisis Residential Programs – provides crisis treatment services for individuals with severe and persistent mental illness. Funding is provided by the County of origin for the person served. Located in Hayward, Oakland, Vallejo, Richmond and Concord.

Emergency Rental Assistance and Homeowner Relief – provides fast and direct financial assistance to individuals and families in the wake of the coronavirus pandemic. Provides short-term financial assistance and addresses needs of those impacted by the COVID-19 pandemic who are facing a crisis in which could result in a loss of housing. Funding through the City of Oakland.

Residential and Housing Navigation Programs – Rapid re-housing programs that help people transition from encampments to permanent housing. We move people off of the streets into temporary on-site housing where we support them with mental health, hygiene, health and job needs. Funding is provided by Cities of Berkeley, Salinas, Hayward, Fremont and Sacramento.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: GENERAL (Continued)

Full-Service Partnerships – programs help community members who need the most assistance, supporting individuals in every aspect of their life, breaking mental health, housing, and community barriers that hold people back. Combines community-based housing/financial support, intensive mental health, case management, substance use, primary care, and psychiatric support. Funding provided by Alameda County Behavioral Health Care Services.

Homelessness Prevention through Keep Everyone Housed and Keep Oakland Housed and Oakland Shallow Subsidy Program – provides emergency financial assistance, housing problem solving and supportive services, and landlord/tenant relationship support for people currently housed but at-risk of losing their housing. Program is funded by the San Francisco Foundation, Kaiser Permanente, Crankstart Foundation, and other private funders, as well as the City of Emeryville, City of Hayward, City of Oakland and City of San Francisco.

Housing Fast Support Network – provides interim housing and supportive services to single adult homeless individuals at any point in time at the Don Brown Center, Henry J. Robinson Multi-Service Center, and the Holland Hotel. The Henry J. Robinson and Holland programs are partially funded by a U.S. Department of Housing and Urban Development (“HUD”) Continuum of Care under the Housing and Community Development Act of 1974, by the City of Oakland and Alameda County. The Don Brown program is funded in partnership with Contra Costa Behavioral Health.

Housing Education & Counseling – Classes that cover everything you need to know about finding and keeping housing; classes include how to fill out applications, how to adjust to permanent housing, good relationships with landlords, and more. There is also individual housing counseling available. Funding is provided by Alameda County.

Housing Resource Center (HRC) – A housing hub that coordinates all County resources to connect high needs individuals with housing. Includes housing navigation services, streamlined access to shelters and housing, legal workshops, and more. Housing Resource Centers are located in Oakland and Berkeley, and funded in partnerships with the City of Oakland, City of Berkeley and Alameda County.

IPS Supported Employment – Supported employment services based in the Individualized Placement and Support (IPS) evidence-based model, supporting people with complex needs, behavioral health challenges, co-occurring disorders, and/or who are experiencing homelessness to find and maintain competitive, satisfying employment. Program funded by Alameda County Behavioral Health.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: GENERAL (Continued)

Landlord Liaison & Housing Subsidy Management – Incentives and support to help landlords in our community fill their units with people in need. We provide guaranteed, permanent rental assistance, access to an incentive fund, transitional and ongoing support for tenants, mediation for landlord/tenant relationships, and a 24/7 hotline for emergencies. Funding provided by Alameda County.

Medical Respite and Recuperative Care Programs – provides an opportunity for homeless and housing insecure populations to recuperate from illness or injury in a clean and safe setting after being discharged from hospital care. Programs are located in Alameda and San Mateo Counties. Funding provided by Alameda Health System, Alameda Alliance for Health, Health Plan of San Mateo and UC of San Francisco.

Re-Entry Treatment Team – provides integrated, comprehensive support including mental health services, substance use services, and housing support services with the goal of reducing the recidivism of justice-involved adults who are experiencing mental health issues and/or substance use issues. Funded by Alameda County Behavioral Health Services and Prop 47.

Success at Generating Empowerment Program (SAGE) – Provides support to adults living with mental illness who are in process of obtaining social security benefits and who need case management and care coordination to help stay engaged until benefits are obtained. Funding provided by Alameda County Behavioral Health Care Services.

Supported Independent Living Program – provides transitional housing and supportive services to adults with a variety of challenges enabling them to live independently. Funding is provided by grants, rental fees and service fees. This program includes the activities of East Bay Transitional Homes, Inc. (EBTH) and Bay Area Community Services Housing Corporation (BACSHC), both related legal corporations established by BACS to support housing as well as a Housing and Urban Development (HUD) Section 202 housing project.

Wellness Centers – provide a constellation of wellness and recovery programs to individuals with behavioral health challenges. These programs include Wellness Recovery Action Plans, employment services, case management, psychiatric and community integration. Program activities provide hope for individuals and support empowerment, self-responsibility, and achieving a meaningful role in life. Funding is provided by Alameda County Behavioral Health Care Services and by contributions from individuals, community organizations and foundations.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: GENERAL (Continued)

Whole Person Care – Holistic wraparound services for people who are housing insecure and dealing with chronic physical/behavioral health diagnoses that are un-treated in Solano County. Whole Person Care programs coordinate primary care, behavioral health, social services, and housing supports. This integrated approach to managing care improves physical and mental health for the individual, while utilizing public resources more efficiently. Funding provided by Solano County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

BACS is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, BACS considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grant and Contract Revenue Recognition

The majority of BACS's revenue is derived from cost reimbursement contracts. Advances received on these contracts are recorded as deferred revenue and recognized as revenue as allowable costs are incurred. Revenue from fee for service contracts is recognized when services are provided.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts receivable/Support receivable

Support receivables are primarily from governmental agencies. BACS considers these receivables to be fully collectible; accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost at the date of acquisition. Donated assets are recognized at market value at the time of donation. Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives of fifteen to forty years and three to five years, respectively.

Assets purchased with unrestricted general funds and assets donated to the Agency are depreciated through the statement of activities. Assets purchased with grant funds are recorded as revenue and expensed in the period of acquisition through the statement of activities. The corresponding capitalization and depreciation for these grant purchases is accounted for through increases and decreases in investment in fixed assets liability in the statement of activities.

Leases

Leases meeting certain criteria are considered to be capital leases and the related asset and lease obligations are recorded at their present value in the financial statements. Other leases not meeting such criteria are considered to be operating leases and the related rentals are charged to expense as incurred.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

BACS has received notice of exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 2370(d) of the California Revenue and Taxation Code. Management believes BACS has no uncertain tax positions as of June 30, 2021.

Principles of Consolidation

The consolidated financial statements include the accounts of Bay Area Community Services, Inc., East Bay Transitional Homes, Inc., Bay Area Community Services Housing Corporation, and Adolescent Treatment Center dba Thunder Road. All significant interrelated items and transactions have been eliminated in the consolidation.

Overhead Allocation of Indirect Expenses

BACS makes an overhead allocation of indirect expenses which are included in management and general expenses to various program services based on direct expenses for each program. Indirect rates for the years ended June 30, 2021 and 2020, were 9.3% and 11.61%, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Some categories of expenses are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Expense allocation, which includes compensation and benefits, is allocated on the basis of estimates of time.

Comparative Financial Information

The financial statements include certain summarized comparative information from the prior year. This information is not presented by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. This information should be read in conjunction with the BACS's financial statements for the year ended June 30, 2020 from which the comparative information was extracted.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3: PROPERTY AND EQUIPMENT

The property fund includes all property and equipment owned by BACS. Property, equipment and accumulated depreciation consist of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2021 Net</u>
Land	\$ 8,903,219	\$ 0	\$ 8,903,219
Buildings	22,256,725	4,267,097	17,989,628
Improvements	7,623,683	1,312,691	6,310,992
Vehicles	52,169	19,253	32,916
Equipment & Furniture	131,129	131,129	0
Total	\$ 38,966,925	\$ 5,730,170	\$ 33,236,755

Depreciation expense for the year ended June 30, 2021 was \$546,501.

NOTE 4: CONTRIBUTED REAL ESTATE

On March 10, 1994, BACS received an 8% interest in a residence located in Kensington, California. The University of California received a 92% interest and the donors retained a life interest in the property. At the time of the death of the donors, the house is to be sold and the 8% interest in the sales proceeds is restricted to use for the Towne House Creative Living Center.

NOTE 5: LEASE COMMITMENTS

Operating Leases

BACS is the lessee of certain non-cancelable real properties and equipment. Minimum annual rentals for such leases are as follows:

<u>Year Ending June 30:</u>	
2022	\$ 230,405
2023	391,593
2024	260,806
2025	251,251
2026	15,850
Total	\$ 1,149,905

Rent expense for the years ended June 30, 2021 was \$139,021 for non-cancelable operating leases.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6: SHORT AND LONG-TERM DEBT

Mortgages Payable and Notes Payable at June 30, 2021, consisted of the following:

Mortgages Payable:

Loan from State of California Housing and Community Development, at an interest rate of 3%, secured by the Kennedy Ave, Livermore properties, with \$6,300 in annual interest payments accrued. Due Date 06/01/41. \$ 210,000

Loan from U.S. Department of Housing and Urban Development, at an interest rate of 9.25%, secured by the Humphrey Lane - 79th Avenue property, with monthly principal and interest payments of \$3,935. Due Date 05/01/25. 154,651

Loan from the City of Oakland, at an interest rate of 3%, secured by the Humphrey Lane - 79th Avenue property, with \$1,500 in interest only payments this fiscal year. Due date 12/31/27. 50,000

Bank loan at an interest rate of 4% secured by the Don Brown property in Antioch, Contra Costa County, with principal and interest payments of \$1,737. Due date 7/25/30. Loan number 1263. 399,512

Bank loan at an interest rate of 4% secured by Nevin House property in Concord, Contra Costa County, with principal and interest payments of \$2,146. Due date 7/25/30. Loan number 1278.

	323,414
Total Mortgages Payable	\$ 1,137,577

Notes Payable

City of San Leandro Note Payable - Capital Improvement Loan Woodroe. Maturity Date 4/21/28. Total loan \$25,000. Loan balance retired over 20 years at 5% annually on anniversary date of loan. \$ 8,750

	\$ 8,750
Total Notes Payable	

	\$ 1,146,327
Total Mortgages and Notes Payable	

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6: SHORT AND LONG-TERM DEBT (Continued)

BACS has various notes outstanding, most of which are collateralized by real property. During the fiscal year of 2021, interest expense on these notes was \$128,112. The notes bear interest at rates between 3% and 9.25% and mature through 2041 as follows:

<u>Year Ending June 30:</u>	
2022	\$ 58,604
2023	62,857
2024	67,467
2025	68,523
2026	28,240
Thereafter	860,636
	<u>1,146,327</u>
Less: Current Portion	(58,604)
Long-term Portion	<u>\$ 1,087,723</u>

NOTE 7: PPP LOAN PAYABLE

On April 24, 2020, BACS received a loan from WestAmerica Bank (the Borrower) in the aggregate amount of \$3,586,616, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated April 24, 2020 issued by the Borrower, matures on April 24, 2022 and bears interest at a rate of 1% per annum. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

In FY2021, \$1,204,578 of the loan was forgiven. Outstanding principal balance is \$2,382,038 at June 30, 2021.

NOTE 8: LINE OF CREDIT

BACS has a secured line of credit with WestAmerica Bank, which provides borrowings up to \$1,000,000. Interest is payable monthly at the bank index rate plus 0.50%, which as of June 30, 2021 was 6.75%. The line of credit matures on February 28, 2022. The outstanding balance as of June 30, 2021 was \$0.

BACS has an additional secured line of credit with WestAmerica Bank, which has credit limit of \$1,175,000. The line of credit bears interest at the prime rate plus 1.00%, which as of June 30, 2021 was 7.25%. The line of credit matures on February 28, 2022. The outstanding balance as of June 30, 2021 was \$0.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2021
Towne House Wellness Centers	\$ 52,976
Hedco Wellness Center	200
Valley Wellness Center	13,444
South County Wellness	1,500
Shallow Subsidy Program	230,884
Fremont Navigation Center	30,700
Housing Funds - SF Foundation	499,951
Housing Project Funds	401,086
Housing Funds - Kaiser Foundation	608,565
Richmond Contra Costa Homeless	185,710
North County HRC	200
Housing Corp	4,668,789
Fairfield Property - Solano County (Note 14)	720,000
Adolescent Treatment Center (Note 14)	8,750,000
Total	\$ 16,164,005

Net assets of \$5,432,679 was released from donor restrictions during the year of 2021, respectively by incurring expenses satisfying the restricted purposes as follows:

	2021
Shallow Subsidy Program	\$ 32,116
Hayward Housing Prevention	51,159
Emeryville Housing Prevention	36,965
Housing SF Foundation	4,422,997
Housing - Kaiser Foundation	524,191
Hayward Navigation Center	500
Richmond Contra Costa Homeless	12,206
Housing Corp	352,545
Total	\$ 5,432,679

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, without donor or other restrictions limited to their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 8,502,555
Investments	90,473
Accounts Receivable	1,617,180
Support receivable - contracts	20,049,346
Total Financial Assets	<u>30,259,554</u>

Less those unavailable for general expenditures within one year due to:

Cash restricted by donor for specific uses	<u>(16,164,005)</u>
--	---------------------

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,095,549</u>
--	----------------------

BACS has \$14,095,549 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$8,502,555. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

BACS has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$12,450,000. BACS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of liquidity management, as noted in Note 8: Line of Credit, BACS has also established secured Line of Credits with financial institutions to aid in cash needs.

NOTE 11: CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS
IN EXCESS OF INSURED LIMITS

BACS maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, balances in the Organization's cash accounts may exceed federally insured limits, the Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 12: CONTINGENT LIABILITIES

BACS grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly, BACS has no provision for the possible disallowance of program costs on their consolidated financial statements.

NOTE 13: CONCENTRATION OF CONTRACT REVENUE

BACS receives approximately 69% of its government contracts revenue from six major contracts with County of Alameda and City of Oakland.

NOTE 14: RESTRICTED ASSETS

Bay Area Community Services Housing Corporation (BACSHC) holds title to real property located at 345 Travis Blvd., Fairfield, CA. As of June 30, 2017, BACSHC received a grant in the amount of \$720,000 and agreed to record a Deed Restriction against the property which requires that the property only be used as a transitional housing facility for persons with mental disabilities for a period of ten (10) years.

Bay Area Community Services Housing Corporation (BACSHC) holds title to real property located at 390 40th St., Oakland, CA. As of June 30, 2018, BACSHC received a donation of the property from Sutter East Bay Hospitals valued at \$8,750,000. The original agreement called for operation of program known as Thunder Road for five years. The Thunder Road program ceased operating as of April 30, 2019. Subsequently the California Attorney General approved a change of program for the facility to be used for other non-profit purposes.

NOTE 15: LITIGATION

On or about June 22, 2021, BACS was named as defendant in a first amended complaint filed by a former BACS employee. The suit alleges that BACS had violated several wage and hour laws to a class of current and former employees.

The parties are in the process of executing a Memorandum of Understanding which will be the foundation for a settlement agreement of up to \$875,000. A motion for preliminary approval of the class settlement will be filed with the court followed by a motion for final approval. At this time, if the Court does not grant final approval of the claims settlement, it is not possible to estimate BACS's potential liability. As of June 30, 2021, BACS has accrued \$350,000 as a potential liability in this case.

BAY AREA COMMUNITY SERVICES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 16: SUBSEQUENT EVENTS

BACS's management has evaluated its subsequent events through June 20, 2022, the date the financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

Our report on our audit of the consolidated financial statements of Bay Area Community Services, Inc. for the year ended June 30, 2021 appears on pages one and two. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A stylized, handwritten-style signature of "Grant Bennett Associates" in black ink.

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
June 20, 2022



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BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR ALAMEDA COUNTY
FOR THE YEAR ENDED JUNE 30, 2021

	MHS Mental Health Services BHSVC 900107 PC 19851	FSP's Full Service Partnerships BHSVC 900107 PC 19852	PROP 47 Reentry Treatment BHSVC 900107 PC 21665	Total
SUPPORT AND REVENUE				
County of Alameda	\$ 13,422,620	\$ 10,031,523	\$ 69,811	\$ 23,523,954
Miscellaneous	15	15	-	30
Total Support and Revenue	13,422,635	10,031,538	69,811	23,523,984
EXPENSES				
Salaries	5,517,092	4,779,829	53,574	10,350,495
Employee benefits	1,256,550	995,066	7,753	2,259,369
Contracted services	904,230	725,853	-	1,630,083
Supplies	327,575	40,430	324	368,329
Telephone	77,985	31,693	-	109,678
Occupancy	2,704,118	510,295	-	3,214,413
Equipment	132,954	59,194	-	192,148
Printing and publication	2,901	2,158	101	5,160
Recruiting and advertising	4,204	1,102	49	5,355
Transportation	409,257	164,606	1,376	575,239
Conferences	127,217	68,975	-	196,192
Client services	766,703	1,729,200	-	2,495,903
Insurance	18,052	1,503	-	19,555
Miscellaneous	3,102	474	-	3,576
Indirect costs	1,170,695	921,160	6,634	2,098,489
Total Expenses	13,422,635	10,031,538	69,811	23,523,984
EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ -	\$ -	\$ -

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR CONTRA COSTA COUNTY
FOR THE YEAR ENDED JUNE 30, 2021

	Don Brown Shelter Contract 24385	Neirika CRT Contract 24751	Nevin CRT Contract 24751	Total
SUPPORT AND REVENUE				
Contributions	\$ -	\$ -	\$ -	\$ -
County of Contra Costa	1,027,783	1,486,355	1,140,851	3,654,989
Rent Revenue	-	-	93,389	93,389
Other (including Intra-agency transactions)	-	123,393	-	123,393
Total Support and Revenue	1,027,783	1,609,748	1,234,240	3,871,771
EXPENSES				
Salaries	588,330	837,854	751,862	2,178,046
Employee benefits	185,935	180,730	205,961	572,626
Contracted services	138	158,703	8,584	167,425
Supplies	69,038	89,179	33,624	191,841
Telephone	5,905	7,855	6,564	20,324
Occupancy	46,229	154,339	55,716	256,284
Equipment	11,976	14,610	10,087	36,673
Printing and publication	34	236	118	388
Recruiting and Advertising	272	1,512	-	1,784
Transportation	901	1,039	1,872	3,812
Conferences	1,350	1,072	1,145	3,567
Client services	582	182	655	1,419
Insurance	14,364	3,282	1,814	19,460
Miscellaneous	777	51	1,199	2,027
Other Agency Transfers	-	-	37,120	37,120
Indirect costs	98,489	160,947	117,953	377,389
Total Expenses	1,024,320	1,611,591	1,234,274	3,870,185
EXCESS OF REVENUE OVER EXPENSES	\$ 3,463	\$ (1,843)	\$ (34)	\$ 1,586

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY PROCUREMENT CONTRACT FOR SOLANO COUNTY
FOR THE YEAR ENDED JUNE 30, 2021

	Mental Health Services Contract 03762-21 Transitional Housing	Mental Health Services Contract 03674-21 Rosewood CRT	Public Health Services Contract 03822-19 Whole Person Care	Total
SUPPORT AND REVENUE				
County of Solano	\$ 272,829	\$ 1,029,962	\$ 486,433	\$ 1,789,224
Solano County Room and Board	-	234,330	-	234,330
Rent Revenue	2,924	-	-	2,924
Other (including Intra-agency transactions)	-	123,390	1,176	124,566
Total Support and Revenue	275,753	1,387,682	487,609	2,151,044
EXPENSES				
Salaries	128,178	819,767	252,690	1,200,635
Employee benefits	31,070	234,369	71,294	336,733
Contracted services	-	119,357	-	119,357
Supplies	22,751	65,338	2,068	90,157
Telephone	4,145	10,171	3,074	17,390
Occupancy	42,257	40,467	2,725	85,449
Equipment	306	18,651	900	19,857
Printing and publication	-	22	190	212
Recruiting and Advertising	-	320	22	342
Transportation	1,017	4,313	6,816	12,146
Conferences	60	5,827	60	5,947
Client services	26,385	157	94,720	121,262
Insurance	3,441	2,272	206	5,919
Miscellaneous	-	1,079	43	1,122
Other Agency Transfers	11,621	-	-	11,621
Indirect costs	27,233	138,785	45,655	211,673
Total Expenses	298,464	1,460,895	480,463	2,239,822
EXCESS OF REVENUE OVER EXPENSES	\$ (22,711)	\$ (73,213)	\$ 7,146	\$ (88,778)

See notes to financial statements

BAY AREA COMMUNITY SERVICES, INC.
OPERATIONS BY RESOLUTION NUMBER FOR STATE OF CALIFORNIA
HOUSING AND COMMUNITY DEVELOPMENT
FOR THE YEAR ENDED JUNE 30, 2021

	SIL Kennedy Street 90-CHRP-R-047	SIL Railroad Ave. 90-HRL-S-307	Total
SUPPORT AND REVENUE			
Contribution	\$ -	\$ -	\$ -
Client/Program participation	19,471	28,480	47,951
Interest	48		
Miscellaneous (including intra agency transfers)	69,043	108	69,151
Total Support and Revenue	<u>88,562</u>	<u>28,588</u>	<u>117,102</u>
EXPENSES			
Contracted services -Mgmt Fees	3,000	3,000	6,000
Supplies	842	1,125	1,967
Occupancy	15,747	12,400	28,147
Equipment	-	175	175
Advertising	-	-	-
Insurance	1,514	3,074	4,588
Miscellaneous (including intra agency transfers)	22,259	22,259	22,259
Expenses before Depreciation	<u>21,103</u>	<u>42,033</u>	<u>63,136</u>
Depreciation-building	3,262	4,378	7,640
Depreciation-building Improvements	792	3,801	4,593
Total Depreciation	<u>4,054</u>	<u>8,179</u>	<u>12,233</u>
Total Expenses	<u>25,157</u>	<u>50,212</u>	<u>75,369</u>
NET GAIN/ (LOSS)	<u>\$ 63,405</u>	<u>\$ (21,624)</u>	<u>\$ 41,733</u>

See notes to financial statements



REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

We have audited the consolidated financial statements of Bay Area Community Services, Inc. as of and for the year ended June 30, 2021, and have issued our report thereon dated June 20, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 their 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A stylized, handwritten-style signature of Grant Bennett Associates.

GRANT BENNETT ASSOCIATES
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Certified Public Accountants

Rancho Cordova, California
June 20, 2022



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BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>County Expenditures</u>
DEPARTMENT OF THE TREASURY					
Pass-Through City of Oakland					
ERAP funding - Rental Assistance	21.018		\$ 2,553,832	\$ -	\$ -
Homekey funding	21.019		7,634,787	-	-
Cares Act Rental Assistance	21.019		1,800,000	-	-
TOTAL DEPARTMENT OF THE TREASURY			11,988,619	-	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Direct Payment Stimulus payments	93.977		48,962	-	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			48,962	-	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct program					
Section 8 Loan (Note A)	14.856	121-EH123	185,975	-	-
Pass-Through County of Alameda Housing Authority					
Lower Income Housing Assistance	14.856	CA39-K067	11,591	-	-
Subtotal Section 8 Project-Based Cluster			197,566	-	-
Direct program					
Lower Income Housing Assistance (Note B)	14.157	121-EH123	188,323	-	-
Pass-Through Community Development Block Grants from:					
City of San Leandro	14.218		263	-	-
Pass through Coronavirus Relief funds:					
City of Hayward	14.218		1,620,611	-	-
City of Berkeley	14.218		248,419	-	-
Subtotal Community Development Block Grants			1,869,293	-	-
Pass through Emergency solution Grants (ESG)					
City of Berkeley	14.231		306,552	-	-
County of Contra Costa	14.231		145,011	-	-
Subtotal Emergency solution Grants			451,563	-	-
Pass-Through the County of Alameda					
Continuum of Care Program	14.267		1,898,217	-	-
Pass-Through the City of Oakland					
Supportive Housing Program	14.235		2,395,106	-	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			7,000,068	-	-
SUBTOTAL EXPENDITURES OF FEDERAL AND COUNTY AWARDS			19,037,649	-	-
STATE AWARDS ONLY					
Alameda County Behavioral Health Care Services		MHSA	-	23,059,469	-
Alameda County Behavioral Health Care Services		Prop 47	-	428,844	-
Contra Costa County Health Services		MHSA	-	3,654,989	-
Solano County Mental Health Services		MHSA	-	1,537,122	-
UC San Francisco			-	84,800	-
SUBTOTAL EXPENDITURES OF STATE AWARDS			-	28,765,224	-
COUNTY AWARDS ONLY					
County of Alameda			-	-	6,541,664
County of Contra Costa			-	-	683,465
County of Monterey			-	-	141,357
County of Sacramento			-	-	103,922
County of Solano			-	-	486,433
SUBTOTAL EXPENDITURES OF COUNTY AWARDS			-	-	7,956,841
TOTAL EXPENDITURES OF FEDERAL, STATE, AND COUNTY AWARDS			\$ 19,037,649	\$ 28,765,224	\$ 7,956,841

Note A: Outstanding loan balances

Loan funds borrowed in 2021

Note B: This program is under East Bay Transitional Homes, Inc.

Note C: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bay Area Community Services, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bay Area Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bay Area Community Services, Inc..

Note E: Summary of Significant Accounting Policies

(1) 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.

(2) Bay Area Community Services, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Board of Directors
Bay Area Community Services, Inc.
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bay Area Community Services, Inc., which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities, consolidated statement of functional expenses and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Bay Area Community Services, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Area Community Services, Inc.'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 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 Bay Area Community Services, Inc.'s consolidated financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grant Bennett Associates

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Rancho Cordova, California
June 20, 2022



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

Board of Directors
Bay Area Community Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Bay Area Community Services, Inc.'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 Bay Area Community Services, Inc.'s major federal programs for the year ended June 30, 2021. Bay Area Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bay Area Community Services, Inc.'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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Bay Area Community Services, Inc.'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 with each major program. However, our audit does not provide a legal determination of Bay Area Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bay Area Community Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirements 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 compliance requirement 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*, as defined above. 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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Bennett Associates

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June 20, 2022



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BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	NONE
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
2. Type of Compliance Report Major Programs	UNMODIFIED
3. Uniform Guidance Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Program:	21.019 – CORONAVIRUS RELIEF FUND 14.231 – EMERGENCY SOLUTIONS GRANTS PROGRAM
5. Dollar Threshold for Type A Programs	\$750,000
6. Auditee Qualification	LOW RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	NONE REPORTED
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in the Uniform Guidance	NONE REPORTED

BAY AREA COMMUNITY SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

There were no findings noted for the year ended June 30, 2020.