



BUCKELEW PROGRAMS

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Buckelew Programs

Report on the Financial Statements

We have audited the accompanying financial statements of Buckelew Programs (a nonprofit organization), which comprise of 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. 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 Buckelew Programs 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Transactions with Affiliated Companies

As discussed in Note 1 to the financial statements, the financial statements of Buckelew Programs have been prepared without combining the financial statements of related entities under common control. Combined financial statements will be issued and those statements are the general-purpose financial statements of the primary reporting entity.

Report on Summarized Comparative Information

We have previously audited Buckelew Programs' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of Buckelew Programs' 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 solely 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 the effectiveness of Buckelew Programs' 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 Buckelew Programs' internal control over financial reporting and compliance.

Harrington Group

Oakland, California

December 7, 2020

BUCKELEW PROGRAMS

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 2,184,844	\$ 1,023,887
Contracts receivable, net of allowance of \$30,000 (Note 4)	2,216,071	1,732,875
Grants receivable	172,951	96,048
Unbilled contracts receivable (Note 2)	559	-
Other receivables	364,504	159,805
Prepaid expenses	189,063	248,532
Total current assets	5,127,992	3,261,147
Note receivable from affiliate (Note 5)	126,512	133,559
Property and equipment, net (Note 7)	5,669,046	5,866,297
Deposits	193,385	156,065
Deficit on investment (Note 8)	(94,361)	(63,642)
TOTAL ASSETS	\$ 11,022,574	\$ 9,353,426
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 286,025	\$ 399,283
Accrued liabilities (Note 9)	998,596	764,991
Accrued unemployment liability (Note 10)	41,837	17,740
Current portion of notes payable (Note 11)	79,129	74,792
Total current liabilities	1,405,587	1,256,806
Long-term portion of notes payable (Note 11)	2,735,475	2,813,994
Paycheck Protection Program loan (Note 12)	1,644,605	-
TOTAL LIABILITIES	5,785,667	4,070,800
NET ASSETS		
Without donor restrictions	4,332,149	4,859,918
Without donor restrictions - non-controlling interest	(94,361)	(63,642)
With donor restrictions (Note 14)	999,119	486,350
TOTAL NET ASSETS	5,236,907	5,282,626
TOTAL LIABILITIES AND NET ASSETS	\$ 11,022,574	\$ 9,353,426

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

BUCKELEW PROGRAMS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
Government and contracts	\$ -	\$ 10,393,690	\$ 10,393,690	\$ 9,594,281
Grants and contributions	524,751	1,255,870	1,780,621	882,260
Client rent and fees	1,680,824		1,680,824	1,580,286
Special events (net of expense of \$30,513)	76,711		76,711	168,264
Investment and other income	30,302		30,302	46,581
In-kind contributions	7,336		7,336	47,597
Net assets released from restrictions (Note 14)	11,136,791	(11,136,791)	-	-
TOTAL REVENUE AND SUPPORT	<u>13,456,715</u>	<u>512,769</u>	<u>13,969,484</u>	<u>12,319,269</u>
EXPENSES				
Program services	11,464,425		11,464,425	10,726,115
Management and general	2,093,499		2,093,499	1,771,274
Fundraising	457,280		457,280	459,996
TOTAL EXPENSES	<u>14,015,203</u>	<u>-</u>	<u>14,015,203</u>	<u>12,957,385</u>
CHANGE IN NET ASSETS	(558,488)	512,769	(45,719)	(638,116)
NET ASSETS, BEGINNING OF YEAR	<u>4,796,276</u>	<u>486,350</u>	<u>5,282,626</u>	<u>5,920,742</u>
NET ASSETS, END OF YEAR	<u>\$ 4,237,788</u>	<u>\$ 999,119</u>	<u>\$ 5,236,907</u>	<u>\$ 5,282,626</u>

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

BUCKELEW PROGRAMS

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
With comparative totals for the year ended June 30, 2019

	Program Services				Total	
	100 M.A.I.L. Program	200 R.S.S. Program	600 Sonoma Program	Other Programs	Program Services 2020	2019
Staff compensation	\$ 1,093,289	\$ 1,112,158	\$ 954,794	\$ 2,552,174	\$ 5,712,415	\$ 5,147,375
Taxes and benefits	252,449	253,025	223,310	600,479	1,329,263	1,127,097
Total personnel costs	1,345,738	1,365,183	1,178,104	3,152,653	7,041,678	6,274,472
Rent	949,701	9,241	378,745	434,785	1,772,472	1,701,308
Professional services	68,176	51,199	69,494	169,252	358,121	207,186
Supplies	58,507	57,638	18,672	65,063	199,880	229,690
Utilities	161,447	70,943	65,674	116,290	414,354	364,285
Food and meals	141,763	119,366	3,220	113,455	377,804	371,163
Equipment and furniture	91,632	72,488	38,859	83,652	286,631	77,770
Depreciation	12,475	78,208	1,027	190,726	282,436	291,124
Building repair and maintenance	55,313	90,462	23,499	67,259	236,533	287,646
Travel and transportation	64,890	20,262	49,808	62,009	196,969	143,163
Bad debt	12,653	4,807	4,214	16,027	37,701	65,740
Insurance	21,114	12,074	11,044	27,346	71,578	72,784
Interest		35,735	74	27,527	63,336	71,623
Advertising and promotion	294	6,598	422	14,656	21,970	17,925
Staff development	772	4,151	85	4,005	9,013	22,928
Miscellaneous	918	2,137	4,749	26,800	34,604	381,266
Taxes, licenses, and fees	2,735	14,881	1,750	7,945	27,311	50,078
Dues and membership	144	504	600	2,847	4,095	6,254
Meetings	558		2,929		3,487	2,541
Equipment leasing and maintenance	593	2,207	2,336	3,945	9,081	70,874
Stipends	328	11,608			11,936	13,941
Bank service charge				3,233	3,233	2,259
Postage and shipping			194	8	202	95
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 2,989,751	\$ 2,029,692	\$ 1,855,499	\$ 4,589,483	\$ 11,464,425	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 2,719,685	\$ 1,978,542	\$ 1,683,641	\$ 4,344,247		\$ 10,726,115

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

BUCKELEW PROGRAMS

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2020
 With comparative totals for the year ended June 30, 2019
 continued

	Program Services	Management and General	Fundraising	Total Expenses	
				2020	2019
Staff compensation	\$ 5,712,415	\$ 1,187,459	\$ 222,531	\$ 7,122,405	\$ 6,266,657
Taxes and benefits	1,329,263	298,888	39,662	1,667,813	1,363,621
Total personnel costs	7,041,678	1,486,347	262,193	8,790,218	7,630,278
Rent	1,772,472	79,558	23,126	1,875,156	1,797,932
Professional services	358,121	228,145	88,329	674,595	607,063
Utilities	414,354	10,857	3,557	428,768	383,769
Food and meals	377,804			377,804	371,210
Equipment and furniture	286,631	56,319	7,954	350,904	49,221
Depreciation	282,436	9,604		292,040	300,727
Building repair and maintenance	236,533	4,129	127	240,789	292,852
Supplies	199,880	14,235	14,243	228,358	216,619
Travel and transportation	196,969	10,235	1,195	208,399	213,903
Bad debt	37,701	71,009	5,400	114,110	68,740
Insurance	71,578	32,856	2,849	107,283	100,984
Interest	63,336			63,336	71,623
Staff development	9,013	38,709	854	48,576	47,050
Advertising and promotion	21,970	358	25,246	47,574	51,310
Miscellaneous	34,604	10,018	806	45,428	454,797
Taxes, licenses, and fees	27,311	5,953	302	33,566	56,792
Dues and membership	4,095	22,043		26,138	26,979
Meetings	3,487	4,823	10,266	18,575	33,272
Equipment leasing and maintenance	9,081	2,619	4,480	16,180	151,189
Stipends	11,936		175	12,111	13,941
Bank service charge	3,233	1,366	3,321	7,920	8,076
Postage and shipping	202	4,316	2,857	7,375	9,058
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 11,464,425	\$ 2,093,499	\$ 457,280	\$ 14,015,203	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 10,726,115	\$ 1,771,274	\$ 459,996		\$ 12,957,385

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

BUCKELEW PROGRAMS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (45,719)	\$ (638,116)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	292,040	300,727
Loss from investment in subsidiaries	30,719	11,942
(Increase) decrease in operating assets:		
Receivables	(758,310)	(550,608)
Prepaid expenses	59,469	(59,006)
Deposits	(37,320)	(34,802)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	144,444	(2,120)
NET CASH (USED) BY OPERATING ACTIVITIES	(314,677)	(971,983)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(94,789)	(25,596)
Net changes in certificates of deposits and pooled investments	-	261,478
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(94,789)	235,882
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	1,644,605	-
Principal payments on notes payable	(74,182)	(78,652)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,570,423	(78,652)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,160,957	(814,753)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,023,887	1,838,640
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,184,844	\$ 1,023,887
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of:	\$ 63,336	\$ 71,623

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

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

1. Organization

Buckelew Programs (“Buckelew”) is a California not-for-profit public benefit corporation founded in 1970. Buckelew’s mission is to enhance the quality of life of individuals and families by providing mental, emotional, behavioral health and addiction services that promote recovery, resilience and hope. Buckelew has offices and program sites in Marin, Napa and Sonoma counties.

Buckelew’s programs include provision of affordable, supported housing, effective, supportive employment, wellness and recovery supports, family supports and specialized programs that are tailored to the unique needs and interests of different groups of clients, such as programs specifically geared to adults with serious mental illness, adults with a dual-diagnosis of mental illness and substance disorders, and adults involved in the criminal justice system.

Affiliate Organizations

Buckelew is affiliated with and under common board control or majority board control with other not-for-profit corporations which have been formed as instruments to further Buckelew’s organizational objectives. These entities are:

- Buckelew Community Housing Development Organization, Inc. (“BCHDO”)
- Buckelew Housing, Inc.
- Boulevard Apartments, Inc.
- Henry House

Buckelew holds fifty percent control, through board membership, of the following non-profit entity:

- Olive Avenue Apartments, Inc.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Buckelew has defined cash and cash equivalents as cash in banking institutions and certificates of deposits with an original maturity of three months or less.

Contracts Receivable

Contracts receivable primarily consists of various third-party payment arrangements that are stated at the amount management expects to collect. Buckelew provides for losses on contracts and accounts receivable using the allowance method. The allowance is based on past experience, third-party contracts, and other circumstances, which may affect the ability of service recipients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is Buckelew's policy to charge off uncollectible contracts and accounts receivable when management determines the receivable will not be collected.

Grants and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Unbilled Receivables

Unbilled receivables represent amounts billable to a few Sonoma contracts, client rents and other small grant amounts which have not yet been billed as of June 30, 2020. Management believes these amounts will be collectible once billed.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Pledges and In-kind Contributions

Buckelew is required to measure new pledges and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Buckelew places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Buckelew has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2020 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to these trade receivables is limited, as the majority of Buckelew's receivables consist of earned fees from contract programs.

Approximately 75% of aggregate revenue generated by Buckelew at June 30, 2020 was derived from government and non-government contracts.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from five to forty years. Maintenance and repair costs are charged to expense as incurred.

Buckelew property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Donated Materials, Services, and Facilities

Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2020, Buckelew recorded in-kind contributions of \$7,336 for materials and facilities received. Valuation techniques used to measure the fair market value of donated materials are summarized in Note 7.

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Buckelew is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Buckelew in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Buckelew's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Buckelew's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Buckelew uses total direct dollars to allocate shared costs.

Use of 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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Revenue and Revenue Recognition

Buckelew recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of Buckelew's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Buckelew has incurred expenditures in compliance with specific contract or grant provisions

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Analysis of various provisions of these standards resulted in no significant changes in the way Buckelew recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Buckelew's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassification

Certain amounts from the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation.

Subsequent Events

Management has evaluated subsequent events through December 7, 2020, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

Buckelew regularly monitors liquidity required to meet its operating needs and other contractual commitments via cash flow projections, treasury management and review by the Finance Committee of the Board of Directors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Buckelew considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising and services. The Finance Committee of the Board of Directors meets monthly to review all financial aspects of the organization and meets quarterly with the full Buckelew Board of Directors to report out, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, Buckelew operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$2,184,844
Contracts receivable	2,216,071
Grants and pledges receivable	172,951
Other receivables	<u>364,504</u>
Total financial assets	4,938,370
Less: donor restricted funds - time and purpose	<u>(999,119)</u>
Financial assets available for general expenditures within one year of the statement of financial position date	<u>\$3,939,251</u>

4. Contracts Receivable

Contracts receivable for Buckelew, at June 30, 2020 consist of the following:

Contracts receivable	\$2,246,071
Less: allowance for doubtful accounts	<u>(30,000)</u>
	<u>\$2,216,071</u>

5. Note Receivable from Affiliate

Note receivable from affiliate as of June 30, 2020 consists of an unsecured note receivable from BCHDO, a California nonprofit public benefit corporation, which is related to Buckelew by Buckelew's ability to appoint members to BCHDO's Board of Directors. The note is due in monthly installments of \$1,185, and bears interest at 5.5% per annum due in the year 2032. As of June 30, 2020, the principal balance was \$126,512.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents Buckelew's transactions measured at fair value on a non-recurring basis during the year ended June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions – new	\$ -	\$ -	\$1,255,870	\$1,255,870
In-kind contributions		<u>7,336</u>		<u>7,336</u>
Total	<u>\$ -</u>	<u>\$7,336</u>	<u>\$1,255,870</u>	<u>\$1,263,206</u>

The fair value of in-kind contributions has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions - new is measured on a non-recurring basis based on the value provided by the donor at the date of the pledge or donation, respectively (Level 3 inputs).

7. Property and Equipment

Buckelew property and equipment at June 30, 2020 consist of the following:

Land	\$ 344,212
Buildings	7,757,290
Furniture and equipment	195,131
Vehicles	214,658
Leasehold improvements	<u>21,649</u>
	8,532,940
Less: accumulated depreciation	<u>(2,863,894)</u>
	<u>\$ 5,669,046</u>

Depreciation expense for the year ended June 30, 2020 was \$292,040.

8. Deficit on Investment

Buckelew owns 50% of Olive Avenue Apartments, an affiliated California non-profit public benefit corporation. At June 30, 2020, the value of Buckelew's interest in Olive Avenue Apartments is (\$94,361).

9. Accrued Liabilities

Accrued liabilities at June 30, 2020 consist of the following:

Accrued vacation	\$405,213
Marin county contract payable	328,516
Accrued payroll and taxes	202,239
Other accrued liabilities	<u>62,628</u>
	<u>\$998,596</u>

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

10. Accrued Unemployment Liability

Buckelew is self-insured for its unemployment claims. As such, Buckelew is billed on a quarterly basis by the State of California for any claims made. Buckelew, on a quarterly basis, performs an analysis of the potential unemployment liability based on historical claims and records an accrued unemployment liability. At June 30, 2020, the estimated liability for outstanding unemployment claims is \$41,837.

11. Notes Payable

Notes payable at June 30, 2020 consist of the following:

Non-interest bearing loan dated June 7, 2012, payable to Marin County Department of Health and Human Services, maturing on June 7, 2067 with principal due the earlier of 55 years from the recording of "Notice of Completion" with respect to the property, or the transfer of property securing the note to an entity other than Buckelew, a nonprofit public benefit corporation controlled by Buckelew, or an entity approved under an agreement between the Marin County Department of Health and Human Services and Buckelew. The loan is secured by a deed of trust on the Granton Park property at 1109 Sir Francis Drake Blvd.

\$ 739,526

Loan dated September 18, 2012, payable to Marin Community Foundation, simple interest at 4.00% per annum. No payments were due until March 1, 2014 and then the loan was converted to a 10-year term with payments calculated based on a 30-year amortization. Loan is due in monthly payments of \$2,864 maturing on February 1, 2024 with a balloon payment of \$475,569 due at the time of maturity. The loan is secured by a deed of trust on 1109 Sir Francis Drake Blvd.

526,448

Loan payable to Bank of Marin dated December 27, 2012, maturing on December 23, 2022. The loan is payable in monthly payments of \$2,531 at a simple rate of 4.5% per annum for 60 months and then at a variable rate subject to change from time to time based on changes in an independent index. The loan is secured by a deed of trust on the D Street property.

428,210

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

11. Notes Payable, continued

Loan dated February 1, 2010, payable to California Health Facilities Financing Authority, simple interest at 3.00% per annum, due in monthly payments of \$4,489 maturing on May 1, 2025. The loan is secured by a deed of trust on 1109 Sir Francis Drake Blvd. 242,073

Line of credit with Bank of Marin, converted to ten-year loan on August 26, 2014, maturing on August 23, 2024. Loan is payable in monthly payments of \$1,659 at simple rate of 4.5% per annum for 60 months and then at a variable rate. Balloon payment of unpaid balance is due at maturity. The loan is secured by a deed of trust on Draper House. 291,269

Non-interest bearing loan dated October 23, 2012, payable to Marin County Department of Health and Human Services, maturing on November 6, 2032 with principal due the earlier of 20 years from the recording of "Notice of Completion" with respect to the property, or the transfer of property securing the note to an entity other than Buckelew, a nonprofit public benefit corporation controlled by Buckelew, or an entity approved under an agreement between the Marin County Department of Health and Human Services and Buckelew, or acceleration of the note due to termination of the agreement between the County of Marin and Maker of the loan. The loan is secured by a deed of trust on the Granton Park property at 1109 Sir Francis Drake Blvd. 250,000

Non-interest bearing loan dated August 21, 2012, payable to Marin County Department of Health and Human Services, maturing on August 13, 2032 with principal due the earlier of 20 years from the recording of "Notice of Completion" with respect to the property, or the transfer of property securing the note to an entity other than Buckelew, a nonprofit public benefit corporation controlled by Buckelew, or an entity approved under an agreement between the Marin County Department of Health and Human Services and Buckelew. The loan is secured by a deed of trust on the Granton Park property at 1109 Sir Francis Drake Blvd. 150,000

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

11. Notes Payable, continued

Agreement with County of Marin Community Development Agency dated April 2012 and amended in 2015, funds received in April through July 2012 and April 2016. No payments are required until sale, conveyance, encumbrance, grant, lease, or other alienation of premises, at which time the greater of \$54,783 or 3.6% of the proceeds from such sale, conveyance, encumbrance, grant, lease minus costs of closing are due in full. The loan is secured by a deed of trust on 1333 7th Street.	64,324
Loan payable to Marin Housing Authority, at 3.00% per annum, commencing on January 1, 2010. No payments are required until transfer or sale of collateral property, or discontinued use for the intended purpose, at which time principal and interest are due in full. The loan is secured by the property at 527 D Street.	35,000
Loan payable to Marin Housing Authority, at 3.00% per annum, commencing on February 1, 2014. No payments are required until transfer or sale of collateral property, or discontinued use for the intended purpose, at which time principal and interest are due in full. The loan is secured by the property at 30b Fairfax Street.	35,000
Loan payable to Marin Housing Authority, at 3.00% per annum, commencing on May 1, 2013. No payments are required until transfer or sale of collateral property, or discontinued use for the intended purpose, at which time principal and interest are due in full. The loan is secured by the property at 51 San Pablo Avenue.	32,110
Loan payable to Marin Housing Authority, at 3.00% per annum, commencing on May 1, 2013. No payments are required until transfer or sale of collateral property, or discontinued use for the intended purpose, at which time principal and interest are due in full. The loan is secured by the property at 7 Le Claire Court.	<u>20,644</u>
	2,814,604
Less: current portion	<u>(79,129)</u>
	<u>\$2,735,475</u>

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

11. Notes Payable, continued

Principal payments on notes payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 79,129
2022	81,970
2023	84,918
2024	556,579
2025	66,195
Thereafter	<u>1,945,813</u>
	<u>\$2,814,604</u>

12. Paycheck Protection Program Loan

In April 2020, Buckelew received loan proceeds in the amount of \$1,644,605 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“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 a period of up to twenty-four weeks (the “covered period”) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its full-time equivalency levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered 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 six months. Buckelew intends to use the proceeds for purposes consistent with the PPP. Buckelew currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

13. Commitments and Contingencies

Obligations Under Operating Leases

Buckelew leases facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2021	\$ 768,842
2022	714,212
2023	624,148
2024	559,304
Thereafter	<u>995,845</u>
	<u>\$3,662,351</u>

Rent expense under operating leases for the year ended June 30, 2020 was \$1,939,848.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

13. Commitments and Contingencies, continued

Contracts

Buckelew's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. 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, Buckelew, has no provisions for the possible disallowance of program costs on its financial statements.

Impact of COVID-19 Virus

Following the State of California "Safer at Home" guidelines, Buckelew, as an essential business, has been conducting its business activities while practicing social distancing protocols and allowing for remote work opportunities. The overall, long-term financial impact of the COVID-19 virus on Buckelew cannot be foreseen at this time and is not reflected in these financial statements.

14. Net Asset With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 consist of the following:

Purpose Restrictions:

Suicide prevention	\$512,183
Family services counseling	274,428
Electronic health records	117,853
Healthy families	90,536
Avanti	<u>4,119</u>
	<u>\$999,119</u>

For the year ended June 30, 2020, net assets released from purpose and time restrictions were \$11,136,791.

ADDITIONAL INFORMATION

**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 Board of Directors
Buckelew Programs

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 Buckelew Programs (a nonprofit organization), 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, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

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

**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***

continued

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.

Harrington Group

Oakland, California
December 7, 2020