

BUCKELEW PROGRAMS



FINANCIAL STATEMENTS

JUNE 30, 2016

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

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, 2016, 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, 2016, 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.

Prior Period Financial Statements

The financial statements of Buckelew Programs as of June 30, 2015 , were audited by other auditors whose report dated June 30, 2016 , expressed an unmodified opinion on those statements.

Harrington Group

San Francisco, California
January 19, 2017

BUCKELEW PROGRAMS

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	<u>2016</u>	<u>(Restated) 2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 1,049,019	\$ 1,103,705
Certificates of deposit	259,636	259,144
Contracts receivable, net of allowance of \$200,000 (Note 3)	1,559,032	2,047,561
Grants and pledges receivable	201,382	268,656
In-kind rent receivable	37,929	37,929
Unbilled contracts receivable (Note 2)	632,568	616,638
Other receivables	30,000	31,705
Prepaid expenses	128,827	128,224
	<u>3,898,393</u>	<u>4,493,562</u>
TOTAL CURRENT ASSETS		
Note receivable from affiliate (Note 4)	152,523	158,181
Pooled Investment funds (Note 5)	216,418	221,343
In-kind rent receivable	68,212	101,190
Property and equipment, net (Note 7)	3,439,332	3,490,233
Unemployment reserve (Note 8)	170,967	154,487
Deposits	122,692	131,209
Investment in subsidiaries	(12,646)	11,566
	<u>(12,646)</u>	<u>11,566</u>
TOTAL ASSETS		
	<u>\$ 8,055,891</u>	<u>\$ 8,761,771</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 318,990	\$ 457,555
Accrued liabilities (Note 9)	682,133	996,898
Payable to unemployment trust (Note 8)	37,515	67,355
Current portion of long-term debt (Note 10)	92,085	131,790
	<u>1,130,723</u>	<u>1,653,598</u>
TOTAL CURRENT LIABILITIES		
Loans and notes payable (Note 10)	<u>3,036,625</u>	<u>3,110,170</u>
TOTAL LIABILITIES		
	<u>4,167,348</u>	<u>4,763,768</u>
NET ASSETS		
Unrestricted	3,100,616	2,884,950
Unrestricted - non-controlling interest	(12,646)	11,566
Temporarily restricted (Note 12)	800,573	1,101,487
	<u>3,888,543</u>	<u>3,998,003</u>
TOTAL NET ASSETS		
	<u>\$ 8,055,891</u>	<u>\$ 8,761,771</u>
TOTAL LIABILITIES AND NET ASSETS		

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

BUCKELEW PROGRAMS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016	(Restated) 2015
REVENUE AND SUPPORT				
Government and contracts	\$ 10,256,613	\$ -	\$ 10,256,613	\$ 11,047,328
Client rent and fees	1,631,219		1,631,219	1,459,854
Grants and contributions	708,033	866,943	1,574,976	1,109,349
Investment and other income	270,184		270,184	348,671
Special events (net of expense of \$106,339)	127,744		127,744	149,435
In-kind contributions	35,387		35,387	13,612
(Loss) gain on disposal of property and equipment	(378)		(378)	797,292
Net assets released from restrictions	1,167,857	(1,167,857)	-	-
TOTAL REVENUE AND SUPPORT	<u>14,196,659</u>	<u>(300,914)</u>	<u>13,895,745</u>	<u>14,925,541</u>
EXPENSES				
Program services	11,668,929		11,668,929	12,521,180
Management and general	2,001,220		2,001,220	2,051,463
Fundraising	335,056		335,056	238,925
TOTAL EXPENSES	<u>14,005,205</u>	<u>-</u>	<u>14,005,205</u>	<u>14,811,568</u>
CHANGE IN NET ASSETS	191,454	(300,914)	(109,460)	113,973
NET ASSETS, BEGINNING OF YEAR	<u>2,896,516</u>	<u>1,101,487</u>	<u>3,998,003</u>	<u>3,884,030</u>
NET ASSETS, END OF YEAR	<u>\$ 3,087,970</u>	<u>\$ 800,573</u>	<u>\$ 3,888,543</u>	<u>\$ 3,998,003</u>

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

BUCKELEW PROGRAMS

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2016
 With comparative totals for the year ended June 30, 2015

	Program Services	Management and General	Fundraising	2016	(Restated) 2015
Staff compensation	\$ 5,998,748	\$ 954,687	\$ 151,960	\$ 7,105,395	\$ 7,384,918
Taxes and benefits	1,606,258	255,633	40,690	1,902,581	1,871,944
Total personnel costs	7,605,006	1,210,320	192,650	9,007,976	9,256,862
Rent	1,934,746	85,352	33,659	2,053,757	2,071,609
Professional services	196,219	384,960	5,989	587,168	784,852
Food and meals	376,990			376,990	432,932
Utilities	355,821	10,066	1,772	367,659	409,292
Building repair and maintenance	275,041	2,015	475	277,531	322,220
Depreciation	206,568	13,564		220,132	211,287
Bad debt	46,566	155,728		202,294	41,629
Travel and transportation	138,475	7,405	481	146,361	179,330
Insurance	94,603	16,136	2,531	113,270	129,193
Supplies	89,929	13,610	3,831	107,370	239,405
Interest	74,137	14,921		89,058	99,667
Staff development	62,317	23,456	493	86,266	90,486
Advertising and promotion	22,154	3,110	58,437	83,701	56,974
Equipment leasing and maintenance	54,742	7,214	889	62,845	78,793
Taxes, licenses and fees	35,451	15,079		50,530	42,846
Equipment and furniture	44,029	941	2,931	47,901	83,498
Miscellaneous	23,047	1,382	21,070	45,499	68,194
Dues and membership	4,356	22,330	100	26,786	27,872
Stipends	16,251	2,000	240	18,491	20,561
Postage and shipping	344	5,608	7,716	13,668	12,305
Bank service charge	9,415	2,352	1,467	13,234	14,541
Meetings	2,722	3,671	325	6,718	14,919
Client wages				-	68,166
Special projects expense				-	47,322
Printing and duplicating				-	6,685
Office supplies				-	128
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 11,668,929	\$ 2,001,220	\$ 335,056	\$ 14,005,205	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 12,521,180	\$ 2,051,463	\$ 238,925		\$ 14,811,568

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

BUCKELEW PROGRAMS

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	2016	(Restated) 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (109,460)	\$ 113,973
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	220,132	211,287
Loss (gain) on disposal of property and equipment	378	(797,292)
Loss from investment in subsidiaries	24,212	18,654
Change in allowance for doubtful accounts receivable	(155,728)	-
(Increase) decrease in operating assets:		
Receivables	735,942	(803,899)
Prepaid expenses	(603)	59,864
Unemployment reserve	(16,480)	(8,487)
Deposits	8,517	(11,247)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(483,170)	294,728
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	223,740	(922,419)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(169,609)	(154,081)
Proceeds from sale of property and equipment	-	1,002,743
Net changes in certificates of deposits and pooled investments	4,433	(3,235)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(165,176)	845,427
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in line of credit balance	-	(325,000)
Proceeds from loans	-	370,428
Loan principal payments	(113,250)	(188,557)
NET CASH (USED) BY FINANCING ACTIVITIES	(113,250)	(143,129)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,686)	(220,121)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,103,705	1,323,826
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,049,019	\$ 1,103,705
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of	\$ 89,058	\$ 99,667

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

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Buckelew are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. Buckelew reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Buckelew to expend all of the income (or other economic benefits) derived from the donated assets. Buckelew had no permanently restricted net assets at June 30, 2016.

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.

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Grants and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as 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 certain HUD contracts, which have not yet been billed as of June 30, 2016. These contracts are under review by HUD, and management believes these amounts will be collectible once billed.

Investments

Buckelew holds certificates of deposit with maturities ranging from six to twelve months and shares in a pooled investment fund held by a community foundation at their fair market values based upon published quotations. Investments for which the fair market values are not readily determinable are recorded at cost or, if received as a contribution, at their fair market values as determined at the time of the gift. Certificates of deposit are generally held in custodial accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains, losses, interest, and dividend income are reflected in the Statement of Activities as net investment income (loss).

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Buckelew is required to measure certain investments and in-kind contributions at fair value. The specific techniques used to measure these assets are described in the fair value measurements footnote.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

Buckelew places their 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, 2016 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 74% of aggregate revenue generated by Buckelew at June 30, 2016 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, 2016, Buckelew recorded in-kind contributions of \$35,387 for materials and facilities received related to its special events, which are included in special events income and expense. Valuation techniques used to measure the fair market value of donated materials are summarized in Note 6.

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 their 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.

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, 2015, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through January 19, 2017, 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.

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Reclassification

Certain accounts from the June 30, 2015 financial statements have been reclassified for comparative purposes to conform to the June 30, 2016 presentation.

3. Contracts Receivable

Contracts receivable for Buckelew, at June 30, 2016 consist of the following:

Contracts receivable	\$1,759,032
Less: allowance for doubtful accounts	<u>(200,000)</u>
	<u>\$1,559,032</u>

4. Note Receivable from Affiliate

Note receivable from affiliate as of June 30, 2016 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, 2016, the principal balance was \$152,523.

5. Pooled Investment Funds

Buckelew established a fund with Marin Community Foundation subject to the provisions contained in an agreement dated October 5, 2001. Under this agreement, the Board of Trustees of Marin Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization, if, in its sole judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the needs of the community served by the Foundation. The balance of funds held by Marin Community Foundation under this agreement was \$216,418 at the end of June 30, 2016.

Endowment funds contributed in past years to the Marin Community Foundation for the benefit of Buckelew Programs, will be retained in the Foundation. The Foundation maintains ownership and variance power over these funds. In accordance with the requirements of FASB Accounting Standards Codification 958-605, Transfers of Assets to a Nonprofit Organization or Charitable Trust that Raises or Holds Contributions for Others, (formerly SFAS No. 136) the contributed funds were considered to be donor contributions to the Foundation, and, accordingly, the value of the assets is not presented on the Statement of Financial Position of Buckelew Programs. The endowment is valued at \$288,015 as of June 30, 2016 and disbursements of \$14,300 were received by Buckelew Programs in the year ended June 30, 2016.

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents the balances of Buckelew's assets measured at fair value at June 30, 2016 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investments	<u>\$ -</u>	<u>\$216,418</u>	<u>\$ -</u>	<u>\$216,418</u>

The fair value of pooled investments has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions – new	\$ -	\$ -	\$201,495	\$201,495
Donated materials			35,387	35,387
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$236,882</u>	<u>\$236,882</u>

The fair value of new pledged contributions and donated materials are 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, 2016 consist of the following:

Buildings	\$ 4,586,627
Furniture and equipment	634,215
Land	344,212
Vehicles	303,090
Construction in progress	87,310
Leasehold improvements	<u>4,711</u>
	5,960,165
Less: accumulated depreciation	<u>(2,520,833)</u>
	<u>\$ 3,439,332</u>

Depreciation expense for the year ended June 30, 2016 was \$220,132.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

8. Unemployment Reserve

Buckelew is self-insured for unemployment claims through an arrangement with the 501c Agencies Trust (“the Trust”) and has invested funds in the trust to cover any claims. The Trust funds earn interest, net of administrative fees, and claims are processed and paid by the Trust. Buckelew’s required safe level of reserves have been set at \$170,967 for the year ended June 30, 2016. As of June 30, 2016 the reserve account balance was below this level and therefore a related liability of \$37,515 was recognized.

9. Accrued Liabilities

Accrued liabilities at June 30, 2016 consist of the following:

Accrued vacation	\$351,738
Accrued payroll and taxes	125,128
Marin County contract payable	106,307
Other accrued liabilities	<u>98,960</u>
	<u>\$682,133</u>

10. Notes Payable

Notes payable at June 30, 2016 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.

\$ 739,525

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.

574,673

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

10. Notes Payable, continued

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.	464,758
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.	417,529
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.	315,329
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

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

10. Notes Payable, continued

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
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.	20,644
Unsecured note payable to BBK Capital Investment, LLC, interest at 6% per annum, with monthly payments of 5,119. The note matures on September 1, 2016.	15,076

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

10. Notes Payable, continued

Loan dated February 19, 2014, payable to Toyota Financial Services, simple interest at 4.34% per annum, due in monthly payments of \$367 maturing on February 19, 2019.	11,077
Loan dated December 2, 2014, payable to Ford Credit, simple interest at 8.94% per annum, due in monthly payments of \$224 maturing on December 2, 2019.	7,900
Loan dated August 26, 2013, payable to Toyota Financial Services, simple interest at 4.09% per annum, due in monthly payments of \$224 maturing on August 26, 2018.	5,765
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.	<u>54,324</u>
	3,128,710
Less: current portion	<u>92,085</u>
	<u>\$3,036,625</u>

Principal payments on the notes payable are as follows:

<u>Year ended June 30,</u>	
2017	\$ 92,085
2018	80,107
2019	79,629
2020	77,274
2021	78,958
Thereafter	<u>2,720,657</u>
	<u>\$3,128,710</u>

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

11. 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 ended June 30,</u>	
2017	\$ 521,888
2018	325,305
2019	300,495
2020	255,550
2021	97,469
Thereafter	<u>482,349</u>
	<u>\$1,983,056</u>

Rent expense under operating leases for the year ended June 30, 2016 was \$2,077,283.

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 consolidated financial statements.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of the following:

Jeanette Prandi Children Center's operations	\$423,591
Occupancy support for Jeannette Prandi Children's Center	106,141
Child and Family Treatment	105,771
Residential support housing	91,342
Program activities of Family Services Agency	57,809
Sonoma programs	10,000
General program restricted	5,336
Addiction recovery services	<u>583</u>
	<u>\$800,573</u>

During the year ended June 30, 2016, Buckelew released \$1,167,857 of temporarily restricted net assets, all of which was for purpose restrictions.

continued

BUCKELEW PROGRAMS

NOTES TO FINANCIAL STATEMENTS

13. Prior Period Adjustment

Unrestricted net assets as of June 30, 2015 have been restated (\$130,125) to correct for errors and properly reflect fixed assets, accrued liabilities, and notes payable. Had the transactions been properly recorded, government and contract revenue would have decreased by \$35,541 and gain on disposal of property and equipment would have decreased by \$94,224 and transportation expense would have increased by \$360 for the year ended June 30, 2015.

The comparative totals for June 30, 2015 presented in the financial statements have been restated to reflect the correct balances as follows:

	<u>As previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Financial Position:</u>			
Property and equipment, net	\$ 3,478,963	\$ 11,270	\$ 3,490,233
Accrued liabilities	\$ 914,118	\$ 82,780	\$ 996,898
Notes payable (current and non-current)	\$ 3,183,345	\$ 58,615	\$ 3,241,960
Net assets - unrestricted	\$ 3,015,075	\$(130,125)	\$ 2,884,950
Net assets, end of year	\$ 4,128,128	\$(130,125)	\$ 3,998,003
<u>Statement of Activities</u>			
Gain on disposal of property and equipment	\$ 891,516	\$ (94,224)	\$ 797,292
Total revenue and support	\$15,019,765	\$ (94,224)	\$14,925,541
Management and general expense	\$ 2,051,103	\$ 360	\$ 2,051,463
Total expenses	\$14,811,208	\$ 360	\$14,811,568
Change in net assets	\$ 208,557	\$ (94,584)	\$ 113,973
Net assets, beginning of year	\$ 3,919,571	\$ (35,541)	\$ 3,884,030
Net assets, end of year	\$ 4,128,128	\$(130,125)	\$ 3,998,003
<u>Statement of Functional Expenses</u>			
Travel and transportation	\$ 178,970	\$ 360	\$ 179,330
Total 2015 functional expenses	\$14,811,208	\$ 360	\$14,811,568
<u>Statement of Cash Flows</u>			
Change in net assets	\$ 208,557	\$ (94,584)	\$ 113,973
Gain on disposal of property and equipment	\$ 891,516	\$ (94,224)	\$ 797,292
Accounts payable and accrued expenses	\$ 211,948	\$ 82,780	\$ 294,728
Purchase of property and equipment	\$ 142,811	\$ 11,270	\$ 154,081
Proceeds from sale of property and equipment	\$ 1,096,967	\$ (94,224)	\$ 1,002,743