



**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**(A California Not-for-Profit Corporation)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**



**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

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SEPTEMBER 30, 2017**

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## Independent Auditors' Report

The Board of Directors  
Spanish Speaking Unity Council  
of Alameda County, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Spanish Speaking Unity Council of Alameda County, Inc. (Unity Council) and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated 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.

### Auditors' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spanish Speaking Unity Council of Alameda County, Inc. and Subsidiaries as of September 30, 2017 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.

## **Report on Summarized Comparative Information**

We have previously audited the Unity Council’s 2016 consolidated financial statements, and our report dated March 6, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Pages 23-29, including the accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017 on our consideration of Spanish Speaking Unity Council of Alameda County, Inc. and Subsidiaries’ 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 Spanish Speaking Unity Council of Alameda County Inc.’s internal control over financial reporting and compliance.

RINA accountancy corporation

Certified Public Accountants

Oakland, California  
March 16, 2018

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – SEPTEMBER 30, 2017  
(With comparative totals at September 30, 2016)**

| <u>ASSETS</u>   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| CURRENT:  |                      |                      |
| Cash and cash equivalents                                     | \$ 3,480,204         | \$ 2,411,953         |
| Accounts and grants receivable                                | 2,146,569            | 1,826,177            |
| Deposits  | 59,911               | 6,500                |
| Prepaid expenses  | 67,497               | 71,908               |
| TOTAL CURRENT ASSETS  | <u>5,754,181</u>     | <u>4,316,538</u>     |
| NONCURRENT:   |                      |                      |
| Investment in Casa de las Flores                              | 148,667              | 148,669              |
| Investment in Fruitvale Transit Village II-A, L.P.            | 1,324,191            | 1,320,045            |
| Advance from FTV Phase II-A, L.P.                             | 1,500,000            | -                    |
| Restricted cash deposits and reserve for replacements         | 2,256,836            | 2,193,517            |
| TOTAL NONCURRENT ASSETS                                       | <u>5,229,694</u>     | <u>3,662,231</u>     |
| PROPERTY, PLANT AND EQUIPMENT, NET                            | <u>9,727,317</u>     | <u>10,066,233</u>    |
| Preconstruction costs   | 34,963               | 42,495               |
| TOTAL ASSETS  | <u>\$ 20,746,155</u> | <u>\$ 18,087,497</u> |
| <u>LIABILITIES AND NET ASSETS</u>                             |                      |                      |
| CURRENT:  |                      |                      |
| Accounts payable and other accrued expenses                   | \$ 562,001           | \$ 421,041           |
| Accrued payroll and benefits expense                          | 716,734              | 743,619              |
| Deferred revenue  | 745,341              | 475,243              |
| Deposits payable  | 64,737               | 61,883               |
| Mortgages payable - current portion                           | 283,377              | 263,824              |
| TOTAL CURRENT LIABILITIES                                     | <u>2,372,190</u>     | <u>1,965,610</u>     |
| LONG-TERM:  |                      |                      |
| Accrued interest payable                                      | 1,091,241            | 1,024,562            |
| Mortgages payable   | 3,214,332            | 2,787,537            |
| Down payment assistance and home rescue loan funds            | 83,005               | 83,005               |
| TOTAL LONG-TERM LIABILITIES                                   | <u>4,388,578</u>     | <u>3,895,104</u>     |
| TOTAL LIABILITIES   | <u>6,760,768</u>     | <u>5,860,714</u>     |
| NET ASSETS:   |                      |                      |
| Unrestricted  | 7,454,513            | 5,432,887            |
| Unrestricted - designated for noncurrent assets               | 1,437,360            | 1,512,395            |
| Unrestricted - designated for NeighborWorks America grants    | 62,000               | 62,000               |
| Temporarily restricted  | 1,039,427            | 1,459,813            |
| Temporarily restricted - designated for facility replacements | 1,753,567            | 1,611,168            |
| Permanently restricted - NeighborWorks America capital grants | 2,238,520            | 2,148,520            |
| TOTAL NET ASSETS  | <u>13,985,387</u>    | <u>12,226,783</u>    |
| TOTAL LIABILITIES AND NET ASSETS                              | <u>\$ 20,746,155</u> | <u>\$ 18,087,497</u> |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2017**

**(With comparative totals for the year ended September 30, 2016)**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Totals</u> |               |
|--|---------------------|-----------------------------------|-----------------------------------|---------------|---------------|
|  |                     |                                   |                                   | 2017          | 2016          |
| SUPPORT AND REVENUES:                  |                     |                                   |                                   |               |               |
| Private support and revenues:          |                     |                                   |                                   |               |               |
| Donations:                             |                     |                                   |                                   |               |               |
| Corporations and businesses            | \$ 3,294,674        | \$ 57,000                         | \$ 90,000                         | \$ 3,441,674  | \$ 1,902,110  |
| Individuals and other                  | 59,600              | -                                 | -                                 | 59,600        | 20,859        |
| Total donations                        | 3,354,274           | 57,000                            | 90,000                            | 3,501,274     | 1,922,969     |
| Agencies and intermediaries            | 15,363              | 96,733                            | -                                 | 112,096       | 68,524        |
| Foundations                            | 112,837             | 568,420                           | -                                 | 681,257       | 92,566        |
| Contract and program revenues          | 2,267,908           | -                                 | -                                 | 2,267,908     | 2,045,410     |
| Rental                                 | 3,148,855           | -                                 | -                                 | 3,148,855     | 3,070,101     |
| Interest from investments              | 8,569               | -                                 | -                                 | 8,569         | 4,913         |
| Miscellaneous                          | 16,353              | -                                 | -                                 | 16,353        | 64,289        |
| Total private support and revenues     | 8,924,159           | 722,153                           | 90,000                            | 9,736,312     | 7,268,774     |
| Government support and revenues        | 10,670,118          | 1,716,117                         | -                                 | 12,386,235    | 11,149,535    |
| Net assets released from restrictions: |                     |                                   |                                   |               |               |
| Satisfaction of program restrictions   | 2,858,655           | (2,858,655)                       | -                                 | -             | -             |
| Total support and revenues             | 22,452,932          | (420,385)                         | 90,000                            | 22,122,547    | 18,418,309    |
| EXPENSES:                              |                     |                                   |                                   |               |               |
| Mission support                        | 2,212,088           | -                                 | -                                 | 2,212,088     | 1,943,909     |
| Real estate development and management | 3,877,961           | -                                 | -                                 | 3,877,961     | 3,223,698     |
| Community and family asset development | 3,439,329           | -                                 | -                                 | 3,439,329     | 3,160,071     |
| Child development                      | 10,834,565          | -                                 | -                                 | 10,834,565    | 9,605,438     |
| Total expenses                         | 20,363,943          | -                                 | -                                 | 20,363,943    | 17,933,116    |
| CHANGE IN NET ASSETS                   | 2,088,989           | (420,385)                         | 90,000                            | 1,758,604     | 485,193       |
| NET ASSETS, beginning of year          | 8,618,450           | 1,459,813                         | 2,148,520                         | 12,226,783    | 11,741,590    |
| NET ASSETS, end of year                | \$ 10,707,439       | \$ 1,039,428                      | \$ 2,238,520                      | \$ 13,985,387 | \$ 12,226,783 |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED SEPTEMBER 30, 2017**

**(With comparative totals for the year ended September 30, 2016)**

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                     |
| Change in net assets   | \$ 1,758,604        | \$ 485,193          |
| Adjustments to reconcile change in net assets to net cash provided<br>by operating activities: |                     |                     |
| Depreciation   | 880,646             | 858,060             |
| Deferred interest on long-term mortgage  | 66,679              | 60,339              |
| Grant from FDC (forgiveness of indebtedness)   | -                   | (807,000)           |
| (Increase) decrease in:  |                     |                     |
| Accounts and grants receivable   | (320,392)           | (60,050)            |
| Deposits   | (53,411)            | 52,310              |
| Prepaid expenses   | 4,411               | 97,006              |
| Increase (decrease) in:  |                     |                     |
| Accounts payable   | 140,960             | (420,082)           |
| Accrued payroll and benefits   | (26,885)            | 38,266              |
| Deferred revenue   | 270,098             | 377,551             |
| Deposits payable   | 2,854               | 4,965               |
|  | <u>2,723,564</u>    | <u>686,558</u>      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   |                     |                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                     |
| Decrease (increase) in restricted cash deposits  | (63,319)            | (712,214)           |
| Investment in Casa de Las Flores   | 2                   | 4                   |
| Proceeds (advances) in Fruitvale Transit Village II-A, L.P. investment                         | (4,146)             | 140,070             |
| Advance to Fruitvale Transit Village Phase II-A, L.P.  | (1,500,000)         | -                   |
| Purchase of property, plant and equipment  | (541,730)           | (530,706)           |
| Decrease (increase) in preconstruction costs   | 7,532               | (42,495)            |
|  | <u>(2,101,661)</u>  | <u>(1,145,341)</u>  |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   |                     |                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |                     |
| Proceeds from mortgages payable  | 715,467             | -                   |
| Principal payments on mortgages payable  | (269,119)           | (136,259)           |
|  | <u>446,348</u>      | <u>(136,259)</u>    |
| <b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>  |                     |                     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                    | 1,068,251           | (595,042)           |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <u>2,411,953</u>    | <u>3,006,995</u>    |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u>\$ 3,480,204</u> | <u>\$ 2,411,953</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                       |                     |                     |
| Cash paid during the year for:   |                     |                     |
| Interest   | \$ 155,392          | \$ 193,519          |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 1. FINANCIAL REPORTING ENTITY:**

Organization and consolidated entities:

**Spanish Speaking Unity Council of Alameda County, Inc. (Unity Council)** was organized in 1964 and has provided over 50 years of leadership in community advocacy, social service delivery, and economic development aimed at enriching the quality of life of families and children in the Fruitvale neighborhood, the City of Oakland and the San Francisco East Bay. The Unity Council promotes minority leadership, and the enhancement of social and economic opportunities for immigrants and people of low income in the community.

**Posada de Colores** is an unincorporated 100-unit U.S. Department of Housing and Urban Development (HUD) apartment complex located in Oakland, California, and is wholly owned by the Unity Council.

**Las Bougainvilleas Senior Housing, Inc. (Las Bougainvilleas)** is a nonprofit public benefit corporation formed and controlled by the Unity Council. Las Bougainvilleas is consolidated in these financial statements since a majority of the board of directors sit on the board of directors of the Unity Council. It was funded in 1997 under a HUD Section 202 Elderly Housing Capital Advance Grant in the amount of \$5.8 million and a 40-year deferred loan of \$803,000 from the City of Oakland. Las Bougainvilleas is a 68-unit HUD apartment complex located in Oakland, California.

**Peralta Service Corporation** is a nonprofit corporation, wholly owned subsidiary of the Unity Council formed to provide employment training and job opportunities for low income and disadvantaged individuals.

**Casitas of Hayward, Inc. (COH)** is a non-profit support corporation formed and controlled by the Unity Council. COH was founded in 1974 to develop and manage senior housing projects and is one of two general partners for Casa Velasco Associates, along with Casa de Las Flores. On May 1, 2012, COH began managing the Unity Council’s portfolio of senior housing projects as the property management agent, approved by HUD, the City of Oakland, and other regulators. COH contracts directly with the senior housing projects and also contracts with the Unity Council for management and operational staff. COH is consolidated in these financial statements since a majority of its board of directors sits on the board of directors of the Unity Council and the majority of its financial activity is with the Unity Council.

**Unity Council Transit Village II-A, LLC (The LLC)** is a single member limited liability nonprofit corporation formed in 2015 and controlled by the Unity Council to invest in Fruitvale Village Transit II-A, L.P. The L.P. was formed to develop and build low and moderate income housing on a tract adjacent to the Fruitvale Transit Village (Phase II). The LLC is entitled to 35% of the eventual net proceeds from the project. The East Bay Asian Local Development Corporation (EBALDC) has a 64% interest and a special limited partner has 1%.

**Capital Development Group, Inc. (CDG)** is a wholly owned subsidiary of the Unity Council. It is a privately owned corporation incorporated in 1982 in the State of California. The Unity Council is the sole stockholder of CDG. After the restructuring of Casa de Las Flores in connection with the Casa Velasco senior housing project, CDG has been a dormant corporation since 2003.



**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 1. FINANCIAL REPORTING ENTITY (Continued):**

Related entities not consolidated with the Unity Council:

**Casa de Las Flores (CDLF)** is a California limited partnership in which the Unity Council serves as the general partner. Along with COH, CDLF serves as a co-general partner in Casa Velasco Associates, a California limited partnership. The purpose of the partnership is to provide low-income housing to elderly and disabled persons. The Unity Council's investment in CDLF consists of \$148,667 as of September 30, 2017 and \$148,669 as of September 30, 2016. The initial equity in CDLF came from the conversion of a \$150,000 payable CDLF owed to the Unity Council to an equity interest in CDLF and syndication costs and losses from CDLF's investment in Casa Velasco Associates. The \$150,000 investment was created when the Unity Council used \$150,000 in grant funds received from NeighborWorks America to finance certain improvements to assets owned by CDLF (See Note 7).

**Fruitvale Development Corporation, Inc. (FDC)** is a nonprofit public benefit corporation formed in 1996 by the Unity Council. A majority of the FDC board of directors sits on the board of directors of the Unity Council. In accordance with professional accounting standards, FDC is not consolidated into the Unity Council's financial statements. Although the Unity Council has control over FDC, it does not have an "economic interest" (See Note 16).

Summarized audited financial data of FDC as of and for the fiscal years ended September 30, 2017 and September 30, 2016 is as follows:

|                      | <u>2017</u>           | <u>2016</u>           |
|----------------------|-----------------------|-----------------------|
| Total assets         | \$ 35,427,349         | \$ 37,234,324         |
| Total liabilities    | <u>17,615,878</u>     | <u>18,058,349</u>     |
| Total net assets     | <u>\$ 17,811,471</u>  | <u>\$ 19,175,975</u>  |
| Total revenue        | \$ 7,179,413          | \$ 4,071,436          |
| Total expenses       | <u>8,543,919</u>      | <u>5,585,510</u>      |
| Change in net assets | <u>\$ (1,364,506)</u> | <u>\$ (1,514,074)</u> |

Total expenses for the fiscal year ended September 30, 2017 and September 30, 2016 includes depreciation and amortization of \$1,763,846 and \$1,756,232, respectively.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 2. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Consolidation:

The accompanying consolidated financial statements include the accounts of the Unity Council, Peralta Services Corporation, Posada de Colores, Casitas of Hayward, Las Bougainvilleas and Fruitvale Village Transit II-A, L.P. Inter-entity transactions and balances have been eliminated in consolidation.

Basis of presentation:

In accordance with professional accounting standards, the Unity Council reports its financial position and activities in accordance with three classes of net assets. They are unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Unity Council and therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed and grantor-imposed stipulations that may or will be met, either by actions of the Unity Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Unity Council. Generally, the donors of these assets permit the Unity Council to use all or part of the income earned on any related investments for general or specific purposes. All permanently restricted net assets of the Unity Council derive from capital grants from NeighborWorks America.

Revenue recognition:

Support and revenues from donations without donor-imposed restrictions are reported as unrestricted support in the period received. Support and revenues from donations with donor-imposed restrictions are reported as temporarily restricted support in the period received.

Government and local grants and contracts are recognized as revenue to the extent of qualifying expenditures being incurred. Amounts received prior to incurring qualifying expenses are classified in the financial statements as deferred revenue. In addition, government and local grants and contracts with donor-imposed restrictions whose restrictions are met in the same year are reported initially as temporarily restricted, and then the net assets are released from restriction and recorded as unrestricted revenues.

Contributions of long-lived assets without stipulations that limit the use of the donated asset are reported as unrestricted support. Contributions of long-lived assets with stipulations that limit the use of the donated assets are reported as temporarily restricted. When a donor restriction expires, a stipulated time restriction ends or the restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Property and equipment, which are donated or acquired with resources restricted for such acquisition (capital grants), excluding NeighborWorks America capital grants, which are permanently restricted, are considered to be unrestricted when placed into service.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 2. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued):**

Revenue recognition (continued):

During the fiscal year, the Unity Council received in-kind-donations of rent from the Alameda County Office of Education. These in-kind-donations were recorded at fair value and expensed at fair value.

Cash and investments:

The Unity Council considers all cash accounts with an initial maturity of three months or less to be cash and cash equivalents for purposes of the statement of cash flows, except for legally restricted amounts for reserve for replacements and tenant security deposits for Posada de Colores and Las Bougainvilleas.

Accounts receivable and grants receivable:

Accounts receivable and grants receivable consist primarily of amounts related to contracts that the Unity Council has with various governmental agencies as well as monies due for tenant receivables. Although the Unity Council is on the allowance method, management has determined that an allowance for bad debts is not required. Accounts and contracts receivable include various third party payment arrangements that are stated at the amount management expects to collect. Accounts that are deemed uncollectible are charged to expense in the period collection efforts have been exhausted and the accounts become worthless. Pledges receivable are recorded at the time the pledge is received. Pledges having amounts due over 1 or more years are discounted to present value.

Investments:

The Unity Council invests in various investments. Investments are exposed to risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Professional accounting standards has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 2. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued):**

Investments (Continued):

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|         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. |
|---------|---|

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|         |   |
|---------|---|
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data, by correlation or other means.</li></ul> <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
|---------|---|

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|         |   |
|---------|---|
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |
|---------|---|

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management has considered that the Fruitvale Village Transit II-A, L.P. is a Level 3 investment. The Partnership is in a development stage and its cost equals its fair market value.

**Intangible assets:**

Professional accounting standard requires intangible assets with indefinite lives to be reviewed annually for impairment, or more frequently if events or changes in circumstances indicate any impairment.

**Property and equipment:**

Land, buildings, building and leasehold improvements, furniture and equipment are recorded at cost or, if donated, at the estimated fair market value at the time of donation. With the exception of land, depreciation is recorded on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are as follows:

|                         |               |
|-------------------------|---------------|
| Buildings               | 30 – 40 years |
| Building improvements   | 10 – 15 years |
| Furniture and equipment | 5 – 10 years  |

The Unity Council's policy is to capitalize fixed assets costing in excess of \$5,000 with an estimated useful life of greater than one year.

**SPANISH SPEAKING UNITY COUNCIL OF  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 2. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued):**

Property and equipment (continued):

Professional accounting standards require recording of an asset and related liability for costs associated with the retirement of long-lived tangible assets when an unconditional legal obligation to perform a retirement activity exists. The Unity Council is not aware of any specific, unconditional legal obligations which, individually or in the aggregate, are material to the Unity Council's financial position.

The Unity Council evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered.

Restricted cash deposits:

Restricted cash deposits represent the reserve for replacements and residual receipts accounts of Posada de Colores and Las Bougainvilleas, along with a specific account reserved by contract by the Unity Council. The accounts for Posada de Colores and Las Bougainvilleas are maintained in money market passbook accounts or certificates of deposit and require approval from HUD to release the funds. A designation of restricted net assets has been recorded for deposits made in Unity Council, Posada de Colores, and Las Bougainvilleas, accounts in the consolidated financial statements. Restricted cash deposits also include a \$500,000 certificate of deposit that was pledged as collateral for a predevelopment loan (See Note 10).

Deferred revenue:

The Unity Council defers revenue on contracts and programs for which funds are received in advance of performing the services on those contracts.

Deposits:

Deposits in the consolidated financial statements represent utility deposits and tenant security deposits for Posada de Colores and Las Bougainvilleas that are held in trust by the management agent and restricted in use to payment of tenant damages, payment of delinquent rents, or refunds to tenants upon their leaving the housing unit.

Income taxes:

The Unity Council, Las Bougainvilleas, Peralta Service Corporation, and COH are tax-exempt corporations under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. CDG is a corporation subject to federal and state income taxes on its taxable income. CDLF is a partnership. Income tax on the income from CDLF is the responsibility of the partners.

**Note 3. NATURE OF ESTIMATES:**

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and certain footnote disclosures. The actual results could differ from those estimates.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 4. CONCENTRATIONS:**

Financial instruments that potentially subject the Unity Council to concentrations of credit risk consist principally of cash, accounts, and grants receivable. The Unity Council places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federal insured limits. The Unity Council has not experienced and does not anticipate any losses in such accounts.

**Note 5. ACCOUNTS AND GRANTS/CONTRACTS RECEIVABLE:**

Receivables as of September 30, 2017 consisted of the following:

|   | <u>Accounts<br/>Receivable</u> | <u>Grants/<br/>Contracts</u> | <u>Total</u>        |
|---|--------------------------------|------------------------------|---------------------|
| <b>Mission Support</b>                          |                                |                              |                     |
| Pledges Receivable, net of discount             | \$ 109,432                     | \$ -                         | \$ 109,432          |
| Grants and Other Receivables < \$10K            | 7,228                          | -                            | 7,228               |
| <b>Real Estate Development &amp; Management</b> |                                |                              |                     |
| Casa Velasco Partnership Management Fees        | 15,291                         | -                            | 15,291              |
| Casa Velasco Property Management Fees           | 1,881                          | -                            | 1,881               |
| Arabella's Event                                | 900                            | -                            | 900                 |
| Douglas Parking                                 | 40,950                         | -                            | 40,950              |
| Fruitvale Development Corp.                     | 16,540                         | -                            | 16,540              |
| Grants and Other Receivables < \$10K            | 813                            | -                            | 813                 |
| <b>Community &amp; Family Asset Development</b> |                                |                              |                     |
| Trade Receivable - Peralta Service Corp.        | 58,778                         | -                            | 58,778              |
| City of Oakland - AC OCAP                       | -                              | 19,348                       | 19,348              |
| City of Oakland – WIA/WIOA/Sector Access        | -                              | 96,235                       | 96,235              |
| County of Alameda – Latino Men and Boys         | -                              | 89,167                       | 89,167              |
| City of Oakland – OFCY - OYE                    | -                              | 103,351                      | 103,351             |
| City of Oakland –Senior Center                  | -                              | 43,310                       | 43,310              |
| Alameda County - Senior Center                  | -                              | 2,995                        | 2,995               |
| NewAmerica Community Corp.                      | -                              | 59,990                       | 59,990              |
| LISC  | -                              | 20,000                       | 20,000              |
| Grants and Other Receivables < \$10K            | 685                            | -                            | 685                 |
| <b>Child Development</b>                        |                                |                              |                     |
| City of Oakland – HS                            | -                              | 481,483                      | 481,483             |
| City of Oakland – EHS                           | -                              | 562,850                      | 562,850             |
| Contra Costa County – HS                        | -                              | 32,309                       | 32,309              |
| Dept. of HHS – EHSE                             | -                              | 62,579                       | 62,579              |
| Alameda County - CalSafe                        | -                              | 35,515                       | 35,515              |
| Oakland USD – CCTR                              | -                              | 96,464                       | 96,464              |
| California Dept. of Education - CSPP            | -                              | 25,984                       | 25,984              |
| California Dept. of Education                   | -                              | 46,499                       | 46,499              |
| Contra Costa County – EHS                       | -                              | 84,720                       | 84,720              |
| OFCY/OPEF Brilliant Baby                        | -                              | 31,272                       | 31,272              |
| <b>TOTALS</b>                                   | <u>\$ 252,498</u>              | <u>\$ 1,894,071</u>          | <u>\$ 2,146,569</u> |

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 6. INVESTMENT IN FRUITVALE VILLAGE PHASE II:**

*Fruitvale Transit Village Phase II Land Transaction:*

On October 29, 2010, the Unity Council participated in the purchase of a parcel of land known as Fruitvale Transit Village Phase II (FTV P- II). FTV P-II is the planned site for a dense, mixed-income housing project that is being developed by the Unity Council. The Unity Council negotiated a land transaction between BART and the City of Oakland Redevelopment Agency, in which the Redevelopment Agency acquired the FTV P- II land from BART.

On September 4, 2014, a memorandum of understanding (MOU) was executed between Unity Council and the East Bay Asian Local Development Corporation (EBALDC) and a partnership was formed (Fruitvale Transit Village II-A, L.P.) in 2015 to develop a 94 unit low income housing apartment complex. The City had previously granted site control in November 2015 to Unity Council.

The Unity Council advanced \$1,500,000 to Fruitvale Transit Village II-A, a 94 unit low income housing apartment complex, to be used for predevelopment costs. The advance will be payable to Unity Council at the date the construction financing closes for the project; unless the term is extended by the holder.

**Note 7. FAIR VALUE MEASUREMENTS:**

The following tables set forth by level, the fair value hierarchy of the Unity Council's investments at fair value as of September 30, 2017 and September 30, 2016, respectively:

|                                      | Investments at Fair Value as of September 30, 2017 |         |              |              |
|--------------------------------------|--|---------|--------------|--------------|
|                                      | Level 1  | Level 2 | Level 3      | Total        |
| Casa de las Flores                   | \$ -   | \$ -    | \$ 148,667   | \$ 148,667   |
| Fruitvale Village Transit II-A, L.P. | -  | -       | 1,324,091    | 1,324,091    |
| Investments at fair value            | \$ -   | \$ -    | \$ 1,472,758 | \$ 1,472,758 |

  

|                            | Investments at Fair Value as of September 30, 2016 |         |              |              |
|----------------------------|--|---------|--------------|--------------|
|                            | Level 1  | Level 2 | Level 3      | Total        |
| Casa de las Flores         | \$ -   | \$ -    | \$ 148,669   | \$ 148,669   |
| Fruitvale Village Phase II | -  | -       | 1,320,045    | 1,320,045    |
| Investments at fair value  | \$ -   | \$ -    | \$ 1,468,714 | \$ 1,468,714 |

**Level 3 Gains and Losses and other activity:**

The following table sets forth a summary of changes in the fair value of the Unity Council's Level 3 investments for the year ended September 30, 2017:

|  |              |
|--|--------------|
| Balance, beginning of the year                     | \$ 1,468,714 |
| Expenses   | (2)          |
| Transfers to Fruitvale Village Transit II-A, L.P.  | 4,046        |
| Purchases, sales, issuances, and settlements (net) | -            |
| Balance, end of year                               | \$ 1,472,758 |

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 8. PROPERTY, PLANT AND EQUIPMENT:**

The balances of property, plant and equipment, at cost, are as follows at September 30:

|                                     | 2017         | 2016          |
|-------------------------------------|--------------|---------------|
| Land                                | \$ 954,853   | \$ 954,885    |
| Furniture and fixtures              | 2,161,424    | 2,149,402     |
| Construction in process             | 326,516      | 11,207        |
| Buildings and building improvements | 19,558,584   | 19,344,153    |
|                                     | 23,001,377   | 22,459,647    |
| Less accumulated depreciation       | 13,274,060   | 12,393,414    |
| Totals                              | \$ 9,727,317 | \$ 10,066,233 |

Depreciation expense for the fiscal year ended September 30, 2017 and September 30, 2016 was \$880,646 and \$858,061, respectively.

**Note 9. NOTE PAYABLE FRUITVALE DEVELOPMENT CORPORATION:**

During recent years, the Unity Council borrowed funds from the Fruitvale Development Corporation. The amount owed at September 30, 2016 (\$815,242) was forgiven and converted to an unrestricted grant by FDC.

**Note 10. LONG-TERM DEBT:**

A summary of mortgages payable at September 30, 2017 is follows:

| Lender  | Current    | Long-Term    | Total        |
|---|------------|--------------|--------------|
| Las Bougainvilleas: City of Oakland                                     | \$ -       | \$ 803,000   | \$ 803,000   |
| SSUC Construction Loan  | 15,061     | 496,074      | 511,135      |
| U.S. Department of Housing and Urban<br>Development - Posada de Colores | 268,316    | 306,571      | 574,887      |
| City of Oakland - Posada de Colores                                     | -          | 616,587      | 616,587      |
| Local Initiatives Support Corporation                                   | -          | 731,693      | 731,693      |
| City of Oakland - SSUC Phase II   | -          | 260,407      | 260,407      |
| Total   | \$ 283,377 | \$ 3,214,332 | \$ 3,497,709 |

The Las Bougainvilleas mortgage payable is a nonrecourse note payable to the City of Oakland's Redevelopment Agency. The amount outstanding is the sum of principal of \$803,000 and accrued interest of \$945,995. Principal and any unpaid accrued interest are due at the maturity date, April 1, 2038; interest rate is 6% throughout the term of the note. The accrued interest will be paid to the City of Oakland, in lieu of the City of Oakland Redevelopment Agency after its dissolution, when the Project has surplus cash. However, the Agency (City) has indicated that any surplus cash should be used by Las Bougainvilleas to reinforce its reserves. The loan is secured by the Las Bougainvilleas Senior Housing rental project, which has a net book value of \$3,869,860 as of September 30, 2017.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 10. LONG-TERM DEBT (Continued):**

During the fiscal year ended September 30, 2013, the Unity Council entered into an agreement with Beneficial State Bank (formerly known as One PacificCoast Bank) for a \$550,000 construction loan. During the first six months draw period, the construction loan is payable interest only at the rate of 4.75%. Upon completion of construction, the loan converted to a permanent loan. Monthly payments commenced and included/will include interest at the rate of 4.75% for the first five years based on a 25 year amortization schedule. After five years, the rate will reset to equal the then Five-Year Constant Maturity Treasury Rate plus a spread of 4.25% with a base floor rate of 4.75%. At September 30, 2017, the outstanding balance was \$511,135. This loan is secured by the Unity Council's commercial building located at 1900 Fruitvale Avenue, Oakland, California, which has an appraised valuation of \$2,400,000.

The Posada de Colores mortgage payable is a nonrecourse note secured by a first deed of trust payable to HUD. The original note amount was \$4,080,000 and matures in October 2019, current balance \$574,887. Principal and interest are paid at \$24,990 per month and annual interest rate of 6.875%. The loan is secured by the Posada de Colores Senior Housing rental project, which has a net book value of \$2,226,479 as of September 30, 2017.

Two other loans from The City of Oakland loans are also secured by Posada de Colores. The amount outstanding is the sum of principal of \$616,587 plus accrued interest of \$145,245. Principal and any unpaid accrued interest are due at the maturity date, April 1, 2063; interest rate is 3% throughout the terms of the notes. The accrued interest will be paid to the City of Oakland, in lieu of the City of Oakland Redevelopment Agency after its dissolution, when the Project has surplus cash. However, the Agency (City) has indicated that any surplus cash should be used by Posada de Colores to reinforce its reserves.

During the year ended September 30, 2016, the Unity Council entered into a loan agreement with Local Initiative Support Corporation to be used for predevelopment costs related to the rehabilitation of the Posada de Colores apartments. The loan is a draw down loan to a maximum of \$902,000 and bears interest at the rate of 6%. A \$500,000 certificate of deposit with Beneficial Bank has been pledged as collateral for this loan. The loan is to be repaid when a construction loan is obtained. As of September 30, 2017, the loan balance was \$731,693. Interest rate is 6% throughout the term of the note.

During the year ended September 30, 2017, the Unity Council entered into a loan agreement with the City of Oakland for predevelopment costs for the Phase II of the Fruitvale Transit Village. The loan is an interest-free draw down loan, to a maximum of \$350,000. As of September 30, 2017, the loan balance (the amount drawn to cover predevelopment costs) is \$260,407. This was paid in full in December 2017 when escrow closed on Phase II of the project. (See Note 17).

**SPANISH SPEAKING UNITY COUNCIL OF  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 10. LONG-TERM DEBT: (Continued)**

Principal maturities of mortgages payable for the next five fiscal years ending September 30 and thereafter are as follows:

| Year Ending<br>September 30, | Las<br>Bougainvilleas | Posada<br>De Colores | SSUC                | Total               |
|------------------------------|-----------------------|----------------------|---------------------|---------------------|
| 2018                         | \$ -                  | \$ 268,316           | \$ 15,061           | \$ 283,377          |
| 2019                         | -                     | 287,356              | 14,606              | 301,962             |
| 2020                         | -                     | 24,842               | 15,315              | 40,157              |
| 2021                         | -                     | -                    | 16,059              | 16,059              |
| 2022                         | -                     | -                    | 16,838              | 16,838              |
| Thereafter                   | <u>803,000</u>        | <u>610,960</u>       | <u>1,425,356</u>    | <u>2,839,316</u>    |
| Totals                       | <u>\$ 803,000</u>     | <u>\$ 1,191,474</u>  | <u>\$ 1,503,235</u> | <u>\$ 3,497,709</u> |

**Note 11. NET ASSETS:**

Temporarily restricted net assets:

Temporarily restricted net assets as of September 30, 2017 are available for the following purposes:

|   |                     |
|---|---------------------|
| Mission Support:  |                     |
| Organizational Support – San Francisco Foundation                         | \$ 25,000           |
| Real Estate Development and Management:                                   |                     |
| SHOP Program - HOC  | 45,122              |
| Legal Assistance IDA Match Program - HOC                                  | 10,000              |
| Community & Family Asset Development:                                     |                     |
| Latino Men and Boys   | 247,662             |
| Workforce Development   | 372,657             |
| Training and Placement  | 44,164              |
| Business Services - PBID  | 267,216             |
| Child Development:  |                     |
| Low Income Investment Fund  | <u>27,606</u>       |
| Subtotal - donor restricted   | 1,039,427           |
| Senior Housing:   |                     |
| HUD-required cash deposits for facility replacements<br>and contingencies | <u>1,753,567</u>    |
|   | <u>\$ 2,792,994</u> |

Temporarily restricted net assets as of September 30, 2017 were comprised of the following:

|   |                     |
|---|---------------------|
| Cash retained in segregated money market accounts | \$ 1,778,568        |
| Cash in operating account                         | <u>1,014,426</u>    |
| Total   | <u>\$ 2,792,994</u> |

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 11. NET ASSETS (Continued):**

Designated net assets:

At September 30, 2017, designated non-current net assets were comprised of the following:

|   |    |           |
|---|----|-----------|
| Investment in Fruitvale Village Phase II      | \$ | 934,091   |
| NeighborWorks America expendable grants       |    | 62,000    |
| Security cash deposit - pre-construction loan |    | 502,767   |
| Cash deposits for facility - tech review      |    | 502       |
|   |    | 502       |
| Total   | \$ | 1,499,360 |

Permanently restricted net assets:

In accordance with the donor imposed restriction of NeighborWorks America (NWA), capital grants are presented as permanently restricted net assets and are either reported as cash or are invested in specific real estate developments or properties. Allocation of permanently restricted net assets as of September 30, 2017, is as follows:

|  |    |           |
|--|----|-----------|
| Casa Velasco                               | \$ | 150,000   |
| Fruitvale Village – Phase I                |    | 100,000   |
| Fruitvale Village – Phase II               |    | 390,000   |
| Fruitvale Village - Phase II (see Note 17) |    | 545,347   |
| Sustainable Development Fund               |    | 50,000    |
| Community Resource Center                  |    | 75,000    |
| Public Market                              |    | 200,000   |
| Community Cultural Center                  |    | 124,653   |
| Home Ownership Center – Fruitvale Village  |    | 78,520    |
| Posada de Colores                          |    | 30,000    |
| Posada de Colores - CFRAH                  |    | 405,000   |
| 1st Use Capital                            |    | 90,000    |
|  |    | 90,000    |
| Total                                      | \$ | 2,238,520 |

Permanently restricted net assets as of September 30, 2017 were comprised of the following:

|   |    |           |
|---|----|-----------|
| Cash                                    | \$ | 50,000    |
| Phase II capital project                |    | 545,347   |
| Property                                |    | 1,253,173 |
| Phase II predevelopment costs           |    | 390,000   |
|   |    | 390,000   |
| Total permanently restricted net assets | \$ | 2,238,520 |

Not included in the above permanently restricted net asset total is a \$60,000 NWA permanently restricted grant awarded to the Unity Council's Home Ownership Down Payment Assistance Program. As there are no immediate plans to distribute these funds, they are being maintained in a restricted money market account and reported as a long-term liability on the Unity Council's statement of financial position. The \$60,000, together with the net asset total of \$2,238,520, brings the total NWA permanently restricted grant awards to \$2,298,520.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 12. MANAGEMENT CONTRACTS:**

Casitas of Hayward (COH) is the property manager of record for Posada de Colores. This project is operated under Section 202 of the National Housing Act, as amended. The terms of the contract include payment of a management fee of 5% of gross potential rent. The contract with COH is for an indefinite period, but is reviewed annually.

COH is also contracted to manage Las Bougainvilleas as of May 1, 2012. This project is operated under Section 202 of the National Housing Act, as amended. The terms of the contract include payment of a management fee of 6.58% of residential income collected. The COH contract is for an indefinite period, but is reviewed annually.

Management fees, eliminated in consolidation, for Posada de Colores and Las Bougainvilleas were \$79,327 and \$50,416, respectively, for the fiscal year ended September 30, 2017.

**Note 13. RENT/LEASES:**

The Unity Council leases office space for many of its programs. There are four Unity Council leases with FDC, a related entity. There are also two leases with unrelated entities.

The Unity Council leases Foothill Square Center owned by MacArthur Boulevard Associates for the site of its Foothill Preschool Child Care Center. The Unity Council also leases space at the Fruitvale Transit Village from FDC for its De Colores Head Start program. The lease term is from December 1, 2012 to August 31, 2017 with 3% annual increases. As of September 30, 2017 the lease is month to month. The Unity Council also leases space at the Masonic Temple from FDC for its Public Market program. The lease term is from January 1, 2006 to December 31, 2017 with 3% annual increase. The Unity Council also leases suites at the Fruitvale Village from FDC for its Peralta Service Corporation. The Unity Council has lease commitments in Contra Costa County for its Head Start programs, specifically, a ground lease, providing for a 3% annual increase and a modular building lease. Several of the leases contain renewal options. Below is a schedule by years of minimum future rental payments:

| <u>Year Ending<br/>September 30,</u> |                            |
|--------------------------------------|----------------------------|
| 2018                                 | \$ 523,167                 |
| 2019                                 | 417,512                    |
| 2020                                 | 384,165                    |
| 2021                                 | 353,422                    |
| 2022                                 | 273,730                    |
| Thereafter                           | <u>845,004</u>             |
| Total                                | <u><u>\$ 2,797,000</u></u> |

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 14. DONATED SERVICES AND USE OF ASSETS:**

The value of donated services and use of assets is not included in the accounting system nor shown in the accompanying consolidated financial statements since the services provided to the Unity Council do not create or enhance non-financial assets and would not typically need to be purchased by the Unity Council if they had not been provided by contribution. The value of donated services for the year ended September 30, 2017 are, however, monitored and reported to the appropriate funding agency, when applicable, and are summarized as follows:

|                  | Senior<br>Center | Early/Head<br>Start | Total       |
|------------------|------------------|---------------------|-------------|
| Donated Services | \$ 3,450         | \$4,737,359         | \$4,740,809 |

The value of the volunteer services for the Head Start program is determined at the lowest paid teacher hourly rate plus fringe benefits. In 2017, The Unity Council received a \$74,185 in-kind donation of rent for a facility that is used by the EHSE program. All other services are shown at fair market value.

**Note 15. RETIREMENT PLAN:**

The Unity Council adopted a retirement plan option effective January 1, 1995. The retirement plan option is a 403(b)(7) employee voluntary contribution. The 403(b)(7) employee voluntary contribution plan is available to all employees who wish to designate pre-tax compensation to the plan through the Fidelity Investments Tax Exempt Services Company. The Plan offers an employer matching program for employee contributions, dollar for dollar up to 5% of the employee’s salary. For the year ended September 30, 2017, employee contributions of \$189,602 have been made to this plan, and \$126,513 employer match contributions have been made.

**Note 16. RELATED PARTY TRANSACTIONS:**

*Fruitvale Development Corporation:*

The Unity Council provides general management, property management, accounting and construction management services for the Fruitvale Development Corporation (FDC). During the fiscal year ended September 30, 2017, the Unity Council billed FDC \$779,105 for these services.

Under terms of an agreement with the City of Oakland, the Unity Council received a grant from FDC of \$3,050,000 during the fiscal year ended September 30, 2017 to be used for general operating purposes. Further, under terms of the agreement with the City, \$1,500,000 is to be advanced by the Unity Council to Fruitvale Transit Village II-A, a 94 unit low income housing apartment complex, to be used for predevelopment costs. Such advance bears no interest and is to be repaid when a construction loan is made to the project. Of this advance, \$545,347 is earmarked as permanently restricted funds from NeighborWorks America to replenish the amount borrowed from the permanently restricted fund in fiscal year ended September 30, 2014, used as a loan for capital project and secured by the Unity Council loan to FTV II-A.

The Unity Council is a major tenant in buildings owned by FDC. During the fiscal years ended September 30, 2017, the Unity Council’s rental expense was \$660,142.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2017**

**Note 16. RELATED PARTY TRANSACTIONS (Continued):**

Unity Council has guaranteed repayment of two loans obtained by Fruitvale Development Corporation (FDC) from Wells Fargo Bank, N.A. for \$970,000 and \$500,000 during fiscal years ended September 30, 2007, and September 30, 2008, respectively. Both of these loans are secured by certain real property owned by FDC, and will mature on October 10, 2022 and September 1, 2018, respectively. These loans have total outstanding principal balance, plus accrued interest, of \$1,277,664 as of September 30, 2017. This amount is 7.2% of the total FDC debt outstanding as of September 30, 2017. The property that secures the loans was appraised with a value of \$2.3 million in 2016. Management at FDC is confident that the Unity Council guarantee will not have to be invoked during the terms of the Wells Fargo Bank loans.

*Peralta Services Corporation (PSC):*

Peralta Services Corporation, a wholly owned subsidiary of the Unity Council, provides maintenance, landscaping and security services to the Fruitvale Village and other Unity Council program sites. During the fiscal year ended September 30, 2017, the Unity Council was charged \$544,901 for these services.

*Casa Velasco:*

The Unity Council has receivables from the Casa Velasco partnership totaling \$22,744 at September 30, 2017, including partnership and property management fees.

**Note 17. SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through March 16, 2018, the date which the financial statements were available for issue. With the exception of the item discussed below, management has concluded that there were no other subsequent events required to be disclosed or recognized in the financial statements.

Fruitvale Transit Village II-A closed the construction loan to develop the Phase II project on December 26, 2017 and repaid an advance of \$1,500,000 to the Unity Council. This included \$545,347 of funds that had been received from NeighborWorks America for capital projects.

**SPANISH SPEAKING UNITY COUNCIL OF  
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**SUPPLEMENTAL INFORMATION**

**SEPTEMBER 30, 2017**

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SEPTEMBER 30, 2017**

|   | Spanish Speaking<br>Unity Council | Posada de<br>Colores | Las<br>Bougainvilleas | Casitas<br>of<br>Hayward | Peralta<br>Service<br>Corporation | 09/30/17<br>Unconsolidated<br>Balances | Intercompany Eliminations | 09/30/17<br>Consolidated<br>Balances | 09/30/16<br>Consolidated<br>Balances |                      |
|---|-----------------------------------|----------------------|-----------------------|--------------------------|-----------------------------------|--|---------------------------|--------------------------------------|--------------------------------------|----------------------|
| <b>ASSETS</b>   |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Current assets  |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Cash and cash equivalents   | \$ 3,103,651                      | \$ 280,382           | \$ 57,858             | \$ 1,473                 | \$ 36,840                         | \$ 3,480,204                           | \$ -                      | \$ -                                 | \$ 3,480,204                         | \$ 2,411,953         |
| Accounts and grants receivable  | 2,148,017                         | 663                  | 109                   | 139,055                  | 109,721                           | 2,397,565                              | -                         | 250,996                              | 2,146,569                            | 1,826,177            |
| Deposits  | 6,500                             | 33,993               | 19,418                | -                        | -                                 | 59,911                                 | -                         | -                                    | 59,911                               | 6,500                |
| Prepaid expenses and other current assets   | 28,541                            | -                    | -                     | -                        | 38,956                            | 67,497                                 | -                         | -                                    | 67,497                               | 71,908               |
| Total current assets  | 5,286,709                         | 315,038              | 77,385                | 140,528                  | 185,517                           | 6,005,177                              | -                         | 250,996                              | 5,754,181                            | 4,316,538            |
| Noncurrent assets   |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Due from Intercompany Affiliate   | 675,700                           | 326,018              | -                     | -                        | -                                 | 1,001,718                              | -                         | 1,001,718                            | 0                                    | -                    |
| Investment in Casa de las Flores/Casa Velasco   | 148,735                           | -                    | -                     | (68)                     | -                                 | 148,667                                | -                         | -                                    | 148,667                              | 148,669              |
| Investment in Fruitvale Transit Village II-A, L.P.  | 1,324,191                         | -                    | -                     | -                        | -                                 | 1,324,191                              | -                         | -                                    | 1,324,191                            | 1,320,045            |
| Note receivable from FTV Phase II-A, L.P.   | 1,500,000                         | -                    | -                     | -                        | -                                 | 1,500,000                              | -                         | -                                    | 1,500,000                            | -                    |
| Advance to PSC - SNAP Program & Other   | 592,323                           | -                    | -                     | -                        | -                                 | 592,323                                | -                         | 592,323                              | -                                    | -                    |
| Restricted cash deposits and reserve for replacements   | 503,269                           | 1,053,516            | 700,051               | -                        | -                                 | 2,256,836                              | -                         | -                                    | 2,256,836                            | 2,193,518            |
| Total noncurrent assets   | 4,744,218                         | 1,379,534            | 700,051               | (68)                     | -                                 | 6,823,736                              | -                         | 1,594,041                            | 5,229,694                            | 3,662,232            |
| Total property, plant and equipment (net)   | 3,630,978                         | 2,226,479            | 3,869,860             | -                        | -                                 | 9,727,317                              | -                         | -                                    | 9,727,317                            | 10,066,233           |
| Preconstruction costs   | 34,961                            | -                    | -                     | -                        | -                                 | 34,961                                 | -                         | -                                    | 34,961                               | 42,495               |
| <b>TOTAL ASSETS</b>   | <b>\$ 13,696,866</b>              | <b>\$ 3,921,051</b>  | <b>\$ 4,647,296</b>   | <b>\$ 140,460</b>        | <b>\$ 185,517</b>                 | <b>\$ 22,591,190</b>                   | <b>\$ -</b>               | <b>\$1,845,037</b>                   | <b>\$ 20,746,153</b>                 | <b>\$ 18,087,498</b> |
| <b>LIABILITIES AND NET ASSETS</b>   |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Current liabilities   |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Accounts payable  | \$ 517,833                        | \$ 60,036            | \$ 49,606             | \$ 144,102               | \$ 41,418                         | \$ 812,995                             | \$ 250,996                | \$ -                                 | \$ 561,999                           | \$ 421,038           |
| Accrued payroll and benefits expense  | 640,287                           | 17,810               | 12,230                | -                        | 46,407                            | 716,734                                | -                         | -                                    | 716,734                              | 743,619              |
| Deferred revenue  | 745,283                           | 58                   | -                     | -                        | -                                 | 745,341                                | -                         | -                                    | 745,341                              | 475,244              |
| Deposits payable  | 16,707                            | 29,911               | 18,121                | -                        | -                                 | 64,738                                 | -                         | -                                    | 64,738                               | 61,884               |
| Mortgages payable - current portion   | 15,061                            | 268,316              | -                     | -                        | -                                 | 283,377                                | -                         | -                                    | 283,377                              | 263,824              |
| Total current liabilities   | 1,935,171                         | 376,130              | 79,957                | 144,102                  | 87,825                            | 2,623,185                              | 250,996                   | -                                    | 2,372,189                            | 1,965,609            |
| Long-term liabilities   |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Accrued interest payable  | -                                 | 145,246              | 945,995               | -                        | -                                 | 1,091,241                              | -                         | -                                    | 1,091,241                            | 1,024,562            |
| Mortgages payable   | 1,488,174                         | 923,158              | 803,000               | -                        | -                                 | 3,214,332                              | -                         | -                                    | 3,214,332                            | 2,787,537            |
| DPA & Home Rescue Loan Funds  | 83,005                            | -                    | -                     | -                        | -                                 | 83,005                                 | -                         | -                                    | 83,005                               | 83,005               |
| Due to SSUC - SNAP Program  | -                                 | -                    | -                     | -                        | 592,323                           | 592,323                                | 592,323                   | -                                    | -                                    | -                    |
| Due to Intercompany Affiliate   | 326,018                           | -                    | -                     | -                        | 675,700                           | 1,001,718                              | 1,001,718                 | -                                    | -                                    | -                    |
| Total long-term liabilities   | 1,897,197                         | 1,068,404            | 1,748,995             | -                        | 1,268,023                         | 5,982,619                              | 1,594,041                 | -                                    | 4,388,578                            | 3,895,104            |
| Total liabilities   | 3,832,368                         | 1,444,535            | 1,828,952             | 144,102                  | 1,355,848                         | 8,605,805                              | 1,845,037                 | -                                    | 6,760,767                            | 5,860,713            |
| Net assets  |                                   |                      |                       |                          |                                   |  |                           |                                      |                                      |                      |
| Unrestricted  | 5,522,191                         | 988,001              | 2,118,293             | (3,642)                  | (1,170,331)                       | 7,454,512                              | -                         | -                                    | 7,454,512                            | 5,432,888            |
| Unrestricted - designated for investment in FV Phase II   | 934,091                           | -                    | -                     | -                        | -                                 | 934,091                                | -                         | -                                    | 934,091                              | 930,045              |
| Unrestricted - designated for restricted cash deposits  | 503,269                           | -                    | -                     | -                        | -                                 | 503,269                                | -                         | -                                    | 503,269                              | 582,350              |
| Unrestricted - designated for NWA expendable grants   | 62,000                            | -                    | -                     | -                        | -                                 | 62,000                                 | -                         | -                                    | 62,000                               | 62,000               |
| Temporarily restricted  | 1,039,427                         | -                    | -                     | -                        | -                                 | 1,039,427                              | -                         | -                                    | 1,039,427                            | 1,459,813            |
| Temporarily restricted - designated for cash deposits<br>restricted for facility replacements & contingencies | -                                 | 1,053,516            | 700,051               | -                        | -                                 | 1,753,567                              | -                         | -                                    | 1,753,567                            | 1,611,169            |
| Permanently restricted - NWA capital grants   | 1,803,520                         | 435,000              | -                     | -                        | -                                 | 2,238,520                              | -                         | -                                    | 2,238,520                            | 2,148,520            |
| Total net assets  | 9,864,498                         | 2,476,517            | 2,818,344             | (3,642)                  | (1,170,331)                       | 13,985,386                             | -                         | -                                    | 13,985,386                           | 12,226,785           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ 13,696,866</b>              | <b>\$ 3,921,052</b>  | <b>\$ 4,647,296</b>   | <b>\$ 140,460</b>        | <b>\$ 185,517</b>                 | <b>\$ 22,591,191</b>                   | <b>\$ 1,845,037</b>       | <b>\$ -</b>                          | <b>\$ 20,746,153</b>                 | <b>\$ 18,087,498</b> |

See notes to consolidated financial statements.



**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FUNCTIONAL SUPPORT, REVENUES AND EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                                     | Real Estate Development & Management (RED&M) |             |                      |                       |  | Community & Family Asset Development (CFAD) |                          |                                   |               |              | Child<br>Development | Intercompany<br>Eliminations | Consolidated<br>Total |
|-------------------------------------|--|-------------|----------------------|-----------------------|--|---|--------------------------|-----------------------------------|---------------|--------------|----------------------|------------------------------|-----------------------|
|                                     | Mission<br>Support                           | RED&M       | Posada de<br>Colores | Las<br>Bougainvilleas | Casitas of<br>Hayward Prop<br>Management | Total<br>RED&M                              | Community<br>Development | Peralta<br>Service<br>Corporation | Total<br>CFAD |              |                      |                              |                       |
| <b>Support and Revenues:</b>        |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Private support and revenues:       |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Donations:                          |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Corporations and businesses         | \$ 3,340,870                                 | \$ -        | \$ -                 | \$ -                  | \$ -                                     | \$ -  | \$ 87,000                | \$ -                              | \$ 87,000     | \$ 13,804    | \$ -                 | \$ 3,441,674                 |                       |
| Individuals and others              | 54,600                                       | -           | -                    | -                     | -  | -   | 5,000                    | -                                 | 5,000         | -            | -                    | 59,600                       |                       |
| Total donations                     | 3,395,470                                    | -           | -                    | -                     | -  | -   | 92,000                   | -                                 | 92,000        | 13,804       | -                    | 3,501,274                    |                       |
| Agencies/Intermediaries             | 26,500                                       | -           | -                    | -                     | -  | -   | 36,846                   | -                                 | 36,846        | 48,750       | -                    | 112,096                      |                       |
| Foundations                         | 143,557                                      | -           | -                    | -                     | -  | -   | 537,700                  | -                                 | 537,700       | -            | -                    | 681,257                      |                       |
| Programs/Contracts                  | 46,148                                       | 1,560,309   | -                    | -                     | 958,379                                  | 2,518,688                                   | 650,930                  | 1,428,417                         | 2,079,347     | 81,245       | (2,457,520)          | 2,267,908                    |                       |
| Rents                               | -  | 806,225     | 1,484,164            | 671,858               | -  | 2,962,247                                   | 186,608                  | -                                 | 186,608       | -            | -                    | 3,148,855                    |                       |
| Investment Income                   | 5,863  | 32          | 1,679                | 994                   | -  | 2,706                                       | -                        | -                                 | -             | -            | -                    | 8,569                        |                       |
| Other revenue                       | 2,000  | -           | 9,950                | 4,332                 | -  | 14,282                                      | 71                       | -                                 | 71            | -            | -                    | 16,353                       |                       |
| Total private support and revenues  | 3,619,538                                    | 2,366,566   | 1,495,793            | 677,184               | 958,379                                  | 5,497,922                                   | 1,504,155                | 1,428,417                         | 2,932,572     | 143,799      | (2,457,520)          | 9,736,311                    |                       |
| Governmental support and revenues   | 106,500                                      | 90,000      | -                    | -                     | -  | 90,000                                      | 1,494,536                | -                                 | 1,494,536     | 10,695,199   | -                    | 12,386,235                   |                       |
| Total Support and Revenues          | 3,726,038                                    | 2,456,566   | 1,495,793            | 677,184               | 958,379                                  | 5,587,922                                   | 2,998,691                | 1,428,417                         | 4,427,108     | 10,838,998   | (2,457,520)          | 22,122,546                   |                       |
| <b>Expenses:</b>                    |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Personnel:                          |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Salaries and Wages                  | 825,791                                      | 815,352     | 332,499              | 221,240               | -  | 1,369,091                                   | 1,400,062                | 951,861                           | 2,351,923     | 5,444,939    | (543,918)            | 9,447,826                    |                       |
| Fringe Benefits and taxes           | 155,053                                      | 261,550     | 118,262              | 83,416                | -  | 463,228                                     | 377,959                  | 257,990                           | 635,949       | 1,760,202    | (201,412)            | 2,813,020                    |                       |
| Total Personnel                     | 980,844                                      | 1,076,902   | 450,761              | 304,656               | -  | 1,832,319                                   | 1,778,021                | 1,209,851                         | 2,987,872     | 7,205,141    | (745,330)            | 12,260,846                   |                       |
| Non-Personnel                       |  |             |                      |                       |  |   |                          |                                   |               |              |                      |                              |                       |
| Contract Services                   | 477,620                                      | 13,658      | 239,857              | 113,678               | 958,379                                  | 1,325,572                                   | 47,963                   | 67,272                            | 115,235       | 918,042      | (1,152,208)          | 1,684,261                    |                       |
| Operating Costs                     | 284,052                                      | 26,425      | 151,477              | 98,179                | 114                                      | 276,195                                     | 127,975                  | 131,498                           | 259,473       | 436,970      | -                    | 1,256,690                    |                       |
| Occupancy Costs                     | 6,200  | 169,397     | 196,687              | 126,913               | -  | 492,997                                     | 211,400                  | 42,556                            | 253,956       | 1,450,907    | -                    | 2,204,060                    |                       |
| Interest and Financing              | 30,107                                       | 10          | 68,888               | 49,030                | 385                                      | 118,313                                     | -                        | -                                 | -             | 6,972        | -                    | 155,392                      |                       |
| Program/Project Costs               | 217,266                                      | 1,076,186   | -                    | -                     | -  | 1,076,186                                   | 493,624                  | 93,052                            | 586,676       | 601,904      | (559,982)            | 1,922,050                    |                       |
| Depreciation                        | 215,999                                      | -           | 267,339              | 182,642               | -  | 449,981                                     | -                        | 36                                | 36            | 214,630      | -                    | 880,646                      |                       |
| Total Non-Personnel                 | 1,231,244                                    | 1,285,676   | 924,248              | 570,442               | 958,878                                  | 3,739,244                                   | 880,962                  | 334,414                           | 1,215,376     | 3,629,425    | (1,712,191)          | 8,103,099                    |                       |
| Total Expenses                      | 2,212,088                                    | 2,362,578   | 1,375,009            | 875,098               | 958,878                                  | 5,571,563                                   | 2,658,983                | 1,544,264                         | 4,203,248     | 10,834,566   | (2,457,520)          | 20,363,945                   |                       |
| Change in Net Assets                | 1,513,950                                    | 93,988      | 120,784              | (197,914)             | (498)                                    | 16,361                                      | 339,708                  | (115,847)                         | 223,861       | 4,432        | -                    | 1,758,604                    |                       |
| Intercompany Transfers              | 1,156,626                                    | (1,369,937) | -                    | -                     | -  | (1,369,937)                                 | 163,235                  | -                                 | 163,235       | 50,076       | -                    | -                            |                       |
| Net Assets (Deficit), October 1     | 3,292,780                                    | 1,467,663   | 2,355,733            | 3,016,251             | (3,143)                                  | 6,836,504                                   | 1,666,329                | (105,484)                         | 611,845       | 1,485,654    | -                    | 12,226,783                   |                       |
| Net Assets (Deficit), End of Period | \$ 5,963,356                                 | \$ 191,714  | \$ 2,476,517         | \$ 2,818,337          | \$ (3,641)                               | \$ 5,482,928                                | \$ 2,169,272             | \$ (221,331)                      | \$ 998,941    | \$ 1,540,162 | \$ -                 | \$ 13,985,387                |                       |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SCHEDULE OF FEDERAL AND STATE AWARDS  
PASSED THROUGH THE COUNTY OF ALAMEDA**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| <u>Alameda County Social Services Agency</u>         | <u>SSUC<br/>Fund<br/>Number</u> | <u>Grantor<br/>Contract/Exhibit<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Program<br/>or Award<br/>Dates</u> | <u>Federal<br/>Share</u> | <u>State<br/>Share</u> | <u>County<br/>Share</u> | <u>Total<br/>Award</u> | <u>Total Award<br/>Expenditures<br/>FYE 9/30/17</u> |
|--|---------------------------------|--|------------------------------------|---------------------------------------|--------------------------|------------------------|-------------------------|------------------------|---|
| Senior Support Services & Senior Centers:            |                                 |  |                                    |                                       |                          |                        |                         |                        |   |
| Special Program for the Aging Title III Part B Grant | 7077                            | 900210-12667                                   | 93.044                             | 07/01/16 - 06/30/17                   | \$ 12,220                | \$ -                   | \$13,740                | \$25,960               | \$ 13,001   |
| Special Program for the Aging Title III Part B Grant | 7079                            | 900210-14199                                   | 93.044                             | 07/01/17 - 06/30/18                   | 12,852                   | -                      | 13,156                  | 26,008                 | 2,995   |
|  |                                 |  |                                    |                                       | <u>\$ 25,072</u>         | <u>\$ -</u>            | <u>\$ 26,896</u>        | <u>\$ 51,968</u>       | <u>\$ 15,996</u>                                    |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>SSUC<br/>Fund<br/>Number</u> | <u>Grantor/<br/>Pass-through<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Program<br/>or Award<br/>Period</u> | <u>Program<br/>or Award<br/>Amount</u> | <u>FY 16/17<br/>Expenditures</u> |
|---|---------------------------------|---|------------------------------------|--|--|----------------------------------|
| <b><u>U.S. Department of Health and Human Services</u></b>  |                                 |   |                                    |  |  |                                  |
| Direct:   |                                 |   |                                    |  |  |                                  |
| Administration for Children & Families Office of Community Services                               |                                 |   |                                    |  |  |                                  |
| Early Head Start Expansion  | 2284                            | 09SA9086102                                 | 93.600                             | 01/01/16 - 12/31/16                    | \$ 1,131,926                           | \$ 388,105                       |
| Early Head Start Expansion  | 2285                            | 09SA9086103                                 | 93.600                             | 01/01/17 - 12/31/17                    | 1,142,977                              | 682,818                          |
| Head Start - Contra Costa County  | 2252                            | 09CH9116/04                                 | 93.600                             | 01/01/16 - 12/31/16                    | 1,774,896                              | 599,059                          |
| Head Start - Contra Costa County  | 2252                            | 09CH9116/05                                 | 93.600                             | 01/01/17 - 12/31/17                    | 1,824,352                              | 1,222,639                        |
| Early Head Start - Contra Costa County  | 2262                            | 09CH9116/04                                 | 93.600                             | 01/01/16 - 12/31/16                    | 974,147                                | 270,351                          |
| Early Head Start - Contra Costa County  | 2262                            | 09CH9116/05                                 | 93.600                             | 01/01/17 - 12/31/17                    | 1,000,937                              | 753,065                          |
|   |                                 |   |                                    |  | <u>7,849,235</u>                       | <u>3,916,037</u>                 |
| Passed through the City of Oakland:   |                                 |   |                                    |  |  |                                  |
| Head Start  | 2200                            | 09CH9006/1                                  | 93.600                             | 07/01/16 - 06/30/17                    | 2,126,620                              | 1,738,902                        |
| Head Start  | 2200                            | 09CHO10399-001                              | 93.600                             | 07/01/17 - 06/30/18                    | 2,148,049                              | 642,041                          |
| Early Head Start  | 2270                            | 09YC0200/1                                  | 93.600                             | 07/01/16 - 06/30/17                    | 2,362,304                              | 1,869,544                        |
| Early Head Start  | 2270                            | 09CHO10399-201                              | 93.600                             | 07/01/17 - 06/30/18                    | 2,386,034                              | 612,961                          |
| AC/OCAP Department of Health & Human Services   | 4370                            | N/A   | 93.569                             | 01/07/17 - 12/31/17                    | 65,000                                 | 37,024                           |
|   |                                 |   |                                    |  | <u>9,088,007</u>                       | <u>4,900,472</u>                 |
| Passed through the County of Alameda:   |                                 |   |                                    |  |  |                                  |
| Special Program for the Aging Title III Part B Grants -<br>Supportive Services and Senior Centers | 7079                            | 900210-15925                                | 93.044                             | 07/01/17 - 06/30/18                    | 12,852                                 | -                                |
|   | 7077                            | 900210-14199                                | 93.044                             | 07/01/16 - 06/30/17                    | 12,220                                 | 8,949                            |
|   |                                 |   |                                    |  | <u>25,072</u>                          | <u>8,949</u>                     |
| <b>Total U.S. Department of Human Services</b>  |                                 |   |                                    |  |  | <b><u>\$ 8,825,458</u></b>       |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>SSUC<br/>Fund<br/>Number</u> | <u>Grantor/<br/>Pass-through<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Program<br/>or Award<br/>Period</u> | <u>Program<br/>or Award<br/>Amount</u> | <u>FY 16/17<br/>Expenditures</u> |
|---|---------------------------------|---|------------------------------------|--|--|----------------------------------|
| <b><u>U.S. Department of Housing &amp; Urban Development</u></b>              |                                 |   |                                    |  |  |                                  |
| Direct:   |                                 |   |                                    |  |  |                                  |
| Economic Development Initiative (EDI)   |                                 |   |                                    |  |  |                                  |
| Lower Income Housing Program  |                                 |   |                                    |  |  |                                  |
| Section B Moderate Rehabilitation - Rent subsidy                              | PDC                             | 121-EH016                                   | 14.856                             | 10/01/16 - 09/30/17                    | \$ 1,110,604                           | \$ 1,110,604                     |
|   | LBV                             | 121-EE061                                   | 14.856                             | 10/01/16 - 09/30/17                    | 441,852                                | 441,852                          |
|   |                                 |   |                                    |  | <u>1,552,456</u>                       | <u>1,552,456</u>                 |
| Housing for the elderly or Handicapped PDC                                    |                                 | 121-EH016                                   | 14.157                             | 08/01/78 - 10/01/19                    | 4,080,000                              | 250,539                          |
| Housing for the elderly or Handicapped - LBV Loan plus accrued interest       |                                 | 121-EE061                                   | 14.157                             | 4/1/2038                               | 803,000                                | 1,748,995                        |
| Capital Advance   |                                 | N/A   | N/A                                | 4/1/2038                               | 5,816,077                              | 5,816,077                        |
|   |                                 |   |                                    |  | <u>10,699,077</u>                      | <u>7,815,611</u>                 |
| Section 4 Grant - Passed through Local Initiatives Support Corporation (LISC) |                                 |   |                                    |  |  |                                  |
| Financial Opportunity Center  | 4313                            | 40859-0035                                  | 14.252                             | 0/601/16 - 12/31/16                    | 15,000                                 | 7,357                            |
| Local initiatives Support Corporation (LISC)                                  | 4315                            | 40859-0036                                  | 14.252                             | 10/1/16 - 12/31/17                     | 20,000                                 | 17,678                           |
| Local initiatives Support Corporation (LISC)                                  | 6375                            | 40859-0036                                  | 14.252                             | 10/1/16 - 12/31/17                     | 75,000                                 | 61,698                           |
|   |                                 |   |                                    |  | <u>110,000</u>                         | <u>86,733</u>                    |
| <b>Total U.S. Department of Housing &amp; Urban Renewal</b>                   |                                 |   |                                    |  |  | <b><u>\$ 9,454,800</u></b>       |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <b>SSUC<br/>Fund<br/>Number</b> | <b>Grantor/<br/>Pass-through<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Program<br/>or Award<br/>Period</b> | <b>Program<br/>or Award<br/>Amount</b> | <b>FY 16/17<br/>Expenditures</b> |
|---|---------------------------------|---|------------------------------------|--|--|----------------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                  |                                 |   |                                    |  |  |                                  |
| Passed through the California State Department of Education:  |                                 |   |                                    |  |  |                                  |
| Child and Adult Care Food Program                             | 2220                            | 01-1922-3A                                  | 10.558                             | 10/01/16 - 9/30/17                     | \$ 300,617                             | \$ 300,617                       |
| <b>Total U.S. Department of Agriculture</b>                   |                                 |   |                                    |  | <u>300,617</u>                         | <u>300,617</u>                   |
| <b><u>U.S. Department of Labor</u></b>                        |                                 |   |                                    |  |  |                                  |
| Passed through the City of Oakland:                           |                                 |   |                                    |  |  |                                  |
| Workforce Investment Act (WIOA) - Sector Access               | 4314                            | N/A   | 17.258                             | 07/01/16 - 06/30/17                    | 127,500                                | 112,784                          |
| Workforce Investment Act (WIOA) - Sector Access               | 4314                            | N/A   | 17.258                             | 07/01/17 - 06/30/18                    | 152,500                                | 43,737                           |
| Workforce Investment Act (WIOA) - Youth                       | 4329                            | N/A   | 17.258                             | 07/01/16 - 06/30/17                    | 209,778                                | 190,586                          |
| Workforce Investment Act (WIOA) - Youth                       | 4239                            | N/A   | 17.258                             | 07/01/17 - 06/30/18                    | 209,778                                | 52,320                           |
| Workforce Investment Act (WIA) - Participant Support Services | 4216                            | N/A   | 17.258                             | 07/01/15 - 06/30/17                    | 50,580                                 | 21,246                           |
| <b>Total U.S. Department of Labor</b>                         |                                 |   |                                    |  | <u>750,136</u>                         | <u>420,673</u>                   |
| <b><u>U.S. Department of the Treasury</u></b>                 |                                 |   |                                    |  |  |                                  |
| Passed through NeighborWorks America (NWA)                    | Various                         | N/A   | 21.000                             | 10/01/02 - 09/30/16                    | 1,124,650                              | 4,258                            |
| NeighborWorks America (NWA)                                   | 1005                            | N/A   | 21.000                             | 10/01/16 - 09/30/17                    | 82,500                                 | -                                |
| NeighborWorks America (NWA)                                   | 1023                            | N/A   | 21.000                             | 10/01/16 - 09/30/17                    | 7,000                                  | 2,465                            |
| NeighborWorks America (NWA)                                   | 9601                            | N/A   | 21.000                             | 10/01/16 - 09/30/17                    | 90,000                                 | -                                |
| <b>Total U.S. Department of the Treasury</b>                  |                                 |   |                                    |  | <u>1,304,150</u>                       | <u>6,723</u>                     |
| <b><u>Internal Revenue Service</u></b>                        |                                 |   |                                    |  |  |                                  |
| Passed through United Way of the Bay Area:                    |                                 |   |                                    |  |  |                                  |
| Volunteer Income Tax Assistance (VITA) program                | 5258                            | N/A   | 21.009                             | 07/01/16 - 06/30/17                    | 10,000                                 | 10,000                           |
| <b>Total Internal Revenue Service</b>                         |                                 |   |                                    |  | <u>10,000</u>                          | <u>10,000</u>                    |
| <b>Total Program or Award Amount</b>                          |                                 |   |                                    |  | <u>\$ 31,688,750</u>                   |                                  |
| <b>Total Expenditures of Federal Awards</b>                   |                                 |   |                                    |  |  | <u>\$ 19,018,271</u>             |

See notes to consolidated financial statements.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED SEPTEMBER 30, 2017**

**Note 1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Spanish Speaking Unity Council of Alameda County, Inc. (Unity Council) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Consortium for Children, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Consortium for Children.

**Note 2. Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Guidance, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate:**

The Unity Council has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

**Note 4. Loans:**

The \$4,080,000 HUD loan for Posada de Colores has an outstanding loan balance of \$580,514 as of September 30, 2017. As continued compliance related to this loan is required, it is included when determining total annual federal expenditures.

On October 1, 1996, the Unity Council received a capital advance under Section 202 of the Housing Act of 1959 from HUD for Las Bougainvilleas Senior Housing. As of September 30, 2017, HUD has advanced \$5,816,077. Under terms of the agreement, the amount advanced will not need to be paid back unless the Unity Council fails to provide housing to eligible very low-income households for a period of 40 years (2038) and in accordance with Section 202 or Section 811. However, the full outstanding balance on the capital advance is considered federal awards expended and is excluded in determining Type A programs.

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED SEPTEMBER 30, 2017**

**SUMMARY OF AUDITORS' RESULTS:**

- 1) The auditors' report expresses an unmodified opinion on whether the combined financial statements of Spanish Speaking Unity Council of Alameda County, Inc. were prepared in accordance with GAAP.
- 2) No significant deficiencies disclosed during the audit of the combined financial statements are reported in the 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*. No material weaknesses are reported.
- 3) No instances of noncompliance material to the combined financial statements of Spanish Speaking Unity Council of Alameda County, Inc. which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- 4) No significant deficiencies in internal control over major federal award programs disclosed during the audit are reported on the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
- 5) The auditors' report on compliance for the major federal awards programs for Spanish Speaking Unity Council of Alameda County, Inc., Inc. expresses an unmodified opinion on all major programs.
- 6) There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
- 7) The programs tested as major federal award programs were:

| <u>CFDA</u> | <u>Program</u>                     |
|-------------|------------------------------------|
| 93.600      | Head Start Program                 |
| 14.157      | Supportive Housing for the Elderly |
| 14.856      | Lower Income Housing Assistance    |

- 8) The threshold for distinguishing Type A and B programs was \$750,000.
- 9) Spanish Speaking Unity Council of Alameda County, Inc. does qualify as a low risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT:**

None reported

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None reported

**SPANISH SPEAKING UNITY COUNCIL OF  
ALAMEDA COUNTY, INC. AND SUBSIDIARIES**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED SEPTEMBER 30, 2017**

**US DEPARTMENT OF THE TREASURY**

NeighborWorks America Investment and Grant Fund

FINDING 2015-001: Allowable Costs

**Condition:** The Unity Council experienced a difficult financial position during the fiscal year ended September 30, 2014, where it did not have adequate cash resources to meet operating requirements. The agency was unable to generate sufficient revenues to cover all of its costs.

Given the Unity Council's inability to generate sufficient unrestricted revenues to help cover its operating costs, the agency, without approval, utilized the NeighborWorks America permanently restricted cash balances to help fund operating expenses. NeighborWorks was informed of The Unity Council's actions. This is a violation of the Management of Permanently Restricted Capital Funds section of the NeighborWorks America Investment and Grant Fund Agreement.

**Current Status:** The Unity Council replenished the permanently restricted funds borrowed from NeighborWorks America in the fiscal year ended September 30, 2017.

No similar findings were noted in our audits for the years ended September 30, 2017.





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**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***

The Board of Directors  
Spanish Speaking Unity Council of Alameda County, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spanish Speaking Unity Council of Alameda County, Inc. (Unity Council), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Unity Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Unity Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Unity Council's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Unity Council's 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 Unity Council'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 Unity Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RINA accountancy corporation

Certified Public Accountants

Oakland, California

March 16, 2018



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

The Board of Directors  
Spanish Speaking Unity Council of Alameda County, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Spanish Speaking Unity Council of Alameda County, Inc.'s (Unity Council) compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of Unity Council's major federal programs for the year ended September 30, 2017. Unity Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Unity Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200; *Uniform administrative Requirements, Cost principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unity Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Unity Council's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Unity Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## **Report on Internal Control Over Compliance**

Management of Unity Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Unity Council's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RINA accounting corporation*

Certified Public Accountants

Oakland, California  
March 16, 2018