



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

(A California Not-for-Profit Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018



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

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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, 2018, 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, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Pages 25-31, 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 April 15, 2019 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 accounting corporation

Certified Public Accountants

Oakland, California

April 15, 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – SEPTEMBER 30, 2018

ASSETS

CURRENT:	
Cash and cash equivalents	\$ 5,750,288
Accounts and grants receivable	2,633,687
Deposits	59,976
Deferred charge	2,655,093
Prepaid expenses	163,377
TOTAL CURRENT ASSETS	11,262,421
NONCURRENT:	
Investment in Casa de las Flores	148,667
Investment in Fruitvale Transit Village II-A, L.P.	1,332,183
Restricted cash deposits and reserve for replacements	2,281,352
TOTAL NONCURRENT ASSETS	3,762,202
PROPERTY, PLANT AND EQUIPMENT, NET	40,218,426
TOTAL ASSETS	\$ 55,243,049

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable and other accrued expenses	\$ 1,009,079
Accrued payroll and benefits expense	1,203,335
Deferred revenue	882,228
Deposits payable	216,205
Mortgages payable - current portion	971,894
TOTAL CURRENT LIABILITIES	4,282,741
LONG-TERM:	
Accrued interest payable	1,203,785
Mortgages payable	17,926,515
Down payment assistance and home rescue loan funds	83,005
TOTAL LONG-TERM LIABILITIES	19,213,305
TOTAL LIABILITIES	23,496,046
NET ASSETS:	
Unrestricted	24,403,413
Unrestricted - designated for noncurrent assets	1,447,648
Unrestricted - designated for NeighborWorks America grants	62,000
Temporarily restricted	1,708,846
Temporarily restricted - designated for facility replacements & contingencies	1,701,576
Permanently restricted - NeighborWorks America capital grants	2,423,520
TOTAL NET ASSETS	31,747,003
TOTAL LIABILITIES AND NET ASSETS	\$ 55,243,049

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Private support and revenues:				
Donations:				
Corporations and businesses	\$ 295,291	\$ 118,093	\$ -	\$ 413,384
Individuals and other	73,028	-	-	73,028
	368,319	118,093	-	486,412
Agencies and intermediaries	137,276	-	-	137,276
Foundations	34,049	1,998,500	-	2,032,549
Contract and program revenues	1,239,934	352,548	-	1,592,482
Rental	6,414,376	-	-	6,414,376
Interest from investments	25,761	-	-	25,761
Miscellaneous	31,359	-	-	31,359
	8,251,074	2,469,141	-	10,720,215
Government support and revenues	11,510,969	1,260,840	125,000	12,896,809
Net assets released from restrictions:				
Satisfaction of program restrictions	3,060,563	(3,060,563)	-	-
	22,822,606	669,418	125,000	23,617,024
EXPENSES:				
Spanish Speaking Unity Council:				
Program	15,476,933	-	-	15,476,933
Management and general	1,030,880	-	-	1,030,880
Fundraising and development	318,774	-	-	318,774
Real Estate	6,400,533	-	-	6,400,533
Affiliates	1,149,755	-	-	1,149,755
	24,376,875	-	-	24,376,875
CHANGE IN NET ASSETS	(1,554,269)	669,418	125,000	(759,851)
NET ASSETS, beginning of year as restated	27,467,330	2,741,004	2,298,520	32,506,854
NET ASSETS, end of year	\$ 25,913,061	\$ 3,410,422	\$ 2,423,520	\$ 31,747,003

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (759,851)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,720,548
Deferred interest on long-term mortgage	(281,441)
(Increase) decrease in:	
Accounts and grants receivable	(297,977)
Deposits	(65)
Prepaid expenses	170,554
Increase (decrease) in:	
Accounts payable	129,071
Accrued payroll and benefits	486,601
Deferred revenue	(108,741)
Deposits payable	151,467
	2,210,166
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease (increase) in restricted cash deposits	(24,516)
Proceeds (advances) in Fruitvale Transit Village II-A, L.P. investment	(7,992)
Repayment of advance to Fruitvale Transit Village Phase II-A, L.P.	1,500,000
Purchase of property, plant and equipment	(665,755)
Decrease (increase) in preconstruction costs	34,963
	836,700
NET CASH PROVIDED BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on notes payable	(1,257,557)
	(1,257,557)
NET CASH USED BY FINANCING ACTIVITIES	
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,789,309
CASH AND CASH EQUIVALENTS, beginning of year	3,960,979
CASH AND CASH EQUIVALENTS, end of year	\$ 5,750,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	\$ 545,745

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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 (PSC) 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. They provide maintenance, landscaping and Safety Neighborhood Ambassador Program (SNAP) to various companies, organizations as well as the Fruitvale Village other Unity Council program sites.

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 incorporated in 1982 in the State of California. 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, 2018

Note 1. FINANCIAL REPORTING ENTITY (Continued):

Organization and consolidated entities (continued):

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 consolidated into the Unity Council's financial statements.

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, 2018 and September 30, 2017. 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).

Supplemental schedules:

The supplemental schedules for Real Estate include Posada de Colores, Las Bougainvilleas and FDC. The supplemental schedules for Affiliates include PSC and COH.

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

Consolidation:

The accompanying consolidated financial statements include the accounts of the Unity Council, Fruitvale Development Corporation, Peralta Services Corporation, Posada de Colores, Casitas of Hayward and Las Bougainvilleas. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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

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:

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">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data, by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must 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.
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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 Fruitvale Village Transit II-A is now under construction 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. There are no intangible assets held by Unity Council as of September 30, 2018.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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

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.

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, Las Bougainvilleas and Fruitvale Development Corporation. The deposits are held in separate bank accounts and restricted in use to payment of delinquent rents, or refunds to tenants upon their leaving the housing unit.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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

Income taxes:

The Unity Council, Fruitvale Development Corporation, Las Bougainvilleas, Posada de Colores, 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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 5. ACCOUNTS AND GRANTS/CONTRACTS RECEIVABLE:

Receivables as of September 30, 2018 consisted of the following:

	<u>Accounts Receivable</u>	<u>Grants/ Contracts</u>	<u>Total</u>
Spanish Speaking Unity Council			
Pledges Receivable, net of discount	\$ 109,432	\$ -	\$ 109,432
Douglas Parking	28,409	-	28,409
City of Oakland - Career Center	-	31,836	31,836
City of Oakland -WIA/WIOA/Sector Access	-	35,196	35,196
City of Oakland-ELEB	-	66,733	66,733
OUSD-Latino Men & Boys	-	42,380	42,380
County of Alameda - Latino Men & Boys	-	77,844	77,844
City of Oakland - OFCY - OYE	-	19,890	19,890
Alameda County Cal Fresh Job Training	-	13,987	13,987
Alameda County Medical Asst Training	-	85,202	85,202
Alameda County-OCAP	-	16,333	16,333
Enterprise Community Partners	-	11,644	11,644
Neighbor Works-Project Reinvest	-	3,229	3,229
Anew America	-	12,500	12,500
LISC	-	10,292	10,292
City of Oakland - Senior Center	-	60,931	60,931
Alameda County - Senior Center	-	13,671	13,671
City of Oakland – HS	-	525,319	525,319
City of Oakland – EHS	-	542,388	542,388
Contra Costa County – HS	-	302,360	302,360
Dept. of HHS – EHSE	-	14,553	14,553
Alameda County - CalSafe	-	31,729	31,729
Oakland USD – CCTR	-	43,878	43,878
California Dept. of Education - CSPP	-	85,926	85,926
California Dept. of Education	-	92,778	92,778
Contra Costa County – EHS	-	8,287	8,287
Kidango CCTR	-	176,610	176,610
Subtotal	<u>137,841</u>	<u>2,325,497</u>	<u>2,463,338</u>
Real Estate			
Grants and Other Receivables < \$10K	20,634	-	20,634
Affiliates			
Trade Receivable - Peralta Service Corp.	<u>149,715</u>	<u>-</u>	<u>149,715</u>
TOTALS	<u>\$ 308,190</u>	<u>\$ 2,325,497</u>	<u>\$ 2,633,687</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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-use 275 unit 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 94 units of low income housing. On March 24, 2017, a MOU was executed between the Unity Council and Bridge Housing to develop 181 units of housing (Phase II-B). The City had previously granted site control on November 18, 2014 to the Unity Council.

The Unity Council advanced \$1,500,000 to Fruitvale Transit Village II-A to be used for predevelopment costs. The advance was repaid to Unity Council on December 26, 2017 when the construction financing for the project closed. Construction is in progress for Fruitvale Transit Village II-A and completion is anticipated November 2019.

Note 7. FAIR VALUE MEASUREMENTS:

The following table sets forth by level, the fair value hierarchy of the Unity Council's investments at fair value as of September 30, 2018:

	Investments at Fair Value as of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Casa de las Flores	\$ -	\$ -	\$ 148,667	\$ 148,667
Fruitvale Village Transit II-A, L.P.	-	-	1,332,183	1,332,183
Investments at fair value	\$ -	\$ -	\$ 1,480,850	\$ 1,480,850

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, 2018:

Balance, beginning of the year	\$ 1,472,758
Expenses	-
Transfers to Fruitvale Village Transit II-A, L.P.	8,092
Purchases, sales, issuances, and settlements (net)	-
Balance, end of year	\$ 1,480,850

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 8. PROPERTY, PLANT AND EQUIPMENT:

The balances of property, plant and equipment, at cost, are as follows at September 30, 2018:

Land	\$	4,433,196
Furniture and fixtures		2,261,482
Construction in process		1,437,039
Buildings and building improvements		<u>71,131,966</u>
		79,263,683
Less accumulated depreciation		<u>39,045,257</u>
Total	\$	<u><u>40,218,426</u></u>

Depreciation expense for the fiscal year ended September 30, 2018 was \$2,720,548.

Note 9. GROUND LEASE WITH THE BAY AREA RAPID TRANSIT DISTRICT:

On October 1, 2001, the FDC entered into a 95-year ground lease, including options, with the San Francisco Bay Area Rapid Transit District (BART) for the purpose of constructing commercial, community service and residential improvements for the Project. During the fiscal year ended September 30, 2002, the Corporation received a rent credit from BART at a value of \$7,247,134, which was recorded as a deferred charge on the statement of financial position. Based on the BART ground lease agreement, the Corporation earned simple interest (at Prime) on this asset between December 1, 2003 and October 29, 2010. On December 1, 2003, rent commenced on the ground lease. The balance of the prepayment credit, net of rent expense, as of September 30, 2018 and 2017 is \$2,655,093 and \$2,813,287, respectively. On October 29, 2010, the Corporation executed an amendment to the ground lease which resulted in significant changes to the structure of the rent credit. As a result of this restructure, the Corporation exchanged a portion of the credit for cash, dollar for dollar, in relation to a real estate transaction. The Corporation then used the cash proceeds from this exchange to pay down short-term and long-term debt obligations. The Corporation anticipates incurring ground lease rent costs as a cash expense beginning in 2032, when the remaining ground lease rent credit has been fully exhausted.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 10. LONG-TERM DEBT:

A summary of mortgages payable at September 30, 2018 is follows:

<u>Lender</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
Las Bougainvilleas: City of Oakland	\$ -	\$ 803,000	\$ 803,000
SSUC Construction Loan	14,606	483,554	498,160
U.S. Department of Housing and Urban Development - Posada de Colores	287,356	24,842	312,198
City of Oakland - Posada de Colores	-	610,961	610,961
Local Initiatives Support Corporation	-	866,361	866,361
FDC: Wells Fargo Bank	41,414	1,196,750	1,238,164
FDC: Oakland Joing Powers Bond	565,000	11,925,000	12,490,000
FDC: City of Oakland	-	853,611	853,611
FDC: City of Oakland - EEC	63,518	1,162,436	1,225,954
Total	<u>\$ 971,894</u>	<u>\$ 17,926,515</u>	<u>\$ 18,898,409</u>

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 \$994,175. 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 \$3,687,355 as of September 30, 2018.

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. Upon completion of construction, the loan converted to a permanent loan. Monthly payments commenced and included 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, 2018, the outstanding balance was \$498,160. 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 \$312,198. 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 \$2,001,504 as of September 30, 2018.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 10. LONG-TERM DEBT (Continued):

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, excluding debt issuance costs of \$5,626, plus accrued interest of \$163,743. 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, 2018, the loan balance was \$866,361. Interest rate is 6% throughout the term of the note.

Fruitvale Development Corporation obtained a \$3,300,000 loan through the City of Oakland Enhanced Enterprise Community (EEC) HUD Section 108 funds to develop and construct the Fruitvale Village Project. The Section 108 loan is subject to the terms and conditions of the promissory note. Pursuant to the terms of the promissory note, interest payments commenced on August 1, 1999 at a rate ranging from 2.0% to 6.9% FDC refinanced the loan with the City of Oakland on April 10, 2017 and made one-time payment of \$300,000 and agreed to make annual payments of \$120,000 in monthly installments of \$10,000 that commenced on May 1, 2017 and to continue at the original terms of the loan until the loan balance is fully paid. Balance outstanding at September 30, 2018 is \$1,225,954.

Fruitvale Development Corporation obtained a note payable in the amount of \$970,000 from Wells Fargo Bank (WFB), secured by the Masonic Temple and corporate guarantee of Spanish Speaking Unity Council. The note was refinanced on October 13, 2017. Interest on principal amounts outstanding accrues at 4.25%, paid monthly. FDC will make 59 monthly payments of \$6,314 and a final payment October 10, 2022 estimated at \$620,486. Balance outstanding at September 30, 2018 is \$806,328.

Fruitvale Development Corporation obtained a note payable in the amount of \$500,000 from Wells Fargo Bank, secured by the Masonic Temple and corporate guarantee of the Unity Council. The proceeds of this loan were used to finance improvements in the Project. Interest on principal amounts outstanding accrues at a fixed annual rate of 6.95%, paid monthly. The term of the loan is 10 years, due in September 2018, with a 30-year amortization. Balance outstanding at September 30, 2018 is \$431,835. The note was refinanced on October 16, 2018 to extend the maturity date to November 1, 2023.

Fruitvale Development Corporation obtained a residual receipts note payable in the amount of \$200,000 to the City of Oakland. The loan was secured to provide a landlord contribution to the Unity Council for the Community Cultural Center in the Masonic Temple. The note accrues interest at 3%, and principal payments are based on annual excess cash flows. Balance outstanding at September 30, 2018 is \$103,611.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 10. LONG-TERM DEBT:

The Oakland Joint Powers Authority issued FDC tax-exempt 501(c)(3) revenue bonds series 2001A (\$19.8 million) dated December 1, 2001, which were issued and sold on December 20, 2001. The proceeds of the bond issuance resulted in a loan to the Corporation which was used to finance the construction of FDC's Project. The bonds mature on July 1, 2033. Effective July 1, 2004, the bonds converted to a floating rate and are remarketed weekly. The interest rate paid weekly is approximated by the SIFMA Index, formerly the BMA Index. The interest rate paid on the bonds ranged from 0.85% to 1.33% between October 1, 2017 and September 30, 2018. Interest on the bonds is due and payable on the first Wednesday of each calendar month. The Citibank letter of credit securing the 510(c)(3) bonds series 2001A expires December 1, 2018 and requires quarterly principal payments FDC received an extension effective December 13, 2018 that extends the letter of credit to June 20, 2019. On November 9, 2012, the Corporation purchased a 6% interest rate cap hedging instrument for the 72 month period from January 1, 2013 through December 31, 2018 for \$69,500. Balance outstanding at September 30, 2018 is \$12,490,000.

Fruitvale Development Corporation obtained a \$750,000 loan by the City of Oakland, Housing Department, in August 2001. However, the loan was not funded to the Corporation until FY 2002-2003. The loan accrues interest at an annual rate of 3%. Principal and interest payments are paid with excess operating revenue over operating expenses from the Project and are due within 90 days after each calendar year. Final principal and interest payment, if not earlier paid in full from excess operating revenues over operating expenses, is due August 31, 2031. Balance outstanding at September 30, 2018 is \$750,000.

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

Year Ending September 30,	Las Bougainvilleas	Posada De Colores	Fruitvale Development	SSUC	Total
2019	\$ -	\$ 287,356	\$ 669,932	\$ 14,606	\$ 971,894
2020	-	24,842	689,380	15,315	729,537
2021	-	-	709,016	16,059	725,075
2022	-	-	748,850	16,838	765,688
2023	-	-	763,888	17,680	781,568
Thereafter	803,000	610,960	12,226,664	1,284,023	14,924,647
Totals	<u>\$ 803,000</u>	<u>\$ 923,158</u>	<u>\$ 15,807,730</u>	<u>\$ 1,364,521</u>	<u>\$ 18,898,409</u>

The Wells Fargo Bank and the City of Oakland residual receipt notes are secured by the Masonic Temple property, which had net book values of \$689,413 as of September 30, 2018 and 2017. The City of Oakland Housing note are all secured by the Fruitvale Village Project, which had net book values of \$29,463,255 as of September 30, 2018 and 2017.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 11. NET ASSETS:

Temporarily restricted net assets:

Temporarily restricted net assets as of September 30, 2018 are available for the following purposes:

Mission Support:	
Organizational Support – San Francisco Foundation	\$ 918,251
NWA Sustainable Development Fund	25,000
Resilient Fruitvale - Hellman Foundation	46,857
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	69,581
Workforce Development	307,050
VITA Program	5,074
Senior Services	10,927
Business Services - PBID	<u>270,984</u>
Subtotal - donor restricted	1,708,846
Senior Housing:	
HUD-required cash deposits for facility replacements and contingencies	<u>1,701,576</u>
	<u>\$ 3,410,422</u>

Temporarily restricted net assets as of September 30, 2018 were comprised of the following:

Cash retained in segregated money market accounts	\$ 3,392,152
Cash in operating account	<u>18,270</u>
Total	<u>\$ 3,410,422</u>

Designated net assets:

At September 30, 2018, designated non-current net assets were comprised of the following:

Investment in Fruitvale Village Phase II	\$ 942,183
NeighborWorks America expendable grants	62,000
Security cash deposit - pre-construction loan	504,963
Cash deposits for facility - tech review	<u>502</u>
Total	<u>\$ 1,509,648</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 11. NET ASSETS (Continued):

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, 2018, is as follows:

Casa Velasco	\$	150,000
Fruitvale Village – Phase I		100,000
Fruitvale Village – Phase II		390,000
Real Estate Development - General		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
Home Ownership - DPA		60,000
Posada de Colores		30,000
Posada de Colores - CFRAH		405,000
1st Use Capital		215,000
		215,000
Total	\$	2,423,520

Permanently restricted net assets as of September 30, 2018 were comprised of the following:

Cash - Sustainable Development Fund	\$	50,000
Cash - Home Ownership Down Payment Assistance Program		60,000
Cash - Predevelopment General		545,347
1st Use Capital - Posada de Colores		215,000
Property - all other projects		1,163,173
Phase II predevelopment costs		390,000
		390,000
Total permanently restricted net assets	\$	2,423,520

Note 12. MANAGEMENT CONTRACTS:

The Unity Council provides general management, property management, accounting and construction management services to Fruitvale Development Corporation (FDC). During fiscal year ended September 30, 2018, FDC was billed \$603,381 for these services which were eliminated in consolidation.

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. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 12. MANAGEMENT CONTRACTS (Continued):

Management fees, eliminated in consolidation, for Posada de Colores and Las Bougainvilleas were \$75,871 and \$49,035, respectively, for the fiscal year ended September 30, 2018.

Note 13. RENT/LEASES:

The Unity Council leases office space for many of its programs including four spaces with FDC and 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 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 business lease.

Below is a schedule by years of minimum future rental payments to unrelated entities:

<u>Year Ending 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>

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, 2018 are, however, monitored and reported to the appropriate funding agency, when applicable, and are summarized as follows:

	<u>Senior Center</u>	<u>Early/Head Start</u>	<u>Total</u>
Donated Services	<u>\$ 2,489</u>	<u>\$4,770,347</u>	<u>\$4,772,836</u>

The value of the volunteer services for the Head Start program is determined at the lowest paid teacher hourly rate plus fringe benefits. In 2018, The Unity Council received a \$96,024 in-kind donation of rent for a facility that is used by the EHSE program. All other services are shown at fair market value.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

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 Nationwide Mutual Insurance 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, 2018, employee contributions of \$373,674 have been made to this plan, and \$249,320 employer match contributions have been made.

Note 16. RELATED PARTY TRANSACTIONS:

Casa Velasco:

The Unity Council has receivables from the Casa Velasco partnership totaling \$7,500 at September 30, 2018, including partnership and property management fees.

Note 17. PRIOR PERIOD RESTATEMENT AND FDC CONSOLIDATION:

For the year ended September 30, 2017, FDC was not presented on a consolidated basis with the Unity Council financial statements. It was presented as a related party. The Financial Accounting Standards Board issued Accounting Standards Update 2015-02, which amends the general consolidation guidance. For the year ended September 30, 2018, under the new guidance, FDC met the criteria of control and economic interest and was required to be consolidated with the Unity Council. The modified retrospective approach of recording cumulative-effect adjustment to net assets as of the beginning of the fiscal year was applied.

SSUC incurred costs as part of the preconstruction development of Posada and Phase II. \$709,996 of the costs, instead of being capitalized as part of the basis of the property were expensed in prior years. In order to properly capitalize the costs, a prior period adjustment to net assets and construction in progress was made

The below table summarizes the adjustments to beginning net assets as of October 1, 2017:

SSUC net assets without FDC as of September 30, 2017	\$ 13,985,387
FDC net assets as of September 30, 2017	17,811,471
Capitalized development costs	<u>709,996</u>
Total beginning net assets as of October 1, 2017	<u>\$ 32,506,854</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – SEPTEMBER 30, 2018

Note 18. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through April 15, 2019, 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.

On October 31, 2018 Posada De Colores, a property owned by SSUC, was sold to Posada De Colores, Limited Partnership (PLP) for total consideration of \$20,233,487. The purpose of the sale is to refinance the property and generate funds to rehabilitate the property. The general partner of PLP will be a related entity to SSUC. The following was received in the sale:

\$ 290,599	Department of Housing & Urban Development loan payoff
217,560	City of Oakland Redevelopment Agency loan payoff #1
553,926	City of Oakland Redevelopment Agency loan payoff #2
800,000	SSUC loan to PLP for construction costs
4,317,460	SSUC cash (held in escrow until permanent financing in place)
<u>14,053,942</u>	SSUC carryback loan as permanent financing
<u><u>\$ 20,233,487</u></u>	

Fruitvale Transit Village Phase II-B is the third and final stage of the mixed-income, mixed-use, transit-oriented development of the Fruitvale Transit Village. In partnership with Bridge Housing, Phase II-B will provide 181 units of affordable family housing. As part of the predevelopment financing, The Unity Council and Bridge Housing entered into a \$1,000,000 Line of Credit agreement with Raza Development Fund, Inc. on October 31, 2018. As part of this agreement, the Unity Council executed a full recourse promissory note for \$500,000.

Casa Velasco:

Ownership of Casa Velasco limited partnership changed as of December 31, 2018. The project was financed, in part, with equity from an investor, National Equity Fund, who derived financial benefit from its 99.99% limited partner ownership interest in the property. Now, at the end of the 15 year tax credit compliance period, the investor, effective December 31, 2018 is withdrawing their limited partner interest for consideration of \$1. Also, on December 31, 2018, the Unity Council was admitted as the limited partner.

On January 28, 2019 Casa de las Flores Limited, with a partnership interest of 0.005%, withdrew as the administrative general partner and Casitas of Hayward Inc., the managing general partner, with a partnership interest of 0.005%, increased their partnership interest to 0.01%, in order to simplify the ownership structure.

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

SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2018

**SPANISH SPEAKING UNITY COUNCIL OF
ALAMEDA COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SEPTEMBER 30, 2018**

	Spanish Speaking Unity Council	Real Estate Total	Affiliate Total	09/30/18 Unconsolidated Balances	Intercompany Eliminations		09/30/18 Consolidated Balances
ASSETS							
Current assets							
Cash and cash equivalents	\$ 4,540,090	\$ 1,143,001	\$ 67,197	\$ 5,750,288	\$ -	\$ -	\$ 5,750,288
Accounts and grants receivable	2,463,338	20,634	149,715	2,633,687	-	-	2,633,687
Deposits	6,500	53,476	-	59,976	-	-	59,976
Deferred charge	-	2,655,093	-	2,655,093	-	-	2,655,093
Prepaid expenses and other current assets	32,842	96,226	34,309	163,377	-	-	163,377
Total current assets	<u>7,042,770</u>	<u>3,968,430</u>	<u>251,221</u>	<u>11,262,421</u>	<u>-</u>	<u>-</u>	<u>11,262,421</u>
Noncurrent assets							
Due from Intercompany Affiliate	1,124,077	326,018	95,303	1,545,398	-	1,545,398	-
Investment in Casa de las Flores/Casa Velasco	148,735	-	(68)	148,667	-	-	148,667
Investment in Fruitvale Transit Village II-A, L.P.	1,332,183	-	-	1,332,183	-	-	1,332,183
Note receivable from FTV Phase II-A, L.P.	-	-	-	-	-	-	-
Advance to PSC - SNAP Program & Other	592,323	-	-	592,323	-	592,323	-
Restricted cash deposits and reserve for replacements	505,475	1,775,877	-	2,281,352	-	-	2,281,352
Total noncurrent assets	<u>3,702,793</u>	<u>2,101,895</u>	<u>95,235</u>	<u>5,899,923</u>	<u>-</u>	<u>2,137,721</u>	<u>3,762,202</u>
Total property, plant and equipment (net)	<u>4,375,235</u>	<u>35,843,192</u>	<u>-</u>	<u>40,218,427</u>	<u>-</u>	<u>-</u>	<u>40,218,427</u>
TOTAL ASSETS	<u>\$ 15,120,798</u>	<u>\$ 41,913,517</u>	<u>\$ 346,456</u>	<u>\$ 57,380,771</u>	<u>\$ -</u>	<u>\$ 2,137,721</u>	<u>\$ 55,243,050</u>
LIABILITIES AND NET ASSETS							
Current liabilities							
Accounts payable	\$ 831,101	\$ 437,272	\$ 52,041	\$ 1,320,414	\$ 311,334	\$ -	\$ 1,009,080
Accrued payroll and benefits expense	717,463	441,899	43,973	1,203,335	-	-	1,203,335
Deferred revenue	881,426	802	-	882,228	-	-	882,228
Deposits payable	16,707	199,498	-	216,205	-	-	216,205
Mortgages payable - current portion	14,606	957,288	-	971,894	-	-	971,894
Total current liabilities	<u>2,461,303</u>	<u>2,036,759</u>	<u>96,014</u>	<u>4,594,076</u>	<u>311,334</u>	<u>-</u>	<u>4,282,742</u>
Long-term liabilities							
Accrued interest payable	45,867	1,157,918	-	1,203,785	-	-	1,203,785
Mortgages payable	1,349,915	16,576,601	-	17,926,516	-	-	17,926,516
DPA & Home Rescue Loan Funds	83,005	-	-	83,005	-	-	83,005
Due to SSUC - SNAP Program	-	-	592,323	592,323	592,323	-	-
Due to Intercompany Affiliate	326,018	-	908,046	1,234,064	1,234,064	-	-
Total long-term liabilities	<u>1,804,805</u>	<u>17,734,519</u>	<u>1,500,369</u>	<u>21,039,693</u>	<u>1,826,387</u>	<u>-</u>	<u>19,213,306</u>
Total liabilities	<u>4,266,107</u>	<u>19,771,278</u>	<u>1,596,383</u>	<u>25,633,768</u>	<u>2,137,721</u>	<u>-</u>	<u>23,496,047</u>
Net assets							
Unrestricted	5,647,677	20,005,662	(1,249,927)	24,403,412	-	-	24,403,412
Unrestricted - designated for investment in FV Phase II	942,182	-	-	942,182	-	-	942,182
Unrestricted - designated for restricted cash deposits	505,466	-	-	505,466	-	-	505,466
Unrestricted - designated for NWA expendable grants	62,000	-	-	62,000	-	-	62,000
Temporarily restricted	1,708,846	-	-	1,708,846	-	-	1,708,846
Temporarily restricted - designated for cash deposits restricted for facility replacements & contingencies	-	1,701,577	-	1,701,577	-	-	1,701,577
Permanently restricted - NWA capital grants	1,988,520	435,000	-	2,423,520	-	-	2,423,520
Total net assets	<u>10,854,691</u>	<u>22,142,239</u>	<u>(1,249,927)</u>	<u>31,747,003</u>	<u>-</u>	<u>-</u>	<u>31,747,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,120,798</u>	<u>\$ 41,913,517</u>	<u>\$ 346,456</u>	<u>\$ 57,380,771</u>	<u>\$ 2,137,721</u>	<u>\$ -</u>	<u>\$ 55,243,050</u>

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, 2018**

	<u>Spanish Speaking Unity Council</u>	<u>Total Real Estate</u>	<u>Total Affiliates</u>	<u>Intercompany Eliminations</u>	<u>Consolidated Total</u>
Support and Revenues:					
Private support and revenues:					
Donations:					
Corporations and businesses	\$ 413,384	\$ -	\$ -	\$ -	\$ 413,384
Individuals and others	73,028	-	-	-	73,028
Total donations	486,412	-	-	-	486,412
Agencies/Intermediaries	137,276	-	-	-	137,276
Foundations	2,032,549	-	-	-	2,032,549
Programs/Contracts	1,633,536	-	1,618,960	(1,660,013)	1,592,483
Rents	698,083	6,338,878	-	(622,585)	6,414,376
Investment Income	20,755	5,006	-	-	25,761
Other revenue	13,218	18,141	-	-	31,359
Total private support and revenues	5,021,829	6,362,025	1,618,960	(2,282,598)	10,720,216
Governmental support and revenues	12,896,809	-	-	-	12,896,809
Total Support and Revenues	17,918,638	6,362,025	1,618,960	(2,282,598)	23,617,025
Expenses:					
Personnel:					
Salaries and Wages	8,572,729	548,745	845,024	-	9,966,498
Fringe Benefits and taxes	2,365,579	182,122	240,211	-	2,787,912
Total Personnel	10,938,308	730,867	1,085,236	-	12,754,410
Non-Personnel					
Contract Services	1,643,644	550,355	407,114	(1,199,662)	1,401,453
Operating Costs	955,670	2,931,306	66,265	(460,351)	3,492,891
Occupancy Costs	1,794,366	350,879	42,563	(622,585)	1,565,223
Interest and Financing	30,060	514,947	738	-	545,745
Program/Project Costs	1,803,608	-	93,000	-	1,896,610
Depreciation	472,753	2,247,795	-	-	2,720,548
Total Non-Personnel	6,700,102	6,595,283	609,680	(2,282,598)	11,622,468
Total Expenses	17,638,409	7,326,150	1,694,916	(2,282,598)	24,376,878
Change in Net Assets	280,229	(964,124)	(75,956)	-	(759,851)
Net Assets (Deficit), October 1 as restated	10,574,462	23,106,364	(1,173,972)	-	32,506,854
Net Assets (Deficit), End of Period	\$ 10,854,691	\$ 22,142,240	\$ (1,249,928)	\$ -	\$ 31,747,003

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, 2018**

<u>Alameda County Social Services Agency</u>	<u>SSUC Fund Number</u>	<u>Grantor Contract/Exhibit Number</u>	<u>Federal CFDA Number</u>	<u>Program or Award Dates</u>	<u>Federal Share</u>	<u>State Share</u>	<u>County Share</u>	<u>Total Award</u>	<u>Total Award Expenditures FYE 9/30/18</u>
CalWORKs Job Training and Placement Services	4367	900210-16220	93.558	05/01/18 - 04/30/19	\$ 93,242	\$ -	\$42,483	\$ 135,725	\$ 135,725
Cal Fresh:									
Alameda County CalFresh Partnership Program	4362	N/A	10.561	02/01/18 - 06/30/18	2,250	-	2,250	4,500	4,500
Alameda County CalFresh Employment and Training	4364	N/A	10.561	07/01/17 - 06/30/18	13,008	-	-	13,008	13,008
Total Cal Fresh					<u>15,258</u>	<u>-</u>	<u>2,250</u>	<u>17,508</u>	<u>17,508</u>
Senior Support Services & Senior Centers:									
Supportive Services and Senior Centers	7080	900210-17559	93.044	07/01/18 - 06/30/19	16,800	-	8,200	25,000	6,298
Special Program for the Aging Title III Part B Grant	7079	900210-15925	93.044	07/01/17 - 06/30/18	12,852	-	13,156	26,008	23,013
Total Senior Support & Services Centers					<u>29,652</u>	<u>-</u>	<u>21,356</u>	<u>51,008</u>	<u>29,311</u>
Total Program or Award Amount								<u>\$ 204,241</u>	
Total Expenditures of Federal Awards									<u>\$ 182,544</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, 2018**

	<u>SSUC Fund Number</u>	<u>Grantor/ Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Program or Award Period</u>	<u>Program or Award Amount</u>	<u>FY 17/18 Expenditures</u>
<u>U.S. Department of Health and Human Services</u>						
Direct:						
Administration for Children & Families Office of Community Services						
Early Head Start Expansion	2285	09CH9173-04	93.600	01/01/18 - 12/31/18	\$ 1,142,977	\$ 846,659
Early Head Start Expansion	2285	09CH9173-03	93.600	01/01/17 - 12/31/17	1,142,977	460,159
Head Start - Contra Costa County	2252	09CH9116-06	93.600	01/01/18 - 12/31/18	1,824,352	1,299,431
Head Start - Contra Costa County	2252	09CH9116-05	93.600	01/01/17 - 12/31/17	1,824,352	601,713
Early Head Start - Contra Costa County	2262	09CH9116-06	93.600	01/01/18 - 12/31/18	1,000,937	747,980
Early Head Start - Contra Costa County	2262	09CH9116-05	93.600	01/01/17 - 12/31/17	1,000,937	247,872
					<u>7,936,532</u>	<u>4,203,813</u>
Passed through the City of Oakland:						
Head Start	2200	09CH10399	93.600	07/01/17 - 06/30/18	2,148,049	1,506,008
Head Start	2200	09CH10399-001	93.600	07/01/18 - 06/30/19	2,202,945	507,156
Early Head Start	2270	09CH010399	93.600	07/01/17 - 06/30/18	2,386,034	1,773,073
Early Head Start	2270	09CH10399-201	93.600	07/01/18 - 06/30/19	2,446,827	552,367
AC/OCAP Departmet of Health and Human Services	4370	N/A	93.569	01/01/17 - 12/31/17	65,000	27,673
AC/OCAP Departmet of Health and Human Services	4370	N/A	93.569	01/01/18 - 12/31/18	67,600	57,399
					<u>9,316,455</u>	<u>4,423,676</u>
Passed through the County of Alameda:						
Special Program for the Aging Title III Part B Grants -	7079	900210-15925	93.044	07/01/17 - 06/30/18	12,852	9,857
Special Program for the Aging Title III Part B Grants -	7080	900210-15925	93.044	07/01/18 - 06/30/19	16,800	6,298
Alameda County Social Service Agency	4367	N/A	93.558	05/01/18 - 09/30/18	93,242	93,242
					<u>122,894</u>	<u>109,397</u>
Total U.S. Department of Human Services						<u>\$ 8,736,886</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, 2018**

	SSUC Fund Number	Grantor/ Pass-through Number	Federal CFDA Number	Program or Award Period	Program or Award Amount	FY 17/18 Expenditures
<u>U.S. Department of Housing & Urban Development</u>						
Direct:						
Economic Development Initiative (EDI)						
Lower Income Housing Program						
Section B Moderate Rehabilitation - Rent subsidy						
	PDC	121-EH016	14.856	10/01/17 - 09/30/18	\$ 1,110,604	\$ 1,059,713
					1,110,604	1,059,713
Housing for the elderly or Handicapped PDC						
	PDC	121-EH016	14.157	08/01/78 - 10/01/19	4,080,000	312,198
					4,080,000	312,198
Section 4 Grant - Passed through Enterprise Community Partners, Inc.						
Enterprise Community Partners, Inc. Affordable Housing Assistance						
	4371	N/A	14.252	10/01/17 - 02/28/19	40,000	19,387
					40,000	19,387
Section 4 Grant - Passed through Local Initiatives Support Corporation (LISC)						
Local initiatives Support Corporation (LISC)						
	6375	40859-0036	14.252	07/01/18 - 03/31/19	25,000	10,180
Local initiatives Support Corporation (LISC)						
	4315	40859-0036	14.252	10/01/17 - 09/30/18	20,000	2,322
Local initiatives Support Corporation (LISC)						
	6375	40859-0036	14.252	10/01/16 - 12/31/17	75,000	13,302
					120,000	25,804
Total U.S. Department of Housing & Urban Renewal						\$ 1,417,102

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, 2018**

	SSUC Fund Number	Grantor/ Pass-through Number	Federal CFDA Number	Program or Award Period	Program or Award Amount	FY 17/18 Expenditures
<u>U.S. Department of Agriculture</u>						
Passed through Alameda County:						
Alameda County CalFresh Partnership Program	4362	N/A	10.561	02/01/18 - 06/30/18	\$ 2,250	\$ 2,250
Alameda County CalFresh Employment and Training	4364	N/A	10.561	10/01/17 - 09/30/18	13,008	13,008
					<u>15,258</u>	<u>15,258</u>
Passed through the California State Department of Education:						
Child and Adult Care Food Program	2220	01-1922-3A	10.558	10/01/17 - 09/30/18	376,524	376,524
Total U.S. Department of Agriculture					<u>391,782</u>	<u>391,782</u>
<u>U.S. Department of Labor</u>						
Passed through the City of Oakland:						
Workforce Investment Act (WIOA) - Sector Access	4314	N/A	17.258	07/01/17 - 06/30/18	152,500	108,763
Workforce Investment Act (WIOA) - Sector Access	4314	N/A	17.258	07/01/18 - 06/30/19	235,664	22,969
Workforce Investment Act (WIOA) - Youth	4329	N/A	17.258	07/01/17 - 06/30/18	209,776	157,457
Workforce Investment Act (WIOA) - Youth	4239	N/A	17.258	07/01/18 - 06/30/19	209,776	26,415
Total U.S. Department of Labor					<u>807,716</u>	<u>315,604</u>
<u>U.S. Department of the Treasury</u>						
NeighborWorks America (NWA)	1005	N/A	21.000	10/01/17 - 09/30/18	171,300	-
NeighborWorks America (NWA)	1000	N/A	21.000	10/01/17 - 09/30/18	111,500	111,500
NeighborWorks America (NWA)	1023	N/A	21.000	10/01/17 - 09/30/18	7,000	4,535
NeighborWorks America (NWA)	4317	N/A	21.000	10/01/17 - 09/30/18	28,620	22,786
NeighborWorks America (NWA)	9601	N/A	21.000	10/01/17 - 09/30/18	215,000	-
Total U.S. Department of the Treasury					<u>533,420</u>	<u>138,821</u>
<u>Internal Revenue Service</u>						
Passed through United Way of the Bay Area:						
Volunteer Income Tax Assistance (VITA) program	5258	N/A	21.009	10/01/17 - 09/30/18	10,000	10,000
Total Internal Revenue Service					<u>10,000</u>	<u>10,000</u>
Total Program or Award Amount					<u>\$ 24,469,403</u>	
Total Expenditures of Federal Awards						<u>\$ 11,010,195</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, 2018

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 \$312,198 as of September 30, 2018. 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, 2018, 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, 2018

SUMMARY OF AUDITORS' RESULTS:

- 1) The auditors' report expresses an unmodified opinion on whether the consolidated 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 consolidated 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 consolidated 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



**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, 2018, 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 April 15, 2019.

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 accounting corporation

Certified Public Accountants

Oakland, California

April 15, 2019



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, 2018. 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, 2018.

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

April 15, 2019