Harrington Group
Certified Public Accountants, LLP

RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS and SUPPLEMENTAL INFORMATION

JUNE 30, 2015

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
Tel: 626.403.6801
Fax: 626.403.6866

A Trusted Nonprofit Partner

Experience. Service. Respect.

www.npocpas.com

SAN FRANCISCO
50 Francisco St
Suite 160
San Francisco, CA 94133
Tel: 415.391.3131
Fax: 415.391.3233

C O N T E N T S

Harrington Group

Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rubicon Programs Incorporated and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rubicon Programs Incorporated and Affiliates (nonprofit organizations), which comprise the Consolidated Statement of Financial Position as of June 30, 2015, and the related Consolidated Statements of Activities, Functional Expenses, 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 consolidated 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 did not audit the financial statements of Rubicon Homes, Inc. for the year ended June 30, 2015, the equity (deficit) in which, as discussed in Note 2 to the consolidated financial statements, is accounted for by the equity method of accounting. At June 30, 2015, the equity in Rubicon Homes, Inc. was a deficit of ($125,201) and the change in net assets was $51,974 for the year then ended. The financial statements of Rubicon Homes, Inc. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rubicon Homes, Inc. is based solely on the report of the other auditors. In addition, we did audit the financial statements of Rubicon Enterprises Incorporated as of and for the year ended June 30, 2015; and in our report dated September 21, 2015 we expressed an unqualified opinion on those financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
Tel: 626.403.6801
Fax: 626.403.6866

A Trusted Nonprofit Partner
Experience. Service. Respect.
www.npocpas.com

SAN FRANCISCO
50 Francisco St
Suite 160
San Francisco, CA 94133
Tel: 415.391.3131
Fax: 415.391.3233

Opinion

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rubicon Programs Incorporated and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Summarized Comparative Information

We have previously audited Rubicon Programs Incorporated and Affiliates' 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 18, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Harrington Group

San Francisco, California
September 22, 2015

RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2015
With comparative totals at June 30, 2014

	Unrestricted	Temporarily Restricted	2015	2014
Assets				
Current assets				
Cash and cash equivalents (Note 2)	$ 900,645	$ 114,637	**$ 1,015,282**	$ 1,809,971
Accounts receivable - net of allowance of $11,091 (Note 3)	2,921,612		**2,921,612**	2,262,023
Pledges receivable (Note 4)	3,400	250,000	**253,400**	309,500
Notes and interest receivable (Note 5)	275,925		**275,925**	117,798
Receivable from other related parties	335,735		**335,735**	-
Prepaid expenses	166,534		**166,534**	249,824
Deposits and other assets	10,792		**10,792**	1,077,380
Total current assets	4,614,643	364,637	**4,979,280**	5,826,496
Non-current assets				
Property and equipment (Note 7)	4,172,665		**4,172,665**	9,549,587
Total non-current assets	4,172,665	-	**4,172,665**	9,549,587
Total assets	$ 8,787,308	$ 364,637	**$ 9,151,945**	$ 15,376,083
Liabilities and net assets				
Current liabilities				
Accounts payable	$ 718,179	$ -	**$ 718,179**	$ 564,222
Accrued liabilities (Note 8)	1,388,003		**1,388,003**	2,183,390
Line of credit (Note 9)	257,000		**257,000**	215,841
Funds held in trust (Note 10)	222,543		**222,543**	246,312
Capital lease obligation - current protion (Note 11)	59,309		**59,309**	44,608
Notes payable - current portion (Note 13)	280,881		**280,881**	632,068
Deficit in partnerships and HUD project (Note 12)	125,201		**125,201**	177,175
Total current liabilities	3,051,116	-	**3,051,116**	4,063,616
Non-current liabilities				
Capital lease obligation (Note 11)	80,676		**80,676**	95,244
Notes payable (Note 13)	2,901,022		**2,901,022**	5,154,172
Total non-current liabilities	2,981,698	-	**2,981,698**	5,249,416
Total liabilities	6,032,814	-	6,032,814	9,313,032
Net assets				
Unrestricted	1,707,132		**1,707,132**	5,374,354
Board designated (Note 2)	1,047,362		**1,047,362**	254,459
Temporarily restricted (Note 16)		364,637	**364,637**	434,238
Total net assets	2,754,494	364,637	**3,119,131**	6,063,051
Total liabilities and net assets	$ 8,787,308	$ 364,637	**$ 9,151,945**	$ 15,376,083

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

RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2015
With comparative totals for the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and support				
Program service contracts and grants	$ 10,401,286	$ -	**$ 10,401,286**	$ 9,345,709
Landscape services	5,005,686		**5,005,686**	4,805,403
Contributions and grants	1,385,378	608,528	**1,993,906**	1,735,850
Rental income	324,455		**324,455**	1,231,479
Legal Services Center	674,141		**674,141**	953,566
Other income	611,925		**611,925**	397,414
In-kind contributions (Note 2)	12,600		**12,600**	9,320
Income from HUD Project	51,974		**51,974**	63,800
Net assets released from program restrictions	678,129	(678,129)	**-**	-
Total revenue and support	19,145,574	(69,601)	**19,075,973**	18,542,541
Expenses				
Program services:				
Supporting services and training programs	11,557,663		**11,557,663**	11,114,849
Housing programs	636,341		**636,341**	1,516,122
Social enterprises	4,606,161		**4,606,161**	4,500,618
Supportive services:				
Management and general	942,256		**942,256**	708,571
Fundraising	578,358		**578,358**	542,248
Total expenses	18,320,779	-	**18,320,779**	18,382,408
Change in net assets	824,795	(69,601)	**755,194**	160,133
Net assets, beginning of year	5,628,813	434,238	**6,063,051**	5,056,643
Transfer of net assets (Note 19)	(3,699,114)		**(3,699,114)**	846,275
Net assets, end of year	$ 2,754,494	$ 364,637	**$ 3,119,131**	$ 6,063,051

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

RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015
With comparative totals for the year ended June 30, 2014

	Mental Health & Wellness	**Economic Empowerment**	**Legal Services Center**	**Housing Management**	**Landscape Services**	**General and Administration**	**Fundraising**	**Total Expenses 2015**	2014
Personnel Costs:									
Salaries	$ 1,399,981	$ 3,851,873	$ 698,699	$ -	$ 2,107,208	$ 1,832,062	$ 272,619	**$ 10,162,442**	$ 9,488,132
Employee benefits and payroll taxes	339,495	909,486	124,139		813,671	377,836	47,948	**2,612,575**	2,754,607
Total personnel costs	1,739,476	4,761,359	822,838	-	2,920,879	2,209,898	320,567	**12,775,017**	12,242,739
Operating Expenses:									
Occupancy	177,601	488,838	52,837		168,171	186,800	13,526	**1,087,773**	1,595,006
Office expenses	137,397	325,051	78,664	305,842	142,327	348,887	111,651	**1,449,819**	1,135,852
Consultants and subcontractors	2,508	945,202		11,005	27,268	178,257	49,965	**1,214,205**	1,308,923
Participant support	33,036	261,867	124			1,878	616	**297,521**	553,795
Product costs					478,777			**478,777**	604,629
Finance				206,766				**206,766**	223,854
Transportation and mileage	59,446	76,295	9,854		256,131	23,405	557	**425,688**	386,350
In-kind expense							12,600	**12,600**	9,320
Depreciation	32,235	56,331	17,655	112,728	83,808	68,210	1,646	**372,613**	321,940
Total operating expenses	442,223	2,153,584	159,134	636,341	1,156,482	807,437	190,561	**5,545,762**	6,139,669
Indirect expenses	352,623	953,908	172,518	-	528,800	(2,075,079)	67,230	**-**	-
Total 2015 functional expenses	**$ 2,534,322**	**$ 7,868,851**	**$ 1,154,490**	**$ 636,341**	**$ 4,606,161**	**$ 942,256**	**$ 578,358**	**$ 18,320,779**	
Total 2014 functional expenses	$ 3,201,686	$ 6,731,292	$ 1,181,871	$ 1,516,122	$ 4,500,618	$ 708,571	$ 542,248		$ 18,382,408

RUBICON PROGRAMS INCORPORATED AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2015
With comparative totals for the year ended June 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 755,194	$ 160,133
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Cash impact of transfer of assets	(942,975)	(956,755)
Depreciation and amortization	372,613	321,940
(Gain) loss from investment in partnerships and HUD project	(51,974)	171,012
Change in allowance for doubtful accounts	(55,762)	(12,122)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(603,827)	(576,980)
Decrease (increase) in pledges receivable	56,100	(66,500)
(Increase) decrease in receivable from other related parties	(335,735)	488,273
Decrease (increase) in prepaid expenses	83,290	(72,996)
Decrease (increase) in deposits and other assets	1,066,588	(50,094)
Increase in accounts payable	153,957	180,515
(Decrease) increase in accrued liabilities	(795,387)	868,892
(Decrease) increase in funds held in trust	(23,769)	38,914
Net cash (used) provided by investing activities	(321,687)	494,232
Cash flows from investing activities:		
New proceeds from notes receivable	(4,000)	(4,000)
Payments on notes receivables	23,208	15,160
Purchase of property and equipment	(333,616)	(374,632)
Net cash (used) by investing activities	(314,408)	(363,472)
Cash flows from financing activities:		
Payments on line of credit	(7,627,841)	(87,158)
Proceeds from borrowings on line of credit	7,669,000	-
Payments on capital lease obligations	(48,586)	(10,214)
Proceeds from borrowings on notes payable	156,045	255,093
Payments on notes payable	(307,212)	(265,575)
Net cash (used) by financing activities	(158,594)	(107,854)
Net (decrease) increase in cash and cash equivalents	(794,689)	22,906
Cash and cash equivalents, beginning of year	1,809,971	1,787,065
Cash and cash equivalents, end of year	$ 1,015,282	$ 1,809,971
Supplemental disclosure:		
Cash paid for interest	$ 155,588	$ 155,496
Non-cash investing and financing activities:		
Acquisition of vehicles with capital lease	$ 48,719	$ 150,066

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

1. Organization

A nationally recognized nonprofit, Rubicon Programs Incorporated ("Rubicon") was founded in 1973. The organization's mission is to prepare very low-income people to achieve financial independence and to partner with people with mental illness on their journey of recovery. Each year, Rubicon serves more than 3,000 people across Alameda County and Contra Costa County.

People in the East Bay's hardest hit communities need intensive support and follow-up services to access the jobs and opportunities that will enable them to move and stay out of poverty. Rubicon finds support that's right for each individual and their family – a personalized, comprehensive set of services that includes job placement, housing, counseling, healthcare, legal services, and financial literacy.

Additionally, Rubicon also offers extensive vocational rehabilitation, job training, and placement opportunities through Rubicon Landscape Services operated by their affiliate, Rubicon Enterprises Incorporated ("REI").

2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of Rubicon and its commonly controlled not-for-profit entities (collectively referred to as "the Organization"). A summary of these entities follows:

REI, established in 1995, is a supporting organization of Rubicon and provides employment opportunities, rehabilitation, and training to homeless, disabled, and other disadvantaged residents of the San Francisco Bay Area and Contra Costa County. REI currently operates one enterprise, Rubicon Landscape Services.

Rubicon Villages, Inc. ("RVI"), established in 2001, was a supporting organization of Rubicon that provided affordable housing through a property subleased from Treasure Island Development Authority and rehabilitated in 2002. The property consisted of forty-four residential housing units located at the former Naval Station Treasure Island, San Francisco, California, and was placed in service in March 2003.

As of July 1, 2014, all interests in RVI were transferred to the Community Housing Partnership of San Francisco (see Note 19).

2. Summary of Significant Accounting Policies, continued

Rubicon Homes, Inc. ("RHI") is a commonly controlled nonprofit organization which owns and operates a ten-unit apartment building located in Richmond, California ("the Project"). The Project operates under Section 202 of the National Housing Act and is thus subject to compliance with the U.S. Department of Housing and Urban Development ("HUD") regulations regarding their rental rates, tenant eligibility, financial operating requirements, and management of the Project's operations.

Idaho Apartments Housing Corporation ("IAHC") is a general partner with a .01% interest in Idaho Apartments Associates, a limited partnership formed in 1996 to own and operate a twenty-nine-unit multifamily rental project located in El Cerrito, California.

On February 1, 2014 Rubicon was admitted as the limited partner of Idaho Apartments Associates obtaining the 99.99% interest of the partnership. For this reason, these consolidated financial statements combine 100% of the activities in the partnership as of that date.

Church Lane Housing Corporation ("CLHC") is a general partner with a 1% interest in Church Lane–Rubicon Partners, a limited partnership formed in 1995 to own and operate a twenty-two-unit residential apartment complex in San Pablo, California.

On February 1, 2014 Rubicon was admitted as the limited partner of Church Lane–Rubicon Partners obtaining the 99% interest of the partnership. For this reason, these consolidated financial statements combine 100% of the activities in the partnership as of that date (see Note 19).

Effective November 1, 2014, Rubicon transferred all its interests in Idaho Apartments Associates and Church Lane–Rubicon Partners to the Resources for Community Development of Berkeley (see Note 19).

All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

The HUD project with RHI, over which the Organization exercises significant influence, is included in the consolidated financial statements using the equity method of accounting (see Note 18).

Accounting

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

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

2. Summary of Significant Accounting Policies, continued

Unrestricted – Board designated. These are comprised of resources that the Board of Directors has established as being designated for particular purposes. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2015, with a balance of $1,047,362.

Temporarily Restricted. The organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from program or capital restrictions. The Organization had $364,637 of temporarily restricted net assets at June 30, 2015.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2015.

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in banks and money market fund accounts.

Accounts Receivable

The Organization uses the allowance method in order to reserve for potential uncollectible accounts receivable.

Contributions and Pledges Receivable

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

Fair Value Measurements

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

Level 1 inputs - quoted prices in active markets for identical assets
Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs - estimates using the best information available when there is little or no market

continued

2. Summary of Significant Accounting Policies, continued

The Organization is required to measure pledges receivable and in-kind contributions at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

Property and Equipment and Deferred Costs

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

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

Deferred costs are incurred in order to obtain long-term financing for rental property. The costs are stated at cost and amortized on a straight-line basis.

Donated Materials

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

For the year ended June 30, 2015, the Organization recorded in-kind material in the amount of $12,600 (see Note 6).

Income Taxes

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

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

Functional Allocation of Expenses

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

continued

2. Summary of Significant Accounting Policies, continued

Equity (Deficit) in Partnerships and HUD Project

The Organization's Board of Directors also appoints or has Board representation at a not-for-profit organization that owns and operates an affordable housing rental project under the control of HUD. The equity method of accounting is used to account for the equity (deficit) of the HUD project because significant control rests with HUD (see Note 18) for summarized financial information of the entities accounted for using the equity method herein.

Use of Estimates

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

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2014 from which the summarized information was derived.

3. Accounts Receivable

Accounts receivable at June 30, 2015 consist of the following:

Reimbursement for contract services and grants	$2,499,152
Landscape services	294,269
Other	139,282
	2,932,703
Less: allowance for doubtful accounts	(11,091)
	$2,921,612

Management has determined that these receivables are currently collectible within 60 days.

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise and deemed fully collectible. All pledges are valued at estimated fair value at June 30, 2015. Pledges receivable at June 30, 2015 of $253,400 are expected to be collected as follows:

Year ended June 30,	
2017	$153,400
2018	100,000
	$253,400

The discount on pledges receivable at June 30, 2015 was deemed immaterial to the financial statements. Therefore, none was recorded.

5. Note and Interest Receivable

Rubicon provided a loan to Church Lane-Rubicon Partners, a related party (see Note 17), to assist in the development of the Michael E. Farber-Church Lane Apartments. The loan principal amount of $100,000, is secured by the property, bears annual simple interest of 4%, and is due and payable in June 2050. Interest is deferred over the life of the loan. Total deferred interest at June 30, 2015 is $81,335. Therefore the total note receivable at June 30, 2015 is $181,335.

As a result of an equipment purchase agreement, Rubicon has a note receivable with a corporation in the amount of $150,000, bearing annual simple interest of 5% beginning the third year of the loan. The total outstanding amount of the note at June 30, 2015 is $94,590.

6. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2015:

	Level 1	Level 2	Level 3	Total
Pledges – current year	$ -	$ -	$253,400	**$253,400**
Donated materials		12,600		**12,600**
	$ -	$12,600	$253,400	**$266,000**

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

The fair value of pledges - current year are measured on a non-recurring basis using the face of the pledge receivable agreement (Level 3 inputs).

continued

7. Property and Equipment

Property and equipment at June 30, 2015 consist of the following:

Land	$ 633,490
Leasehold improvements	3,297,756
Furniture and equipment	1,180,184
Buildings	1,541,169
Vehicles	502,275
Work in progress	226,020
	7,380,894
Less: accumulated depreciation	(3,208,229)
	$ 4,172,665

8. Accrued Liabilities

Accrued liabilities at June 30, 2015 consist of the following:

Accrued vacation	$ 549,984
Accrued salaries and payroll taxes	419,488
Accrued interest (see Note 13)	246,198
Other accrued liabilities	172,333
	$1,388,003

9. Line of Credit

The Organization has a revolving line of credit with a bank in the amount of $1,600,000, with interest at 0.75% over the index, maturing April 30, 2016. Secured by the Organization’s assets, at June 30, 2015, the outstanding balance on the line of credit was $257,000.

10. Funds Held in Trust

The money management trust account was established to provide representative payee services to disabled program participants who need assistance in managing their funds. The Organization facilitates payment of rent and utilities and will set aside money for food and other agreed-upon items. The balance of these funds held in trust at June 30, 2015 was $217,410.

For the Legal Services Center Trust Account, all attorney fees and other payments related to clients are initially deposited to the Legal Services Center Attorney Trust Account. Once fees have been approved by the Social Security Administration, fees are transferred to the operating account. Until fees are approved, the Legal Services Center is required by law to hold the money in the attorney trust account. In addition, all money collected on behalf of, held for, or owing to a client, must be kept on deposit in the trust account until payment is made to the client. The balance of these funds at June 30, 2015 was $5,133.

11. Capital Lease Obligations

The Organization leases vehicles under capital leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year ended June 30,	
2016	$ 59,309
2017	59,309
2018	47,220
Total minimum lease payments	165,838
Less: portion representing interest	(25,853)
	$139,985
Less; current portion	(59,309)
	$ 80,676

The cost of vehicles under capital leases at June 30, 2015 consists of the following:

Vehicles	$198,786
Less: accumulated depreciation	(58,801)
	$139,985

continued

12. Equity (Deficit) in Partnerships and HUD Project

The Organization's financial interests and equity (deficit) in entities are as follows:

	Percentage of Interest	Equity (Deficit)
Rubicon Homes, Inc. (a HUD project)	-	($125,201)

The financial interests in this entity is accounted for under the equity method.

13. Notes Payable

Notes payable at June 30, 2015 consist of the following:

Note payable to Nonprofit Finance Fund for a 7 year loan to renovate and replace roof at the 101 Broadway Street and 2500 Bissell Avenue, secured by a deed of trust against 2500 Bissell Avenue, monthly payments of $12,158, including interest at 6.00%, due April 2020.	$ 610,375
Note payable to First Republic Bank for a 10 year business loan, secured by a deed of trust on 171 – 22nd Street, monthly payments of $5,190, including interest at 6.30%, with a final payment of $290,000 due on February 2018.	373,521
Note payable to Bank of America for a 23 year property loan, secured by a deed of Trust on 2500 Bissell Avenue, monthly payments of $5,497, including interest at 8.62%, due June 2020.	269,888
Note payable to the State of California for a 30 year housing loan, secured by a deed of trust on 909 Virginia Street, bearing a 3.00% simple interest, principal and interest due in full in October 2011, extendable. Management is currently in process of renegotiating the terms of the agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process.	185,107

continued

13. Notes Payable, continued

Promissory note for an 18 year loan issued to the City of Richmond, for the rehabilitation of the building at 171 – 22nd Street, non-interest bearing, due May 2012, extendable. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process.	129,528
Note payable to Wells Fargo Bank for a 15 year loan to purchase the property at 101 Broadway, secured by real property, monthly payments of $2,330, including interest at 6.95%, due August 2020.	120,883
Note payable to First Republic Bank for a 7 year loan to purchase the finance system, secured by all property assets, monthly payments of $3,522, including interest at 6.00%, due March 2018.	106,074
Promissory note issued to Contra Costa County for a 51 year loan, secured by a deed of trust on the 2555 Church Lane building, bearing a 4.00% simple interest, due June 2050.	100,000
Note payable to Source America for a 5 year loan, unsecured, monthly payments of $5,011 including interest at 1.625%, due January 2020.	90,195
Promissory note issued to the City of Richmond for 20 years to acquire 534 Ohio Avenue, secured by a deed of trust on property, non-interest bearing, due May 2012, extendable. Management is currently in process of renegotiating the terms of agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process.	80,000
Promissory note issued to the City of Richmond, no loan terms specified in the loan agreement. Management is currently in process of renegotiating the terms of the agreement. No principal payment has been made as of June 30, 2014 as part of the renegotiation process.	67,574

continued

13. Notes Payable, continued

Note payable to Source America for a 5 year loan, unsecured, monthly payments of $2,791 including interest at 1.625%, due January 2020.	50,295
Forgivable loans:	
Promissory note issued to Contra Costa County for 20 years, to renovate Virginia housing units, secured by a deed of trust against 909 Virginia Street, non-interest bearing, due March 2028, forgiven upon maturity.	564,332
Promissory note issued to the City of Richmond for a 25 year loan to purchase and rehabilitate the building at 101 Broadway, non-interest bearing, due March 2023, forgivable upon maturity.	255,000
Promissory note issued to Contra Costa County for 30 years, development loan for the Ohio Avenue building, secured by a deed of trust on the property, bearing a 3.00% simple interest, due May 2044. The maturity date extended to an additional twenty years, forgiven at the expiration of the extended term.	80,000
Promissory note issued to the City of Richmond for 25 years for improvements to 534 Ohio Avenue and 22nd Street properties, secured by a deed of trust on the Ohio and 22nd Street properties, bearing a 3.00% simple interest, principal and interest due February 2031, forgiven upon maturity.	42,200
Promissory note issued to the City of Richmond for a 25 year loan for capital improvements to the Bissell and Broadway properties, secured by the Broadway property, bearing a 3.00% simple interest, due February 2031, forgiven upon maturity.	42,000
Note payable to City of Richmond for 25 year loan for improvements on the Bissell property, secured by a deed of trust on the Bissell property, non-interest bearing, due June 2035, forgiven upon maturity.	14,931
	$3,181,903
Less: current portion	(280,881)
	$2,901,022

continued

13. Notes Payable, continued

The following is the summary of the notes payable

Rubicon - conventional	$1,621,231
Housing notes – forgivable	941,332
Housing notes – extendable	562,209
Rubicon – forgivable	57,131
	$3,181,903

As of June 30, 2015, total accrued interest related to some of the above notes payable was (see Note 8).	$246,198

Maturities for notes payable are as follows:

Year ended June 30,	
2016	$ 280,881
2017	297,862
2018	550,087
2019	245,199
2020	244,646
Thereafter	1,563,228
	$3,181,903

14. Commitments and Contingencies

Obligations Under Operating Leases

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

Year ended June 30,	
2016	$252,454
2017	254,230
2018	155,246
2019	154,584
2020	76,053
	$892,567

Rent expense under operating leases for the year ended June 30, 2015 was $230,901.

14. Commitments and Contingencies, continued

Contracts

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

15. Concentration of Credit Risks

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

Approximately 54% of revenue generated by the Organization at June 30, 2015 was derived from government grants and contracts.

At June 30, 2015, revenues from one landscape customer was approximately 31% of total landscape and maintenance contracts. At June 30, 2015, revenues from this client totaled $1,581,535.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 consist of the following:

Economic Empowerment program	$328,304
Landscape	27,333
Other	9,000
	$364,637

For the year ended June 30, 2015, the Organization received restricted contributions in the amount of $608,529 and released net assets of $678,129, of which $368,629 from purpose restrictions and $309,500 from time restriction.

continued

17. Related Party Transactions

Rubicon has a note and interest receivable from Church Lane - Rubicon Partners, a related party, (see Note 5) in the amount of $181,335 ($100,000 representing the principal and $81,335 of accumulated interest).

Rubicon has accounts receivable from Church Lane Housing Corporation, a related party, in the amount of $241,010.

18. Summary of Financial Information of Investee

Organization (HUD Project)

The following is a summary of the financial information of the HUD project as of June 30, 2015:

Total assets	$ 578,181
Total liabilities	$ 828,677
Net assets (deficit)	$(249,496)
Change in net assets	$ 51,974

19. Transfer of Net Assets

As of July 1, 2014, all interests in the property known as RVI were transferred to the Community Housing Partnership of San Francisco ("CHP"). For this reason, the Organization is required to release all the assets and the liabilities of the partnership as of that date. No consideration was given as part of this transfer.

Effective November 1, 2014, Rubicon transferred all its interests in the partnership known as Idaho Apartments Associates ("IAA") to the Resources for Community Development of Berkeley ("RCD"). For this reason, Rubicon is required to release the assets and the liabilities of the partnership as of that date. No consideration was given as part of this transfer.

On November 1, 2014 Rubicon transferred all its interests in the partnership know as Church Lane–Rubicon Partners ("CLRP") to RCD. For this reason, Rubicon is required to release the assets and liabilities of the partnership as of that date. No consideration was given as part of this admission.

19. Transfer of Net Assets, continued

The following net assets were transferred by Rubicon:

	RVI to CHP	IAA to RCD	CRLP to RCD	Total Transferred
Cash	$ 634,138	$ 35,533	$ 5,892	$ 675,563
Accounts receivable	31,002	1,271	8,073	40,346
Deposits and other assets	775,029	223,158	73,594	1,071,781
Payable from affiliate	-	42,588	-	42,588
Property and equipment	1,066,260	2,525,570	1,794,814	5,386,644
Account payable	(28,823)	(11,651)	(11,111)	(51,585)
Accrued liabilities	(63,339)	(474,392)	(252,420)	(790,151)
Payable to affiliate	-	-	(122,902)	(122,902)
Notes payable	(66,007)	(1,407,528)	(1,079,635)	(2,553,170)
Net assets transferred	$2,348,260	$ 934,549	$ 416,305	$3,699,114

20. Subsequent Event

In the fiscal year 2015, Rubicon undertook a thoughtful, comprehensive process to determine how it can achieve the greatest social impact. This strategic plan was approved by the Board of Directors in February 2015. Rubicon began to implement this strategic plan in the fiscal year 2016. In line with the implementation of the plan, Rubicon has divested of certain contracts by electing not to renew them. Additionally, during its meeting of August 2015, the Board approved staff's recommendation to discontinue the Legal Services' Social Security Advocacy Program. The recommendation was based on the program's financial performance, along with the program not fitting within Rubicon's mission and external factors which have significantly changed the landscape of the Social Security disability law practice. No adjustments were made during the fiscal year ended June 30, 2015 as part of this transactions.