

ABODE SERVICES

(A California Not-For-Profit Corporation)

SINGLE AUDIT REPORT

JUNE 30, 2010 AND JUNE 30, 2009

ABODE SERVICES

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Independent Auditors' Report

The Board of Directors
Abode Services

We have audited the accompanying statement of financial position of Abode Services (a California not-for-profit corporation) as of June 30, 2010, and the related statements of activities, functional expenses, program services and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Abode Services as of June 30, 2009 were audited by other auditors whose report dated January 29, 2010 expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abode Services as of June 30, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010, on our consideration of Abode Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Abode Services taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures for County of Alameda grants are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Alameda County, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RINA accountancy corporation
Certified Public Accountants

San Francisco, California
November 11, 2010

ABODE SERVICES

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,450,074	\$ 2,887,706
Certificates of deposit	-	201,528
Grant receivable	1,734,376	743,255
Accounts receivable, net of allowance for doubtful accounts of \$863 (2010) and \$4,942 (2009)	454,620	600,827
Loan to Allied Housing, Inc.	100,000	100,000
Pledges receivable	92,287	98,733
Prepaid expenses	40,643	37,781
TOTAL CURRENT ASSETS	4,872,000	4,669,830
PROPERTY AND EQUIPMENT, NET	4,865,956	4,836,737
OTHER:		
Investments	71,964	71,964
Beneficial interest in life insurance policy	8,001	8,001
Pledges receivable, net of current portion	179,872	79,718
Deposits	32,423	26,789
	292,260	186,472
	\$ 10,030,216	\$ 9,693,039
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 81,654	\$ 66,888
Accrued expenses	268,824	230,357
Deposit liability	11,095	13,628
TOTAL CURRENT LIABILITIES	361,573	310,873
LONG-TERM LIABILITIES:		
Accrued mortgage interest	706,975	647,286
Mortgages payable, less current portion	1,989,660	1,989,660
TOTAL LONG-TERM LIABILITIES	2,696,635	2,636,946
TOTAL LIABILITIES	3,058,208	2,947,819
NET ASSETS:		
Unrestricted:		
Board designated	829,785	841,695
Undesignated	5,786,822	5,312,792
Temporarily restricted	355,401	590,733
Permanently restricted	-	-
	6,972,008	6,745,220
	\$ 10,030,216	\$ 9,693,039

See notes to financial statements.

ABODE SERVICES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Federal awards	\$ 3,225,312	\$ -	\$ 3,225,312
County of Alameda	2,812,764	-	2,812,764
City of Fremont	157,879	-	157,879
City of Union City	11,800	-	11,800
City of Pleasanton	7,000	-	7,000
City of Hayward	-	-	-
EHAP	-	-	-
RCD	-	-	-
Charities housing contract	2,520	-	2,520
Donations	815,921	-	815,921
Supportive service fees	54,272	-	54,272
Allied Housing staffing fees	262,311	-	262,311
Interest	13,193	-	13,193
Rental income	66,567	-	66,567
Loss on disposal of fixed assets	(20,724)	-	(20,724)
Unrealized loss on marketable securities	(1,528)	-	(1,528)
Net assets released from restrictions	235,332	(235,332)	-
	7,642,619	(235,332)	7,407,287
TOTAL SUPPORT AND REVENUE			
OPERATING EXPENSES:			
Program expenses	6,372,686	-	6,372,686
Supporting services:			
Management and general	503,986	-	503,986
Fundraising	303,827	-	303,827
	7,180,499	-	7,180,499
TOTAL EXPENSES			
CHANGE IN NET ASSETS	462,120	(235,332)	226,788
NET ASSETS, beginning of year	6,154,487	590,733	6,745,220
NET ASSETS, end of year	\$ 6,616,607	\$ 355,401	\$ 6,972,008

See notes to financial statements.

ABODE SERVICES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Federal awards	\$ 1,804,864	\$ -	\$ 1,804,864
County of Alameda	2,624,989	-	2,624,989
City of Fremont	156,629	-	156,629
City of Union City	11,800	-	11,800
City of Pleasanton	7,500	-	7,500
City of Hayward	1,350	-	1,350
EHAP	14,266	-	14,266
RCD	8,060	-	8,060
Charities Housing Contract	-	-	-
Donations	749,082	84,500	833,582
Supportive service fees	32,903	-	32,903
Allied Housing staffing fees	214,006	-	214,006
Interest	48,665	-	48,665
Rental income	56,481	-	56,481
Unrealized gain on marketable securities	1,528	-	1,528
Net assets released from restrictions	47,086	(47,086)	-
	5,779,209	37,414	5,816,623
OPERATING EXPENSES:			
Program expenses	5,078,962	-	5,078,962
Supporting services:			
Management and general	491,460	-	491,460
Fundraising	243,357	-	243,357
	5,813,779	-	5,813,779
CHANGE IN NET ASSETS	(34,570)	37,414	2,844
NET ASSETS, beginning of year	6,189,057	553,319	6,742,376
NET ASSETS, end of year	\$ 6,154,487	\$ 590,733	\$ 6,745,220

See notes to financial statements.

ABODE SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,521,688	\$ 336,189	\$ 217,515	\$ 3,075,392
Rental subsidies	918,682	-	-	918,682
Project independence - rents	820,835	-	-	820,835
HPRP assistance program	469,888	-	-	469,888
Employer taxes	220,447	26,770	20,479	267,695
Employee benefits	192,958	26,367	20,375	239,700
Project independence - rental support	217,703	-	-	217,703
Depreciation	171,945	9,050	-	180,995
Professional fees	120,805	29,239	3,847	153,891
Rent and facility expense	112,478	-	-	112,478
Travel	80,617	14,396	960	95,973
Program supplies	65,379	2,065	1,376	68,820
Insurance	54,728	6,219	1,244	62,191
Maintenance	57,204	4,974	-	62,178
Utilities	52,662	5,984	1,197	59,843
Interest expense	59,690	-	-	59,690
Office supplies	32,814	12,621	5,048	50,483
Telephone	33,286	11,888	2,378	47,551
Rental subsidy support	31,988	-	-	31,988
Equipment and furnishing	28,384	1,543	926	30,852
Property management	27,608	-	-	27,608
Reproduction	10,684	5,342	5,342	21,367
Volunteer expense	20,493	-	-	20,493
Equipment rental	15,392	2,999	1,599	19,990
Fund-raising expenses	-	-	19,046	19,046
Staff and board development	14,254	3,801	950	19,005
Postage and shipping	3,089	3,089	1,545	7,723
Vouchers - food and travel	5,046	-	-	5,046
Rental bad debts	4,681	-	-	4,681
Recruitment	3,542	394	-	3,935
Peer leadership	-	-	-	-
Taxes and licenses	723	723	-	1,445
Miscellaneous	2,993	333	-	3,326
Total expenses	\$ 6,372,686	\$ 503,986	\$ 303,827	\$ 7,180,499

See notes to financial statements.

ABODE SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,073,688	\$ 282,388	\$ 172,801	\$ 2,528,877
Rental subsidies	785,007	-	-	785,007
Project independence - rents	792,990	-	-	792,990
HPRRP assistance program	-	-	-	-
Employer taxes	196,954	26,820	16,412	240,186
Employee benefits	174,512	23,764	14,543	212,819
Project independence - rental support	105,662	-	-	105,662
Depreciation	164,998	12,236	-	177,234
Professional fees	114,316	61,869	233	176,418
Rent and facility expense	69,892	-	-	69,892
Travel	60,660	12,132	1,820	74,612
Program supplies	52,982	-	-	52,982
Insurance	60,981	6,776	-	67,757
Maintenance	54,612	6,068	-	60,680
Utilities	48,698	4,329	1,082	54,109
Interest expense	59,690	-	-	59,690
Office equipment and supplies	23,642	13,346	1,144	38,132
Telephone	28,079	7,488	1,872	37,439
Rental subsidy support	86,058	-	-	86,058
Equipment and furnishing	-	-	-	-
Property management	26,864	-	-	26,864
Reproduction	3,325	7,758	11,083	22,166
Volunteer expense	24,051	-	-	24,051
Equipment rental	3,983	11,948	-	15,931
Fund-raising expenses	-	-	17,860	17,860
Staff and board development	16,887	4,222	-	21,109
Postage and shipping	544	2,720	4,507	7,771
Vouchers - food and travel	35,550	-	-	35,550
Rental bad debts	10,061	-	-	10,061
Recruitment	-	5,070	-	5,070
Peer leadership	3,600	-	-	3,600
Taxes and licenses	83	747	-	830
Miscellaneous	593	1,779	-	2,372
Total expenses	\$ 5,078,962	\$ 491,460	\$ 243,357	\$ 5,813,779

See notes to financial statements.

ABODE SERVICES

STATEMENT OF CASH FLOWS

	June 30, 2010	June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 226,788	\$ 2,844
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	180,995	177,234
Loss on disposal of fixed assets	20,724	-
Unrealized (gains) losses on investments	1,528	(1,528)
Decrease (increase) in:		
Grants receivable	(991,121)	153,573
Accounts receivable	146,207	(172,971)
Pledges receivable	(93,708)	(30,382)
Prepaid expenses	(2,862)	21,357
Deposits	(5,634)	(5,359)
Increase (decrease) in:		
Accounts payable	14,765	(11,301)
Accrued expenses	38,467	45,212
Deposit liability	(2,533)	699
Accrued mortgage interest	59,689	59,690
	<u>(406,695)</u>	<u>239,068</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(230,937)	(52,418)
Investment in marketable securities	-	(600,000)
Sales and maturities of marketable securities	200,000	896,000
Reinvestment of investment income	-	(1,065)
	<u>(30,937)</u>	<u>242,517</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH		
	(437,632)	481,585
CASH, beginning of year	2,887,706	2,406,121
CASH, end of year	<u>\$ 2,450,074</u>	<u>\$ 2,887,706</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See notes to financial statements.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Abode Services was incorporated in November 1988 as a California non-profit public benefit corporation to end local homelessness. Abode Services offers housing programs linked to supportive services for homeless families, single adults and youth. Housing options include emergency shelter, rental subsidies, transitional housing and permanent supportive housing. Supportive services consist of case management, job counseling programs, drug and alcohol counseling, mental health counseling and support groups. Each program integrates these two components to help clients establish permanent stability and return to productive lives.

Supportive housing projects:

Abode Services places homeless people into supportive housing units to help prevent and end homelessness in Alameda County by providing affordable rental housing linked to supportive services such as job counseling, support groups and access to healthcare. The development of affordable supportive housing is recognized as a solution to ending homelessness.

Rotary BridgeWay Apartments in Fremont contains 26 units of permanent and transitional supportive housing for adults and children. Rents are offered at no more than 1/3 of household income. BridgeWay Apartments in Union City provides subsidized rental housing linked to supportive services for previously homeless families who live in the apartments for up to two years while enrolled in an educational or vocational program that is completed within 18 to 24 months.

In addition to BridgeWay Apartments, Abode Services, through its subsidiary Allied Housing is able to place and provide services to families living at Mission Bell Apartments. The apartment complex provides 25 units of permanent housing for low and very-low income individuals and families and is located in San Leandro. Abode Services is also able to place and provide services to families and individuals living at the Lorenzo Creek Apartments located in Castro Valley. This apartment building consists of 28 units with the objective of providing permanent and affordable housing for multiple families that are very-low income families and have disabled adults. Abode Services is also able to place and provide services to people with special needs at the Carmen Avenue Apartments located in Livermore. The complex has 30 permanently affordable housing units for a range of people with special needs including homeless families, emancipated foster youth and persons living with disabilities.

Scattered site housing units:

In addition to placing homeless families into affordable housing units owned by Abode Services, the agency also places homeless people into market rate apartment units made affordable through rental subsidies. These housing placements have comprehensive social services provided by Abode Services staff attached to them. The programs include: RISE Project (households with an adult with at least two significant disabilities), McKinney Linkages (families with an adult in job training), Tri-Valley Housing Scholarship Program (families with an adult in job training), Project Independence (youth aging out of foster care), STAY Project Independence (youth aging out of foster care who have mental illness), Greater HOPE Project (homeless adults who have a severe mental illness), Shelter Plus Care Program (individuals living with serious mental illness, chronic drug/alcohol problems and AIDS/HIV), and HPRP (families and individuals made homeless by the recent economic downturn).

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Shelter programs:

Sunrise Village is a 24-hour temporary emergency shelter program. Families with children live in individual family rooms with private baths. Individual alcoves are available for 31 single adults who share four dormitory-style rooms. There are separate program areas for families and adults without children. The shelter houses 66 people for up to three months. Residents receive three meals a day, phone and mail services and access to laundry facilities. A full spectrum of supportive services is offered to residents free of charge. Services include case management, primary and mental health care, substance abuse recovery services, housing placement, job counseling and placement, financial literacy training, transportation assistance, childcare and children's programs.

Winter relief project:

The Winter Relief Program grew out of the needs of families who were on the waiting list for Sunrise Village Homeless Shelter. Families are sheltered at night in the fellowship halls of local faith communities for one month at a time and receive the same support services as the residents at Sunrise Village, working with a case manager to begin to address the challenges that led to their homelessness.

Hope project:

The HOPE Project (Homelessness Outreach for People Endowment) operates out of a mobile clinic to bring services to individuals and families who are homeless, many who are living on the streets. The HOPE Project offers primary and mental health care, social services, and substance recovery services. The mobile health clinic has a medical exam room, complete with an EKG and pulmonary testing equipment, two private, sound-proof confidential counseling rooms and an intake area.

Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation:

Abode Services reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted net assets:

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor imposed stipulations.

Temporarily restricted net assets:

The portion of net assets whose use by Abode Services is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Permanently restricted net assets:

The portion of net assets whose use by Abode Services is limited by donor imposed stipulations that the net assets be held in perpetuity and its income be used for the stipulated purposes.

Abode Services does not have any permanently restricted net assets at June 30, 2010 and 2009.

Cash equivalents:

Cash equivalents are considered to be highly-liquid investment instruments with original maturities of three months or less.

Investments:

Abode Services has investments in several partnerships. Abode Services records its investments in these partnerships at cost.

Grants, accounts and pledges receivable, net:

Abode Services considers grants and accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is deemed necessary. Abode Services established an allowance for uncollectible accounts for pledges based on historical collections at June 30, 2010 and 2009, respectively. Pledges are recognized when the donor makes a promise to give to Abode Services that is, in substance, unconditional.

Property and equipment:

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over useful lives ranging from 5 to 39 years. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the improvements.

Donated materials and services:

Abode Services conducts program operations with extensive support from volunteers, churches, businesses and community groups. The value of donated materials and services was not determinable and is not reflected in the accompanying financial statements.

Donated property and equipment:

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income tax status:

Abode Services is a tax-exempt organization under the provisions of the Internal Revenue Code and related California provisions. Abode Services is relying on its tax exempt status and its adherence to all applicable laws and regulations to preserve that status. Accordingly, no provision for income taxes has been reflected in these financial statements.

Accounting for uncertain tax positions:

Professional standards require Abode Services to assess tax positions taken. Management has determined that it does not have any activities which would generate unrelated business income tax.

Restricted and unrestricted revenue:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Functional allocation of expenses:

Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Beneficial interest in life insurance policy:

Abode Services is the beneficiary of a life insurance policy. Under the terms of the policy, Abode Services will receive the applicable death benefit upon the donor's death. The policy is recorded as an asset measured at the policy cash surrender value at the end of Abode Services' reporting period. Changes in the value of the insurance policy over the premium obligation donated to Abode Services is included in the statement of activities as temporarily restricted in-kind donations at June 30, 2009.

Long-lived assets:

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

Subsequent events:

Management has evaluated subsequent events through November 11, 2010, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

Note 2. NATURE OF ESTIMATES:

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

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject Abode Services to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents were held in financial institutions in the United States of America. Non-interest bearing deposits in these financial institutions are fully insured by the FDIC until December 31, 2012. Cash and cash equivalents in interest bearing accounts were held in financial institutions in amounts exceeding the guaranteed amount of the FDIC. Management believes that the risk of loss is minimal.

Note 4. PLEDGES RECEIVABLE:

Pledges receivable are comprised of the following:

	June 30,	
	2010	2009
Pledges receivable	\$ 310,252	\$ 221,755
Less allowance for uncollectible pledges	(32,000)	(31,593)
Less present value discount, using a rate of 1.2% (2010) and 2.71% (2009)	(6,093)	(11,711)
Balances	\$ 272,159	\$ 178,451
Classified as:		
Current	\$ 92,287	\$ 98,733
Long-term	179,872	79,718
Totals	\$ 272,159	\$ 178,451

Note 5. INVESTMENT:

On February 5, 2004, Abode Services entered into an agreement to transfer, and assigned its interest in Rotary BridgeWay Apartments to BridgeWay East, L.P. ("BWE, L.P.") for a .005% co-general partnership interest in the limited partnership. The net value of the assets and liabilities, \$71,964 at the date of transfer became the cost basis for the investment. As part of the partnership agreement, Abode and the other general partner have guaranteed general partners' obligations to fund operating deficits incurred by BWE, L.P. during the guaranty period in an amount not to exceed \$150,000. Both general partners have an option and a right of first refusal to purchase the Rotary BridgeWay Apartments from the partnership after a fifteen-year compliance period. The purchase price is the greater of an amount sufficient to pay all debts of the limited partnership or the fair value of the property.

Abode Services entered into a resident service agreement on behalf of BWE, L.P. to provide support services to tenants residing at Rotary BridgeWay Apartments. Amounts earned was \$9,423 and \$9,153 for the years ended June 30, 2010 and 2009, respectively. Amounts receivable from the partnership at June 30, 2010 and 2009 was \$795 and \$776, respectively.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2010	2009
Sunrise Village:		
Building and improvements	\$ 2,666,717	\$ 2,510,910
Land	626,250	626,250
Furniture and fixtures	25,438	25,438
Equipment	122,064	105,637
Total Sunrise Village	3,440,469	3,268,235
BridgeWay - 13 th Street:		
Building and improvements	406,565	406,565
Land	73,554	73,554
Furniture and fixtures	500	500
Total BridgeWay - 13 th Street	480,619	480,619
BridgeWay - 4165 Bay Street:		
Building and improvements	1,176,887	1,176,887
Land	176,290	176,290
Furniture and fixtures	4,540	4,540
Total BridgeWay - 4165 Bay Street	1,357,717	1,357,717
Administration - 40849 Fremont Blvd.:		
Building and improvements	869,519	853,438
Land	141,464	141,464
Total Administration - 40849 Fremont Blvd.	1,010,983	994,902
Vehicles:		
Mobile clinic	277,223	277,223
Other vehicles	79,030	45,495
Total vehicles	356,253	322,718
Service center improvements:		
Independence center	-	31,884
Greater hope center	35,182	26,093
Total service center improvements	35,182	57,977
Totals	6,681,223	6,482,168
Less accumulated depreciation and amortization	1,815,267	1,645,431
Property and equipment, net	\$ 4,865,956	\$ 4,836,737

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 7. MORTGAGES PAYABLE:

On February 3, 1998, Abode Services entered into a loan agreement with the City of Fremont ("City"), the Redevelopment Agency of the City of Fremont ("Agency") and the County of Alameda ("County"). Loan proceeds were used to finance the acquisition and rehabilitation of an eight-unit apartment complex located in Fremont, California. The outstanding principal and accrued interest on the mortgage will be amortized over ninety-nine years of the term such that the equal payments of principal and interest will be due and payable on July 1 of each calendar year, commencing July 1, 1998. The note is secured by a deed of trust on the property and is subject to a regulatory agreement. Book value of the secured property at June 30, 2010 was \$1,395,917.

The loan amount increased to not exceed \$1,475,000. The unfunded loan amount at June 30, 2010 and 2009 was \$85,340 and \$38,702, respectively. The allocation of funding by the City, the Agency and the County is as follows:

	Available Funds			Balance
	Acquisition	Rehabilitation	Maximum	June 30, 2010
City of Fremont	\$ 394,000	\$ 86,000	\$ 480,000	\$ 480,000
Redevelopment Agency	-	111,298	150,000	111,298
County of Alameda	474,805	323,557	845,000	798,362
	\$ 868,805	\$ 520,855	\$ 1,475,000	\$ 1,389,660

Interest expense for the years ended June 30, 2010 and 2009 was \$41,690. According to the provisions of the loan agreement, the amortized annual payment of interest and principal are due and payable only to the extent of surplus cash generated by the development in the previous year. In the event surplus cash in any year is less than the amount of the amortized annual payment, the difference between the amount of surplus cash and the amortized payment will accrue with simple interest at 3 percent per annum, and will be paid on the following July 1 when and to the extent surplus cash becomes available. Over the life of the loan there has not been surplus cash with which to make the annual payments. The organization has deferred \$714,564 in payments.

The property has a deficit cash position calculated at June 30, 2010 and 2009 as follows:

	2010	2009
BridgeWay gross revenue	\$ 91,599	\$ 71,644
Direct expenses	(179,402)	(90,397)
Allocable share of administrative expenses	(17,940)	(149,094)
Deficit cash	\$ (105,743)	\$ (167,847)

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 7. MORTGAGES PAYBLE (Continued):

On August 14, 1997, Abode Services entered into a \$600,000 loan agreement with the County of Alameda ("County"). Loan proceeds were used to finance the purchase and rehabilitation of a three-unit apartment complex located on 13th Street in Union City, California. The note accrues interest at the rate of 3 percent per annum until paid. Payments are deferred until August 31, 2027. Beginning September 1, 2027 until August 31, 2042 payments will be made annually. The amount of annual payment shall be sufficient to amortize the unpaid principal and accrued interest during the remaining term of the note. The note is secured by a deed of trust on the property, with a book value of \$357,995 and is subject to a regulatory agreement. Interest expense for the years ended June 30, 2010 and 2009 was \$18,000.

It is not anticipated the organization will generate a positive cash position on the Bridge Way development long term debt. Total long term debt in the amount of \$1,989,660 is all due in more than five years.

Note 8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2010 and June 30, 2009 are available as follows:

	2010	2009
Timing restriction:		
Pledges receivable	\$ -	\$ 221,755
CSV of life insurance	2,890	2,890
 Reserve for operations and capital improvements:		
Project independence	212,846	226,422
4165 Bay Street, Fremont, reserves	82,101	82,101
13 th Street, Union City, reserves	11,564	11,564
BridgeWay replacement reserves	46,000	46,000
Temporarily restricted net assets	\$ 355,401	\$ 590,732

Note 9. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Timing restrictions:		
Pledges receivable	\$ 221,755	\$ -
 Reserve for operations and capital improvements:		
Project independence	13,577	47,086
Totals	\$ 235,332	\$ 47,086

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 10. BOARD DESIGNATED NET ASSETS:

Board designated net assets are comprised of the following at June 30, 2010 and 2009:

	2010	2009
BridgeWay Apartments	\$ 540,467	\$ 540,467
Building maintenance fund	285,864	301,228
Other	3,454	-
	\$ 829,785	\$ 841,695

Note 11. DONATIONS:

Donations were received from the following sources during the years ending June 30, 2010 and 2009:

	2010	2009
Foundations	\$ 347,285	\$ 481,817
Individuals	403,260	244,709
Churches	19,345	59,175
Corporations	46,031	47,881
	\$ 815,921	\$ 833,582

Note 12. RETIREMENT PLAN:

Abode Services has a non-contributory tax-deferred retirement plan under Section 403(b) of the Internal Revenue Code, covering substantially all employees. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

Note 13. LEASE COMMITMENTS

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010.

Years Ending June 30,	Real Property	Equipment	Total
2011	\$ 84,713	\$ 5,486	\$ 90,199
2012	34,560	2,610	37,170
	\$ 119,273	\$ 8,096	\$ 127,369

Rent expense amounted to \$132,468 in 2010 and \$85,823 in 2009.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 14. RELATED PARTY TRANSACTIONS:

Effective October 1, 2005, Abode Services and Allied Housing, Inc. ("Allied"), consolidated their operations into a parent-subsidary relationship. The consolidation allows both organizations to retain separate identities, missions and activities. Abode Services share a common Board of Directors and Executive Director. Allied functions as the development arm of Abode Services on new housing projects. Abode Services, as the parent organization, entered into an agreement with Allied Housing, Inc. to provide administrative and staffing to support the operations of Allied. Abode Services have elected not to consolidate their financial statements.

Summary financial data for Allied Housing, Inc. for the years ended June 30, 2010 and 2009 is as follows:

	2010	2009
Current	\$ 476,935	\$ 896,360
Property and equipment	3,582,966	7,092,716
Other	1,147,158	1,147,158
Total Assets	\$ 5,207,059	\$ 9,136,234
Total Liabilities	\$ 4,722,329	\$ 8,257,938
Total Net Assets	484,730	878,296
Total Liabilities and Net Assets	\$ 5,207,059	\$ 9,136,234
Support and Revenue	\$ 445,516	\$ 1,242,392
Expenses	839,081	830,954
Change in Net Assets	\$ (393,565)	\$ 411,438

Transactions between Abode Services for the years ended June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Payments made to Allied Housing, Inc. for:		
Rents Paid for leasing office at Mission bell Apartments	\$ 7,200	\$ 7,200
Consulting services paid for project development	-	30,000
Rents paid for housing units provided by Allied	47,873	51,192
Total payments made to Allied Housing, Inc.	\$ 55,073	\$ 88,392
Services provided to Allied Housing, Inc. for:		
Administrative and staffing services	\$ 262,311	\$ 214,006
Lorenzo Creek Apartments case management	49,446	59,769
Mission Bell Apartments service contract	15,000	15,000
Carmen Avenue support services	51,364	42,520
Total services provided to Allied Housing, Inc.	\$ 378,121	\$ 331,295

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 14. RELATED PARTY TRANSACTIONS (Continued):

	2010	2009
Payments received from Allied Housing, Inc. for:		
Administrative and staffing services	\$ 408,750	\$ -
Lorenzo Creek Apartments case management	40,332	-
Mission Bell Apartments service contract	15,000	35,000
Carmen Avenue support services	75,302	100,053
Total payments received from Allied Housing, Inc.	\$ 539,384	\$ 135,053

Accounts receivable due from Allied consists of the following at June 30, 2010 and 2009:

	2010	2009
Administrative and staffing services	\$ 440,487	\$ 586,926
Lorenzo Creek Apartments case management	22,269	13,155
Mission Bell Apartments service contract	6,250	6,250
Carmen Avenue support services	18,582	42,520
	\$ 487,588	\$ 648,851

The following is a reconciliation of accounts receivable due from Allied June 30, 2010 and 2009:

	2010	2009
Accounts receivable, beginning of the year	\$ 648,851	\$ 452,609
Services provided to Allied	378,121	331,295
Payments received from Allied	(539,384)	(135,053)
Accounts receivable end of year	\$ 487,588	\$ 648,851

Loans from Abode Services consists of working capital advances, which are non-interest bearing and do not have specific terms of repayment. The balance due Abode Services at June 30, 2010 and 2009 is \$100,000.

Note 15. CONTINGENCIES:

In 1992, Abode Services granted a twenty-year ground lease to another organization, whereby that organization will operate a child day care center. The ground lease is for approximately 7,700 square feet of land adjacent to Sunrise Village. The rent under the lease is \$1 per year. The tenant has the option of purchasing the land at any time during the lease term subject to approval from parties to an existing agreement.

ABODE SERVICES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2010 AND JUNE 30, 2009

Note 15. CONTINGENCIES (Continued):

Property and equipment acquired by Abode Services is considered to be owned by Abode Services. However, certain governmental agencies may maintain an equitable interest, or may have a reversionary interest, in the property purchased with grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. Abode Services agrees to be responsible for the proper care and custody of all grant property and agrees not to sell, transfer, encumber or otherwise dispose of property acquired with grant funds without permission from the governmental agency providing grant funding. The federal government has a reversionary interest in those assets purchased with its funds that have a cost of \$1,000 or more.

Abode Services holds title to property, known as Sunrise Village, which is subject to terms and conditions of an agreement with the City of Fremont. Upon sale or disposition of the property in accordance with this agreement, Abode Services is entitled to compensation calculated by applying its percentage of participation in the initial cost of the property to the property's fair market value.

Abode Services holds title to property known as BridgeWay - 4165 Bay Street, which is subject to terms, conditions and a regulatory agreement between the City of Fremont, the Redevelopment Agency of the City of Fremont and the County of Alameda. Additionally, Abode Services holds title to property, known as BridgeWay- 13th Street, which is subject to terms, conditions and a regulatory agreement with the County of Alameda.

Grant award and bequests require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Abode Services deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of Abode Services to the provisions of the grants. Abode Services' management is of the opinion that Abode Services has complied with the terms of all grants.

ABODE SERVICES

SUPPLEMENTAL INFORMATION

ABODE SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Federal Expenditures Pass- Grantor</u>
U.S. Department of Housing & Urban Development			
Pass through the County Alameda			
Community Development Block Grant	14.218	Loans	\$ 286,000
Passed through the City of Fremont			
Community Development Block Grant	14.218	CFY-0910	152,479
Passed through the City of Livermore			
Community Development Block Grant	14.218	09-424	20,000
Community Development Block Grant	14.218	09-293	20,000
Passed through the City of Pleasanton			
Community Development Block Grant	14.218	09-463	<u>12,000</u>
Subtotal Community Block Grant			<u>490,479</u>
Passed through the County of Alameda			
Federal Emergency Shelter Grant	14.231	C-4075	40,886
Federal Emergency Shelter Grant	14.231	Loan	32,000
Passed through the State of California			
Federal Emergency Shelter Grant	14.231	07-FESG-2877	<u>3,446</u>
Subtotal Federal Emergency Shelter Grant			<u>76,332</u>
Direct:			
Supportive Housing Program – Stay Well	14.235	CA01B702002	286,640
Supportive Housing Program – Sunset Square	14.235	CA0026B9T008	60,860
Passed through the County of Alameda			
Supportive Housing Program - RISE	14.235	C-3798	43,337
Supportive Housing Program - RISE	14.235	C-2498	22,039
Supportive Housing Program - Bridgeway	14.235	C-3793	18,482
Supportive Housing Program - Bridgeway	14.235	C-4911	6,556
Supportive Housing Program - McKinney	14.235	C-3794	314,722
Supportive Housing Program - McKinney	14.235	C-4913	122,249
Supportive Housing Program	14.235	Loans	178,363
Passed through the City of Fremont			
Supportive Housing Program	14.235	09-0431	197,550
Passed through Allied Housing, Inc.			
Supportive Housing Program - HA	14.235	CA01B302001	51,364
Supportive Housing Program - LCA	14.235	C-4912	49,446
Passed through Resources for Community Development			
Supportive Housing Program – Concord House	14.235	CA01B302002	<u>32,000</u>
Subtotal Supportive Housing Program			<u>1,383,608</u>
Passed through the County of Alameda			
Shelter Plus Care	14.238	C2090	<u>135,359</u>
Subtotal Shelter Care Plus			<u>135,359</u>

See accompanying notes to schedule.

ABODE SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures Pass-Through Grantor</u>
U.S Department of Housing & Urban Development			
Passed through County of Alameda			
Home Investment Partnership Program	14.239	Loans	\$ 637,000
Home Investment Partnership Program	14.239	C-1069	160,000
Passed through City of Fremont			
Home Investment Partnership Program	14.239	Loans	480,000
Home Investment Partnership Program	14.239	06-0148	7,498
Passed through City of Hayward			
Home Investment Partnership Program	14.239	CGI2007-09-043	87,419
Passed through City of Pleasanton			
Home Investment Partnership Program	14.239	09-464	26,950
Passed through City of Livermore			
Home Investment Partnership Program	14.239	09-327	51,862
Home Investment Partnership Program	14.239	09-423	<u>70,160</u>
Subtotal Home Investment Partnership Program			<u>1,520,889</u>
Passed through Berkeley Food & Housing Program			
Homeless Prevention& Rapid Re-Housing Program	14.257	8143	44,554
Passed through Building Futures with Women & Children			
Homeless Prevention& Rapid Re-Housing Program	14.257	NA	185,793
Passed through City of Oakland			
Homeless Prevention& Rapid Re-Housing Program	14.257	HPRPFY2009-10	216,125
Homeless Prevention& Rapid Re-Housing Program	14.257	PATHFY2009-10	33,757
Passed through City of Fremont			
Homeless Prevention& Rapid Re-Housing Program	14.257	09-0569(1)	67,018
Passed through City of Union City			
Homeless Prevention& Rapid Re-Housing Program	14.257	NA	19,196
Passed through County of Alameda			
Homeless Prevention& Rapid Re-Housing Program	14.257	8651	236,092
Passed through Lifelong Medical Care Contract			
Homeless Prevention& Rapid Re-Housing Program	14.257	PATHFY2009-10	50,965
Passed through City of Livermore			
Homeless Prevention& Rapid Re-Housing Program	14.257	TVHPRP	<u>34,085</u>
Subtotal Homeless Prevention & Rapid Re-Housing			<u>887,585</u>
Total U.S. Department of Housing & Urban Development			<u>4,494,252</u>

See accompanying notes to schedule.

ABODE SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures Pass-Through Grantor</u>
U.S. Department of Health & Human Services Passed through the County of Alameda Temporary Assistance for Needed Families	93.558	CalWorks	\$ <u>369,265</u>
Total U.S. Department of Health & Human Services			<u>369,265</u>
U.S. Department of Homeland Security Federal Emergency Management Agency	97.024	Phase 28	48,000
Federal Emergency Management Agency	97.024	Phase 27	<u>30,000</u>
Total U.S. Department of Homeland Security			<u>78,000</u>
Total Expenditures of Federal Awards			<u>4,941,517</u>
State Awards:			
CA Department of Mental Health Passed through the County of Alameda Behavior Health Care – Greater Hope		BHSVC4378	943,331
Behavior Health Care - STAY		BHSVC4379	<u>448,026</u>
Total CA Department of Mental Health			<u>1,391,357</u>
CA Department of Social Services Passed through the County of Alameda Transitional Housing Program - Plus		8371	<u>847,000</u>
Total CA Department of Social Services			<u>847,000</u>
Total Expenditures of State Awards			<u>2,238,357</u>
Total Expenditures of Federal and State Awards			<u>\$ 7,179,874</u>

See accompanying notes to schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2010

Note A BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Abode Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B LOANS OUTSTANDING:

Abode Services had the following loan balances outstanding at June 30, 2010 and 2009, respectively. The loan balances are included in the schedule of expenditures of federal awards.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Outstanding</u>
Supportive Housing Program	14.235	\$ 178,363
Home Investment Partnership Program	14.239	1,117,000
Community Development Block Grant	14.218	286,000
Federal Emergency Shelter Grant	14.231	<u>32,000</u>
 Total Federal Loans Outstanding		 <u>\$ 1,613,363</u>

Note C SUB-RECIPIENTS OF GRANT AWARDS:

Federal funds passed through to sub-recipients for the year ended June 30, 2010 were as follows:

<u>Cluster/Program Title</u>	<u>Federal CFDA</u>	<u>2010</u>
Department of Housing and Urban Development:		
Supportive Housing Program	14.235	<u>\$14,294</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Abode Services

We have audited the financial statements of Abode Services as of and for the year ended June 30, 2010, and have issued our report thereon dated November 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Abode Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Abode Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Abode Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

RINA accountancy corporation

Certified Public Accountants

San Francisco, California
November 11, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Abode Services

Compliance

We have audited the compliance of Abode Services with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. Abode Services' major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Abode Services' management. Our responsibility is to express an opinion on Abode Services' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Abode Services' 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. Our audit does not provide a legal determination of Abode Services' compliance with those requirements.

In our opinion, Abode Services complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

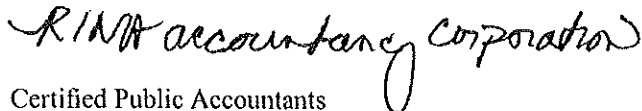
The management of Abode Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Abode Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal reward program will not be prevented or detected by the entity's internal control.

This report is intended solely for the information and the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "RINA accounting corporation".

Certified Public Accountants

San Francisco, California
November 11, 2010

ABODE SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITORS' RESULTS:

- 1) The auditor's report expresses an unqualified opinion on the financial statement of Abode Services.
- 2) The audit disclosed no significant deficiencies relating to the audit of the financial statements that was reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.
- 3) No instances of noncompliance material to the financial statements of Abode Services were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award program were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The auditor's report on compliance for the major federal award programs for Abode Services expresses an unqualified opinion.
- 6) There are no audit findings relative to the major federal award programs for Abode Services reported in this schedule.
- 7) The following programs were tested as major federal award programs:
 - Federal Agency: Department of Housing and Urban Development
CFDA: 14.218
Program title: Community Development Block Grants/Entitlement Grants
 - Federal Agency: Department of Housing and Urban Development
CFDA: 14.239
Program title: HOME Investment Partnerships Program
 - Federal Agency: Department of Housing and Urban Development
CFDA: 14.257
Program title: Homeless Prevention and Rapid Rehousing Program (HPRP) (Recovery Act Funded)
- 8) The threshold for distinguishing Type A and B programs was \$300,000.
- 9) Abode Services qualified as a low risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

None

ABODE SERVICES

SCHEDULE OF COUNTY OF ALAMEDA PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Program Name</u>	<u>Contract Number</u>	<u>Exhibit Number</u>	<u>Contract Period</u>	<u>Contract Amount</u>
Employment Services Department	900216	4798	7/01/2009-6/30/2010	154,783
Employment Services Department	900216	4367A	7/01/09-6/30/2010	461,581
Housing & Community Development	Winter Relief	4783	11/15/2009-4/30/2010	50,128
Housing & Community Development	RISE	C-2498	11/01/2008-10/31/09	22,039
Housing & Community Development	RISE	3798	11/01/2009-10/31/2010	43,337
Housing & Community Development	McKinney SHP	C-3794	03/01/2009-02/28/2010	314,722
Housing & Community Development	McKinney HOME	C-1069	7/01/2009-6/30/2010	160,000
Housing & Community Development	McKinney SHP	C-4913	12/01/09-5/31/2011	122,249
Housing & Community Development	Shelter Plus Care	C-2090	10/01/2007-09/30/2012	135,359
Housing & Community Development	BridgeWay Ops	C-3793	4/01/2009-3/31/2010	18,482
Housing & Community Development	BridgeWay Ops	C-4911	04/01/2010-06/30/2011	6,556
Homeless Prevention & Rapid Re-housing Progræ	900216	8651	10/01/09 - 9/30/10	236,092
Emergency Shelter Grant	Winter Relief	C4075	7/01/09-6/30/2010	40,886
First 5 Every Child Counts	CG12007-09-043		7/01/07-12/31/09	30,045
First 5 Every Child Counts	ADMIN2010-11-05		7/01/2010-12/31/2010	20,000
Health Care Services Agency	Mobile Health Clinic	C-3482	9/01/08-10/31/2010	34,238
SSA-Children & Family Services	THP+	4438	7/01/2009-6/30/2010	847,400
Behavioral Health Care Services	900216	GreaterHOPE	07/01/2009-06/30/2010	943,331
Behavioral Health Care Services	900216	STAY	07/01/2009-06/30/2010	448,026
Total				<u>S 4,089,254</u>