Audited Financial Statements
and Other Information

DOWNTOWN STREETS TEAM

June 30, 2018

Quigley & Miron

Downtown Streets, Inc.
Audited Financial Statements and Other Information
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Quigley & Miron

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Downtown Streets, Inc.
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Downtown Streets, Inc., dba Downtown Streets Team (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Streets, Inc., dba Downtown Streets Team as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Downtown Streets, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated December 4, 2018, on our consideration of Downtown Streets, Inc.'s internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering Downtown Streets, Inc.'s internal control over financial reporting and compliance.

Campbell, California
December 4, 2018

Downtown Streets, Inc.
Statement of Financial Position
June 30, 2018
(with comparative totals for 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 7,408	$ 108,224
Contracts receivable	1,098,313	637,899
Grants and contributions receivable	176,100	23,000
Inventory		36,971
Prepaid expenses	98,244	81,591
Amounts due from related parties—Note 3		99,131
Property and equipment, net—Note 4	160,719	57,085
Deposits	45,102	31,881
Total Assets	**$ 1,585,886**	**$ 1,075,782**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 112,309	$ 123,729
Employee benefits payable	64,770	148,347
Amounts due to related parties—Note 3	69,000	79,000
Line of credit—Note 5	200,000	200,000
Note payable—Note 6	50,000	
Deferred revenue	15,676	4,993
Rental deposits	13,052	7,450
Total Liabilities	**524,807**	**563,519**
Net Assets		
Unrestricted	875,432	315,588
Temporarily restricted—Note 7	185,647	196,675
Total Net Assets	**1,061,079**	**512,263**
Total Liabilities and Net Assets	**$ 1,585,886**	**$ 1,075,782**

See notes to financial statements.

Downtown Streets, Inc.
Statement of Activities
Year Ended June 30, 2018
(with comparative totals for 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Public Support and Revenue				
Government contracts	$ 2,860,989	$	$ 2,860,989	$ 2,872,168
Grants and contributions	1,597,420	185,647	1,783,067	1,285,540
In-kind donations	155,278		155,278	60,669
Fee for service contracts	651,956		651,956	109,831
Other contracts	608,984		608,984	617,577
Fundraising events, net —Note 8	61,202		61,202	34,619
Rental income—Note 3	78,192		78,192	70,743
Gain (loss) on investments, net	(194)		(194)	11,078
Loss on sale of equipment	(4,105)		(4,105)	
Other income	17,714		17,714	19,919
Net assets released from restrictions	196,675	(196,675)		
Total Public Support and Revenue	**6,224,111**	**(11,028)**	**6,213,083**	**5,082,144**
Expenses				
Program services				
Santa Clara Team	2,503,032		2,503,032	3,105,541
Alameda Team	321,954		321,954	333,440
San Francisco Team	718,509		718,509	426,142
Marin Team	582,813		582,813	452,801
Sacramento Team	167,866		167,866	
Santa Cruz Team	366,402		366,402	192,669
Total Program Services	**4,660,576**		**4,660,576**	**4,510,593**
Supporting services				
Management and general	785,864		785,864	543,372
Fundraising	217,827		217,827	286,271
Total Expenses	**5,664,267**		**5,664,267**	**5,340,236**
Change in Net Assets	**559,844**	**(11,028)**	**548,816**	**(258,092)**
Net Assets at Beginning of Year	**315,588**	**196,675**	**512,263**	**770,355**
Net Assets at End of Year	**$ 875,432**	**$ 185,647**	**$ 1,061,079**	**$ 512,263**

See notes to financial statements.

Downtown Streets, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018
(with comparative totals for 2017)

	Program Services							Supporting Services				
	Santa Clara Team	**Alameda Team**	**San Francisco Team**	**Marin County Team**	**Sacramento Team**	**Santa Cruz Team**	**Total**	**Management and General**	**Fundraising**	**Total**	**2018 Total**	**2017 Total**
Expenses												
Salaries	$ 1,204,522	$ 174,514	$ 297,386	$ 252,605	$ 81,136	$ 184,035	$ 2,194,198	$ 326,160	$ 145,549	$ 471,709	$ 2,665,907	$ 2,700,281
Employee benefits	154,622	24,415	43,242	34,800	9,804	23,343	290,226	49,298	17,879	67,177	357,403	314,394
Payroll taxes	106,644	15,207	26,510	22,654	6,419	15,928	193,362	28,911	11,722	40,633	233,995	240,072
Total Personnel Expenses	**1,465,788**	**214,136**	**367,138**	**310,059**	**97,359**	**223,306**	**2,677,786**	**404,369**	**175,150**	**579,519**	**3,257,305**	**3,254,747**
Vouchers	449,490	63,617	247,302	146,646	41,180	105,738	1,053,973				1,053,973	826,428
Occupancy	140,043	10,195	40,866	25,501	2,480	3,582	222,667	115,672		115,672	338,339	274,716
Professional fees	89,357	9,986	15,081	13,366	5,017	9,517	142,324	122,680	5,865	128,545	270,869	318,492
Supplies	134,812	6,373	5,990	24,981	10,776	7,582	190,514	18,132	15,183	33,315	223,829	119,553
Transportation	46,438	2,696	3,323	13,661	4,291	2,418	72,827	21,989	2,095	24,084	96,911	103,654
Office expenses	33,170	2,976	7,473	4,818	2,308	3,617	54,362	34,035	1,925	35,960	90,322	50,462
Program outreach services	52,710	3,182	2,522	10,429	1,560	3,461	73,864	1,458	7,590	9,048	82,912	172,240
Telephone	26,520	3,315	5,226	6,099	976	3,586	45,722	14,163	1,553	15,716	61,438	64,499
Insurance	21,762	2,122	4,267	4,219		1,966	34,336	10,962		10,962	45,298	33,598
Dues and subscriptions	12,118	787	98	1,257	466	28	14,754	15,590	7,223	22,813	37,567	34,810
Depreciation	14,613			13,948			28,561	5,680		5,680	34,241	21,385
Meetings and trainings	2,927	116	13,095	6,494		538	23,170	1,166		1,166	24,336	16,109
Interest	4,348						4,348	17,838		17,838	22,186	17,534
Computer expenses	5,509	2,193	4,802		1,096	416	14,016	2,130		2,130	16,146	17,869
Printing	3,427	260	1,326	1,335	357	647	7,352		1,243	1,243	8,595	14,140
Total Expenses	**$ 2,503,032**	**$ 321,954**	**$ 718,509**	**$ 582,813**	**$ 167,866**	**$ 366,402**	**$ 4,660,576**	**$ 785,864**	**$ 217,827**	**$ 1,003,691**	**$ 5,664,267**	**$ 5,340,236**

See notes to financial statements.

Downtown Streets, Inc.
Statement of Cash Flows
Year Ended June 30, 2018
(with comparative totals for 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 548,816	$ (258,092)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Gain) loss on investments	94	(10,199)
Donated stock	(21,134)	(37,210)
Proceeds on sale of donated stock	21,040	88,239
Loss on sale of equipment	4,105	
In-kind donated mobile showers	(94,748)	
Depreciation	34,241	21,385
(Increase) decrease in operating assets:		
Contracts receivable	(460,414)	(71,698)
Grants and contributions receivable	(153,100)	13,168
Inventory	36,971	9,701
Prepaid expenses	(16,653)	(25,039)
Deposits	(13,221)	(5,304)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(11,420)	5,186
Employee benefits payable	(83,577)	42,824
Deferred revenue	10,683	4,993
Rental deposits	5,602	(850)
Net Cash Used in Operating Activities	**(192,715)**	**(222,896)**
Cash Flows from Investing Activities		
Purchases of property and equipment	(48,232)	(6,600)
Proceeds from sale of equipment	1,000	
Loan to related party		(454,369)
Repayments of loan receivable from related party	99,131	454,369
Net Cash Provided by (Used in) Investing Activities	**51,899**	**(6,600)**
Cash Flows from Financing Activities		
Proceeds from amounts due to related parties	134,600	124,000
Payments on amounts due to related parties	(144,600)	(45,000)
Proceeds from note payable	50,000	
Proceeds from line of credit	255,065	215,000
Payments on line of credit	(255,065)	(15,000)
Net Cash Provided by Financing Activities	**40,000**	**279,000**
Increase (Decrease) in Cash and Cash Equivalents	**(100,816)**	**49,504**
Cash and Cash Equivalents at Beginning of Year	**108,224**	**58,720**
Cash and Cash Equivalents at End of Year	**$ 7,408**	**$ 108,224**

Downtown Streets, Inc.
Notes to Financial Statements
June 30, 2018
(with comparative totals for 2017)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Downtown Streets, Inc., dba Downtown Streets Team, (Organization) was incorporated in 2005 as a California nonprofit corporation dedicated to eliminating current and preventing future homelessness. The Organization employs a work-first model in which members of the homeless community rebuild their lives through a volunteer work-readiness program. In exchange for food/housing vouchers and services, team members sweep streets, line soccer fields, perform janitorial work, run kitchens, clean environmental habitats, and much more. The Organization coordinates the efforts of local government officials, law enforcement, businesses, and volunteers to create job opportunities and hands-on case management for the homeless. Benefits such as counseling, transportation and long-term housing assistance are also available. The Organization began in Palo Alto, California and expanded into San Jose, California in July 2011 and Sunnyvale, California in July 2012. In June 2013, the Directors of the Organization formed a sister nonprofit organization, San Jose Streets Team, to provide community development activities to improve the physical, economic, or social environment in the Strong Neighbor Initiative Areas of the City of San Jose. The Organization is principally funded through contributions and government contracts.

Financial Statement Presentation—The Organization recognizes contributions, including unconditional promises to give, as public support in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018 and 2017. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. ASU 2015-07 has been adopted for the year ended June 30, 2018, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

Cash and Cash Equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of balances in checking and savings accounts and in certificates of deposit at banks.

Inventory—Inventory is carried at the lower of cost or market determined by the first-in, first-out method if purchased. Donated inventory is stated as estimated fair value at date of donation. The Organization's inventory at June 30, 2018 and 2017 consists wholly of donated in-kind living supplies.

Property and Equipment—Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment valued at less than $3,000 are expensed when purchased or donated. Depreciation is provided on the straight-line method over estimated useful lives of the related assets (principally five years).

Concentrations of Credit and Business Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents at high quality financial institutions where funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. In the normal course of business, the Organization's cash and cash equivalent balances may exceed the FDIC insurance limit. Receivables are due from organizations and governmental agencies well-known to the Organization with excellent payment histories; all amounts receivable at June 30, 2018 and 2017 are due within one year. The Organization's management has assessed the credit risk associated with the deposit accounts and receivables held at June 30, 2018 and 2017, and has determined that an allowance for potential losses due to credit risk is not necessary.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

At June 30, 2018, two funding agencies constituted 29% and 13% of total contracts receivable.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Revenue Recognition—Revenues from contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as contracts receivable.

In-Kind Donations—The Organization records various types of in-kind donations, including office space, professional services and tangible assets. Donated services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of office space and tangible assets are recognized at fair value when received.

In-kind donations of $155,278 and $60,669 for the years ended June 30, 2018 and 2017, respectively, have been recorded in the in-kind donations caption of the statements of activities at their fair value and included in the statements of financial position and functional expenses as follows:

	2018	2017
Statement of Financial Position		
Mobile showers	$ 94,748	$
Statement of Functional Expenses		
Program outreach services	8,900	37,758
Supplies	51,630	22,911
Totals	**$ 155,278**	**$ 60,669**

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program services and supporting services benefitted.

Statement of Cash Flows—During the years ended June 30, 2018 and 2017, the Organization paid no income taxes and paid interest expense of $22,185 and $17,534, respectively.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial statement presentation.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Comparative Totals for 2017—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Note 2—Investments and Fair Value Measurements

In determining the fair value of investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

The Organization may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Organization to value is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Organization had no investments classified at fair value or NAV as a practical expedient during the years ended June 30, 2018 and 2017.

Note 3—Related Party Transactions

During the years ended June 30, 2018 and 2017, the Organization provided administrative and fundraising services to Peninsula Healthcare Connections, Inc. (PHC), a separate nonprofit organization with one common officer to Downtown Streets, Inc. During the years ended June 30, 2018 and 2017, the Organization received $88,763 and $21,009, respectively, for these services. These amounts are reported as fee for service contracts in the statement of activities. The Organization also shares certain common expenses with PHC to receive volume discounts, with the PHC portion reimbursed to the Organization. During the years ended June 30, 2018, and 2017, PHC reimbursed the Organization $3,057 and $13,216, respectively for incurred expenses.

Additionally, during the years ended June 30, 2018 and 2017, the Organization paid $35,000 and $13,670, respectively to PHC for professional services provided to the Organization. Amounts due to PHC related to these professional services at June 30, 2018 and 2017, amounted to $0 and $67,736, respectively and were included in accounts payable and accrued expenses in the statement of financial position.

During the years ended June 30, 2018 and 2017, the Organization made loans to PHC for cash flow purposes, with no specified repayment terms. Such loan balances at June 30, 2018 and 2017 amounted to $0, and $99,131, respectively, these amounts were included in amounts due from related parties in the statement of financial position.

The Organization subleases a portion of its primary administrative offices to PHC; such rental income received during the years ended June 30, 2018 and 2017 totaled $36,000 and $24,000, respectively.

During the years ended June 30, 2018 and 2017, the Organization entered into a series of short-term borrowings from the spouse of an employee to meet cash flow requirements. The note is non-interest bearing and is to be repaid as the cash flow of the Organization permits. Such outstanding balance as of June 30, 2018 and 2017 amounted to $69,000 and $79,000, respectively. An additional $37,674 and $59,540, payable to the employee's credit cards, is included in accounts payable and accrued expenses in the statement of financial position as of June 30, 2018 and 2017, respectively.

Note 4—Property and Equipment, Net

Property and equipment, net at June 30, 2018 and 2017 consists of the following:

	2018	2017
Vehicles	$ 142,899	$ 112,618
Mobile showers	97,448	
Office furniture and equipment		9,009
	240,347	121,627
Less accumulated depreciation	(79,628)	(64,542)
Net	**$ 160,719**	**$ 57,085**

Total depreciation expense recorded for the years ended June 30, 2018 and 2017 was $34,241 and $21,385.

Note 5—Line of Credit

The Organization maintains a $200,000 line of credit with a bank, bearing interest at the bank's prime interest rate plus 2.5%, with a 7.5% floor, requiring monthly payments of interest only and secured by substantially all the assets of the Organization; the line of credit has a current maturity date of March 1, 2019. Additionally, the Organization must maintain a minimum unrestricted tangible net worth of at least $250,000 during the term of the loan. At June 30, 2018, the outstanding balance on the line of credit is $200,000.

Note 6—Note Payable

During the year ended June 30, 2018, the Organization received a short-term borrowing from a third party to meet cash flow requirements. The note is non-interest bearing and is to be repaid as the cash flow of the Organization permits. Such outstanding balance as of June 30, 2018 amounted to $50,000.

Note 7—Temporarily Restricted Net Assets

A summary of the activity related to temporarily restricted net assets for the year ended June 30, 2018 is as follows:

	Balance at June 30, 2017	Additions	Releases	Balance at June 30, 2018
San Francisco Team	$ 104,131	$ 50,000	$ (104,131)	$ 50,000
Santa Clara County	32,418	90,497	(32,418)	90,497
Santa Cruz Team	39,152		(39,152)	
Dropdown Downtown	13,910		(13,910)	
Data impact analysis	7,064		(7,064)	
Alameda County		45,150		45,150
Totals	**$ 196,675**	**$ 185,647**	**$ (196,675)**	**$ 185,647**

A summary of the activity related to temporarily restricted net assets for the year ended June 30, 2017 is as follows:

	Balance at June 30, 2016	Additions	Releases	Balance at June 30, 2017
San Francisco Team	$ 283,456	$	$ (179,325)	$ 104,131
Santa Clara County	57,024	37,500	(62,106)	32,418
Santa Cruz Team		39,152		39,152
Dropdown Downtown		13,910		13,910
Data impact analysis	43,644	55,000	(91,580)	7,064
Other	3,947		(3,947)	
Totals	**$ 388,071**	**$ 145,562**	**$ (336,958)**	**$ 196,675**

Note 8—Fundraising Events, Net

Revenue and expenses related to fundraising events during the year ended June 30, 2018 and 2017 are as follows:

	2018	2017
Revenue	$ 143,048	$ 70,656
Expense	(81,846)	(36,037)
Net	**$ 61,202**	**$ 34,619**

Total fundraising expenses for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Fundraising expenses per statement of functional expenses	$ 217,827	$ 286,271
Fundraising events expenses	81,846	36,037
Totals	**$ 299,673**	**$ 322,308**

Note 9—Employee Benefit Plan

The Organization has adopted a 401(k) plan (the Plan) that covers employees who are at least 21 years of age and have completed 1,000 hours of service in 12 months of employment. Participants may elect to defer up to 80% of their annual salaries under the Plan, subject to Internal Revenue Service limitations. The Plan provides for matching of 100% of deferrals up to the first 6% of compensation. Employees vest immediately in all voluntary contributions to the Plan. The Organization's contribution to the Plan was $72,075 and $62,401 for the years ended June 30, 2018 and 2017, respectively.

Note 10—Contingencies

The Organization provides program participants with vouchers for meals, lodging, phone services and/or gasoline. The Organization has taken the position that the distribution of vouchers to the team members is not a substitute for compensation for work performed in the context of the program. As such, the team members are considered volunteers and the value of the vouchers is not subject to payroll tax or other wage laws. The Organization relies on advice of counsel in support of this position.

If this position were challenged by the U.S. Department of Labor or California Division of Labor Standards Enforcement, the Organization could be liable for resulting payroll taxes, penalties and other wage law requirements. The amount of any such liability is not known as of June 30, 2018.

Note 11—Commitments

The Organization leases various office and meeting spaces throughout its service area and office equipment. The future minimum annual rental commitments by year for its leases with a remaining term greater than one year are as follows:

Year Ending June 30,		
2019	$	207,510
2020		207,510
2021		198,882
2022		198,882
2023		33,147
Total	**$**	**845,931**

Rental expense for all operating leases, including required common area costs and utilities, for the years ended June 30, 2018 and 2017 was $174,363 and $153,137, respectively.

Note 12—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for public business entities with fiscal years beginning after December 15, 2018, and for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Note 12—Recent Accounting Pronouncements—*Continued*

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-15 will have on its financial statements.

Revenue Recognition—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. The Organization is evaluating whether this will have a material impact on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*, This update clarified the definition of an exchange transaction. As a result, non-for-profit entities will account for most government grants as donor-restricted conditional contributions, rather than as exchange transaction (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangement and is immediate for unconditional arrangements. No new disclosures are required. The guidance is effective for the Organization beginning July 1, 2019, with early adoption permitted. The Organization is evaluating whether this will have a material impact on its financial statements.

Note 13—Subsequent Events

Subsequent to year end, the Organization signed contracts for funding and implemented new programs in the City of Berkeley and City of Oakland.

Management has evaluated all activities of Downtown Streets, Inc. through December 4, 2018, which is the date the financial statements were available to be issued, and concluded that other than as noted above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.

Downtown Streets, Inc.
Schedule of Expenditure of Federal Awards
Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Award Period		Federal Expenditures
U.S. Department of Housing and Urban Development					
CDBG—Entitlement Grants Cluster					
Community Development Block Grants/Entitlement Grants					
Passed through:					
City of San Jose	14.218	CPS-16-017	07/01/17-06/30/18	$	499,776
City of Palo Alto	14.218	C18170011	07/01/17-06/30/18		329,575
Sunnyvale Community Services	14.218	1718-829560	07/01/17-06/30/18		278,625
City of Hayward	14.218	C-16121	07/01/17-06/30/18		89,938
Sunnyvale Community Services	14.218	1617-829560	07/01/16-06/30/17		(2,083)
Total CDBG—Entitlement Grants Cluster, CFDA Nos. 14.218 and 14.225					**1,195,831**
Total U.S. Department of Housing and Urban Development					**1,195,831**
U.S. Department of Health and Human Services					
Community Services Block Grant					
Passed through:					
City of Oakland	93.569	2018AC-OCAP	01/01/18-12/31/18		41,257
Total CFDA No. 93.569					**41,257**
Total U.S. Department of Health and Human Services					**41,257**
Total Expenditures of Federal Awards				**$**	**1,237,088**

See notes to the schedule of expenditures of federal awards.

Downtown Streets, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note A—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Downtown Streets, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Downtown Streets, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Downtown Streets, Inc.

Note B—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Downtown Streets, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Downtown Streets, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

There were no prior year audit findings.

Quigley & Miron

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Downtown Streets, Inc.
San Jose, California

We have audited 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, the financial statements of Downtown Streets, Inc. (Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 4, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Quigley & Miron

Campbell, California
December 4, 2018

Quigley & Miron

Certified Public Accountants

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Downtown Streets, Inc.
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Downtown Streets, Inc. (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2018. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal award program for the year ended June 30, 2018.

Board of Directors
Downtown Streets, Inc.
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Report on Internal Control over Compliance

The Organization's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of This Report

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

Quigley & Miron

Campbell, California
December 4, 2018

Downtown Streets, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Downtown Streets, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies were identified during the audit.
3. No instances of noncompliance material to the financial statements of Downtown Streets, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program of Downtown Streets, Inc. expresses an unmodified opinion.
6. There were no audit findings that required reporting in this schedule in accordance with Title 2 U.S. *Code of Federal Regulations* section 200.516(a).
7. The program tested as a major program was the Department of Housing and Urban Development Entitlement Grants Cluster, Community Development Block Grants/Entitlement Grants, CFDA No. 14.218 and Community Development Block Grants/Special Purpose Grants, CFDA No. 14.225.
8. The threshold for distinguishing Types A and B programs was $750,000.
9. Downtown Streets, Inc. was determined to be a low risk auditee.

B. Findings— Financial Statements Audit

None

C. Findings and Questioned Costs—Major Federal Award Program

None

Downtown Streets, Inc.
Corrective Active Plan
Year Ended June 30, 2018

As there were no audit findings or questioned costs for the year ended June 30, 2018, a corrective action plan is not required.