Bill Wilson Center

Consolidated Financial Statements
and Supplementary Information
June 30, 2012

Together with
Independent Auditors' Report

BILL WILSON CENTER

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June 30, 2012

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bill Wilson Center
San Jose, California

We have audited the accompanying consolidated statement of financial position of Bill Wilson Center (the "Organization", a California public benefit corporation), as of June 30, 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Organization as of June 30, 2011, were audited by other auditors whose report dated October 7, 2011, expressed an unqualified opinion on those statements. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements audited by other auditors as noted above.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the financial statements, certain errors in the classification of net assets previously reported as of June 30, 2011, were discovered by management of the Organization during the current year. Accordingly, an adjustment has been made to net assets as of July 1, 2011, to correct the error.

To the Board of Directors of
Bill Wilson Center

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2012, on our consideration of Bill Wilson Center'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is 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 is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Robert Lee + Associates, LLP

San Jose, California
October 11, 2012

BILL WILSON CENTER

Statements of Financial Position

	June 30, 2012	June 30, 2011
ASSETS		
Current assets:		*(restated)*
Cash and cash equivalents	$ 829,631	$ 998,068
Investments	775,459	759,074
Receivables, current portion	1,896,042	1,487,108
Prepaid expenses and deposits	157,895	199,924
Total current assets	3,659,027	3,444,174
Receivables, net, non-current portion	110,486	213,947
Fixed assets, net	12,808,529	10,272,084
Other assets	52,923	54,062
Total assets	$ 16,630,965	$ 13,984,267
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit payable	$ 100,000	$ 100,000
Accounts payable	707,847	723,042
Accrued expenses	945,839	1,019,587
Deposits	136,124	138,682
Deferred revenue	10,034	15,100
Notes payable, current	40,424	37,557
Total current liabilities	1,940,268	2,033,968
Notes payable, non-current	1,861,223	988,287
Total liabilities	3,801,491	3,022,255
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted	2,397,063	2,274,063
Temporarily restricted	10,432,411	8,687,949
Total net assets	12,829,474	10,962,012
Total liabilities and net assets	$ 16,630,965	$ 13,984,267

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

BILL WILSON CENTER

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2012

(With comparative totals for the year ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Comparative Totals
Support and revenue:				
Support:				
Contributions	$ 126,076	$ 26,876	$ 152,952	$ 179,656
Contributions in-kind	396,888	35,646	432,534	378,391
Special events, net	114,660	-	114,660	86,309
Foundations and corporations	284,190	244,527	528,717	530,017
United Way	60,831	-	60,831	60,069
Total support	982,645	307,049	1,289,694	1,234,442
Revenue:				
Federal government awards	2,870,796	1,335,146	4,205,942	3,457,286
State and local government awards	7,651,977	598,171	8,250,148	8,255,084
Investment Income	19,072	-	19,072	99,472
Gain (loss) on disposal of assets	1,413	-	1,413	(2,605)
Fees for services	211,214	-	211,214	219,649
Miscellaneous income	95,346	-	95,346	13,650
Total revenue	10,849,818	1,933,317	12,783,135	12,042,536
Net assets released from restrictions	495,904	(495,904)	-	-
Total support and revenue	12,328,367	1,744,462	14,072,829	13,276,978
Expenses:				
Program services	10,817,519	-	10,817,519	10,067,969
Supporting services:				
Management and general	1,143,571	-	1,143,571	1,095,592
Fundaising	244,277	-	244,277	281,649
Total supporting services	1,387,848	-	1,387,848	1,377,241
Total expenses	12,205,367	-	12,205,367	11,445,210
Change in net assets	123,000	1,744,462	1,867,462	1,831,768
Net assets, beginning of year, as restated	2,274,063	8,687,949	10,962,012	9,130,244
Net assets, end of year	$ 2,397,063	$ 10,432,411	$ 12,829,474	$ 10,962,012

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

BILL WILSON CENTER

Statement of Functional Expenses

For the year ended June 30, 2012

(With comparative totals for the year ended June 30, 2011)

	2012								
	Program Services								
	Mental Health Services	Youth Residential Services	Foster Family Services	Youth Services	Family Services	Transitional Housing Services	Drop-in Center	Peacock Commons	Total June 30, 2012 Totals
Staff compensation	$ 1,496,546	$ 1,301,213	$ 353,860	$ 155,811	$ 431,497	$ 880,282	$ 366,098	$ 41,867	$ 5,027,173
Employee benefits	314,315	250,816	75,888	34,816	86,534	168,453	74,596	7,272	1,012,690
Payroll taxes	141,503	108,390	29,729	16,191	40,935	75,353	32,209	3,011	447,321
Bad debt expense	126,313	994	7,094	-	18,000	-	-	-	152,401
Conference, conventions and meetings	1,721	2,009	809	-	3,119	1,882	100	17	9,657
Equipment purchases	13,543	40,005	43	-	97	22,089	1,059	20,310	97,146
Equipment rent & maintenance	31,929	67,086	1,243	2,766	5,664	65,349	28,596	20,198	222,831
Food and beverage	12,394	143,870	412	2,244	2,329	116,404	65,711	486	343,850
Foster family fees	-	9,658	333,935	-	-	-	-	-	343,593
Insurance	23,812	46,614	10,623	1,928	6,557	18,193	6,289	10,684	124,700
Memberships, dues and licenses	13,960	13,061	7,101	1,017	501	365	145	1,270	37,420
Occupancy	132,007	4,597	43,036	18,211	41,441	727,177	6,316	690	973,475
Payments to sub-recipients	112,500	-	-	-	-	-	2,000	-	114,500
Postage and shipping	2,997	1,669	886	537	1,179	1,285	508	238	9,299
Printing and publications	23,532	10,793	5,397	3,743	18,548	10,471	8,948	3,300	84,732
Professional fees	279,793	42,269	17,534	3,244	267,015	18,546	6,655	27,906	662,962
Recruiting and training costs	6,174	5,554	8,981	1,422	2,823	1,110	975	333	27,372
Service charges and interest	1,986	2,920	465	250	1,748	1,428	438	4,140	13,375
Specific assistance	583	81,660	17,524	4,703	800	247,477	57,228	4,107	414,082
Supplies	29,147	40,098	5,637	12,946	13,549	21,095	18,833	13,106	154,411
Telephone	29,355	24,284	13,914	5,020	12,256	24,657	9,786	641	119,913
Travel and transportation	30,373	26,264	12,010	1,336	1,111	16,826	8,259	1,194	97,373
Utilities	25,347	55,513	1,122	1,490	8,876	23,575	14,772	6,863	137,558
Total expenses before depreciation and amortization	2,849,830	2,279,337	947,243	267,675	964,579	2,442,016	709,521	167,633	10,627,834
Depreciation and amortization	9,477	80,134	373	-	19,118	34,058	8,254	38,271	189,685
Total expenses	$ 2,859,307	$ 2,359,471	$ 947,616	$ 267,675	$ 983,697	$ 2,476,074	$ 717,775	$ 205,904	$ 10,817,519

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

BILL WILSON CENTER

Statement of Functional Expenses

For the Years Ended June 30, 2012

(With comparative totals for the year ended June 30, 2011)

	2012					
	Total Program Services	Support services: Management and General	Support services: Fundraising and Development	Support services: Totals	Total Program and Support Services	2011 Comparative Totals
Staff compensation	$ 5,027,173	$ 813,120	$ 166,908	$ 980,028	$ 6,007,201	$ 5,661,290
Employee benefits	1,012,690	102,982	24,854	127,836	1,140,526	1,084,675
Payroll taxes	447,321	47,178	17,032	64,210	511,531	483,264
Bad debt expense	152,401	-	-	-	152,401	162,336
Conference, conventions and meetings	9,657	3,270	511	3,781	13,438	8,930
Equipment purchases	97,146	1,424	2,230	3,654	100,800	58,727
Equipment rent and maintenance	222,831	9,347	1,119	10,466	233,297	179,122
Food & beverage	343,850	40	14	54	343,904	343,841
Foster family fees	343,593	-	-	-	343,593	309,375
Insurance	124,700	22,642	2,086	24,728	149,428	158,464
Memberships, dues and licenses	37,420	4,455	691	5,146	42,566	39,314
Occupancy	973,475	28,395	272	28,667	1,002,142	928,962
Payments to sub-recipients	114,500	-	-	-	114,500	12,800
Postage and shipping	9,299	600	3,001	3,601	12,900	13,227
Printing and publications	84,732	5,233	8,748	13,981	98,713	84,894
Professional fees	662,962	6,283	1,990	8,273	671,235	680,833
Recruiting and training costs	27,372	6,403	205	6,608	33,980	37,103
Service charges & interest	13,375	44,274	147	44,421	57,796	57,654
Specific assistance	414,082	-	-	-	414,082	475,419
Supplies	154,411	2,233	1,640	3,873	158,284	132,398
Telephone	119,913	7,814	1,623	9,437	129,350	121,496
Travel and transportation	97,373	580	10	590	97,963	103,425
Utilities	137,558	12,607	1,990	14,597	152,155	141,088
Total expenses before depreciation and amortization	10,627,834	1,118,880	235,071	1,353,951	11,981,785	11,278,637
Depreciation and amortization	189,685	24,691	9,206	33,897	223,582	166,573
Total expenses	$ 10,817,519	$ 1,143,571	$ 244,277	$ 1,387,848	$ 12,205,367	$ 11,445,210

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

BILL WILSON CENTER
Statements of Cash Flows

	For the Years Ended June 30, 2012	2011
Cash flows from operating activities:		
Change in net assets	$ 1,867,462	$ 1,831,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	223,582	166,573
(Gain) loss on disposal of assets	(1,413)	2,605
Net unrealized (gain) loss on investments	4,074	(83,263)
Donated securities included in support	(3,231)	(71,067)
Changes in operating assets and liabilities:		
Receivables	(305,473)	(21,391)
Prepaid expenses and deposits	42,029	(65,536)
Other assets	1,139	(46,302)
Accounts payable and accrued expenses	(88,943)	420,481
Deposits held	(2,558)	6,045
Deferred revenue	(5,066)	(14,562)
Net cash provided by operating activities	1,731,602	2,125,351
Cash flows from investing activities:		
Proceeds from sale of investments	201,083	244,113
Purchases of investments	(218,311)	(337,836)
Proceeds from sale of assets	-	144
Purchases of land, buildings and equipment	(2,758,614)	(1,990,196)
Net cash used by investing activities	(2,775,842)	(2,083,775)
Cash flows from financing activities:		
Payments on note payable	(36,963)	(36,256)
Proceeda fro loans	912,766	100,000
Payments on line of credit	-	(55,000)
Net cash provided by financing activities	875,803	8,744
(Decrease) increase in cash and cash equivalents	(168,437)	50,320
Cash and cash equivalents, beginning of year	998,068	947,748
Cash and cash equivalents, end of year	$ 829,631	$ 998,068
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 36,001	$ 38,385
Supplemental disclosure of non-cash transactions		
Land, buildings and equipment acquired via financing	$ 2,515,577	$ 478,500
Transfer of assets from construction-in-progress to land, buildings and equipment	$ 4,722,024	$ -

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

Note 1 - Organization, principles of consolidation and program summaries:

Organization- Bill Wilson Center (the "Organization") was incorporated as a California non-profit organization on March 29, 1974 and provides services to the residents of Santa Clara County. The organizations mission is to support and strengthen the community by serving youth and families through counseling, housing, education and advocacy. Bill Wilson Center emphasizes the importance of collaborative program development and service delivery

Principles of consolidation - The consolidated financial statements include the accounts of a subsidiary, Peacock Commons, LLC, ("LLC") a California limited liability company of which the Organization is the sole member. The LLC was formed on April 25, 2011 to provide housing for low income persons, where no adequate housing exists for such groups; or to serve as a general partner in a limited partnership which owns and operates housing for the benefit of low income persons who are in need of affordable, decent, safe and sanitary housing and related services. The Peacock Commons apartments were certified for occupancy on April 26, 2012.

Program summaries - The Organization operates programs in eight distinct areas as follows:

Mental Health Services

- Mental Health Services are provided for Medi-Cal eligible children and youth and include therapy and psychiatric services.
- Transition age youth may gain immediate access to mental health services through a crisis line.
- TAY Inn provides short term housing for homeless youth dealing with mental health issues

Residential Services

- Short-term housing for homeless and runaway youth at BWC's shelter and host homes. Intensive individual, group and family counseling in order to reunite youth with their families.
- Quetzal House provides short-term housing for girls, ages 13 - 17, who are chronic runaways from the foster care system or from their families.
- Transitional Housing Placement Program provides semi-independent living for youth ages 16-19, including parenting youth, who are in the foster care system. The youth learn the skills they need to become self-sufficient.

Foster Family Services

- Foster Family Program recruits foster families and matches children in the foster care system with families that are trained and supported to care for them. Includes foster to adopt, and intensive therapeutic foster care and Multi-dimensional Treatment Foster Care.
- Volunteer Case Aide Program matches trained volunteers with children in foster care who need services such as tutoring, mentoring, and supervised visits.

Note 1 - Organization, principles of consolidation and program summaries (continued):

Youth Services

- Restorative Justice Program provides first time offenders an alternative to incarceration and/or citation by the local police and/or probation department.
- Direct Referral Program provides services to low-level first time offenders under the age of 15 who are at risk of re-offending.
- Safe Place provides youth with easy access to services or safety.
- Therapeutic counseling for children and youth who have experienced abuse and neglect.

Drop-In Center for homeless youth provides basic necessities as well as case management, job readiness, housing assistance, and HIV prevention with the goal of helping youth exit the streets.

Family Services

- Contact Cares volunteers provide supportive listening, and information and referral on 24-hour crisis lines.
- Family and Individual Counseling provides low-cost, professional counseling services to families and individuals of all ages.
- School Outreach Counseling provides counseling services on site at Santa Clara Unified School District middle and high school students, and several other schools.

- Centre for Living with Dying provides emotional support to adults and children facing life-threatening illness or the trauma of having a loved one die.
- Healing Heart program supports children and youth who have experienced the loss of a loved one.
- Critical Incident Stress Management provides training and support for first responders.

Transitional Housing

- Transitional Housing Program provides housing and support services for homeless youth ages 16 - 24, including parenting youth and their infants/toddlers.
- THP+ provides rent subsidies and support services for youth who have aged out of foster care.

Peacock Commons

- Permanent Housing Apartment complex provides affordable rent and support services for youth and families residing in Peacock Commons.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Generally Accepted Accounting Principles ("GAAP"), the Organization reports information regarding its consolidated financial position and operating activities in three classes of net assets:

- *Unrestricted net assets* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current year for which the restrictions have been met in the current year.
- *Temporarily restricted net assets* - include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting year.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments. The Organization did not have any permanently restricted net assets at June 30, 2012.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include the allowance for doubtful accounts, the discount for present value on contributions receivable, the useful lives of property and equipment, future payment estimates on loans, and the allocation of expenses by function. Actual results could differ from these estimates under different conditions.

Note 2 - Summary of significant accounting policies (continued):

Revenue recognition - The Organization's programs are supported by client fees, government grants and contracts and by contributions from individuals, corporations and foundations. The Organization receives cost reimbursement contact revenue as well as fixed rate contract revenue. Revenue is recognized when the corresponding service has been provided according to the agreement, subject to the contract limit, if any. Under fixed rate contracts, the Organization agrees to provide certain services in specified quantities at a prescribed rate per unit of service provided. Certain contracts have provisions for annual settlements to provide for recovery of costs for service capacity required to be provided, but not utilized, and for repayment of amounts billed in excess of contract limits. Estimated settlements are accrued by the Organization as a grant receivable or grant payable reported in the consolidated statements of financial position approximate fair values as all amounts are expected to be received or paid within on year.

Contributions are recognized when the donor makes a pledge that is, in substance, an unconditional promise to give. Unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisor. There were no conditional promises to give at June 30, 2012 and 2011.

In-kind contributions - Significant donated equipment, facility and other goods are recorded at their estimated fair market value as of the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization may also receive donated services that do not require specific expertise but which are nonetheless central to the Organization's operations; these amounts are not recorded.

Functional expense allocations - The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, specifically identified expenses are charged to the applicable program. The remaining costs are allocated among the programs and services benefited based on management estimates.

Cash and cash equivalents - Cash and cash equivalents include demand deposits in banks, money market funds. The carrying amount in the consolidated statements of financial position approximates fair value.

Note 2 - Summary of significant accounting policies (continued):

Investments - The Organization's investments are valued in accordance with GAAP, including Fair Value Measurements. The Organization invests in marketable securities and money market funds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Contributions of investments are recorded at estimated fair value at the date of donation and are sold as soon as reasonably possible. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are recognized when earned.

Receivables - Receivables consist of grants receivable, contracts receivable, pledges receivable and other receivables. Grants receivable consist primarily of amounts awarded by governmental agencies for various purposes. Contracts receivable consists primarily of amounts billed for services provided. Pledges receivable are recorded when an unconditional promise to pay has been made to the Organization. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Prepaid expenses - Prepaid expenses primarily consists of payments made associated with the Organization's insurance policies and prepaid rent. Such prepayments are amortized over the term of the related insurance coverage or lease agreement.

Deposits - Deposits consist of security deposits on rental property.

Property and equipment - Property and equipment are recorded at cost, or if contributed, at the estimated fair market value when donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. There were no restrictions placed on property plant and equipment at June 30, 2012 and 2011.

Depreciation and amortization - Depreciation is computed using the straight-line method over estimated useful lives of the related assets which range from five to ten years for automobiles and furniture and equipment; and ten to forty years for buildings and improvements. The Organization capitalizes all expenditures for equipment and improvements in excess of $2,500. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Note 2 - Summary of significant accounting policies (continued):

Long-lived assets - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

Deposits payable - The Organization receives security deposits from residents of the transitional housing program, for adoption programs and from the County of Santa Clara for placement of foster youth.

Deferred revenue - Deferred revenue is recorded for rents received from clients in advance of the period for which it the rent is due.

Federal awards - Federal awards consist of funds received from the federal government for specific projects. Substantially all of the Organization's federal award revenue is derived from cost reimbursement grants, which are billed to the grantor after costs have been incurred. Federal award revenue and unbilled federal awards are recognized to the extent the related costs are incurred.

Federal awards are subject to review and audit by the grantor agencies in accordance with the Single Audit Act and Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* ("A-133 audit"). Although such audits could result in expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material to the consolidated financial statements at June 30, 2012 and 2011.

Fair value of financial instruments - Financial instruments included in the Organization's consolidated statement of financial position as of June 30, 2012 and 2011 include cash and cash equivalents, receivables, investments, accounts payable, accrued expenses and notes payable. The balances of these instruments represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying consolidated statement of financial position at their estimated fair values using methodologies described above.

Concentration of credit risk - Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash, cash equivalents and receivables. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits. It is the Organization's opinion that it is not exposed to any significant credit risks.

Concentration of revenue sources - For the years ending June 30, 2012 and 2011, approximately 88.5% and 88.2%, respectively, of the Organization's support and revenue is derived from grants from Federal, State and County government agencies.

Note 2 - Summary of significant accounting policies (continued):

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2012 management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2009 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2008 and forward.

Advertising - The Organization's policy is to expense advertising costs to operations as incurred. The Organization did not incur any advertising expenses for the years ended June 30, 2012 and 2011.

Special events - Special events are reported net of expenses of approximately $48,000 and $115,000, for the years ended June 30, 2012 and June 30, 2011, respectively.

Comparative information - The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was obtained.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Subsequent events - Subsequent events are evaluated through October 11, 2012, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2012.

Note 3 - Receivables:

The following amounts are reported as receivables as of June 30, 2012 and June 30, 2011:

	2012	2011
Grants receivable	$ 1,566,296	$ 1,327,905
Contracts receivable	401,063	390,456
Pledges receivable	503,359	394,945
Accounts receivable	27,706	3,744
Total receivables	2,498,378	2,117,050
Less: allowance for doubtful accounts	(491,850)	(415,995)
Total receivables, net	2,006,528	1,701,055
Less current portion	(1,896,042)	(1,487,108)
Non-current portion	$ 110,486	$ 213,947

Multi-year pledges receivable reported as part of pledges receivable consisted of the following at June 30, 2012:

Year Ending June 30,	
2013	$ 89,470
2014	75,637
2015	61,381
2016	37,935
2017	11485
Thereafter	9,200
Total	285,609
Less: current portion	(89,470)
Less allowance for doubtful accounts	(85,653)
Long-term portion	$ 110,486

Note 4 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Note 4 - Investments (continued):

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

All investments are at quoted prices in active markets for identical assets (Level 1 inputs) as follows at June 30:

	2012	2011
Cash held for investments	$ 85,547	$ 123,209
Fixed income	284,212	282,468
Equity securities	405,700	353,397
Net investments	$ 775,459	$ 759,074

The following schedule summarizes the investment income and losses in the statement of activities as of June 30:

	2012	2011
Interest and dividends	$ 23,454	$ 18,400
Realized loss on investments	(308)	(2,191)
Unrealized gain (loss) on investments	(4,074)	83,263
Total investment income	19,072	99,472
Management fees	(5,614)	(5,406)
Net investment income	$ 13,458	$ 94,066

Note 5 - Property and equipment:

Property and equipment consists of the following at June 30:

	2012	2011
Land	$ 2,997,004	$ 2,997,004
Buildings and improvements	11,494,830	6,643,670
Furniture and equipment	415,801	346,928
Vehicles	136,830	147,507
Construction-in-progress	-	2,206,447
Total property and equipment	15,044,465	12,341,556
Less accumulated depreciation	(2,235,936)	(2,069,472)
Property and equipment, net	$ 12,808,529	$ 10,272,084

Depreciation and amortization expense was approximately $224,000 and $167,000 for the years ended June 30, 2012 and 2011, respectively.

Note 6 - Line of credit:

The Organization is obligated under a line of credit, maturing February 15, 2013 and secured by the personal property of the Organization. The line is available up to $300,000 and bears interest at the bank's prime rate (3.25%). As of June 30, 2012, the line of credit balance was $100,000 and interest paid during the year under this line was $3,314. As of June 30, 2011, the line of credit balance was $100,000 and interest paid during the year under this line was $3,250.

Note 7 - Notes payable:

The Organization had the following notes payable at June 30:

	2012	2011
Mortgage for 713 Fremont Street	$ 412,067	$ 449,030
Peacock Court - City of Sunnyvale	100,000	100,000
Peacock Court - Opportunity Fund	912,766	-
509 View Street - City of Mountain View	404,814	404,814
509 View Street - City of Sunnyvale	72,000	72,000
Total notes payable	1,901,647	1,025,844
Current portion	(40,424)	(37,557)
Non-current portion	$ 1,861,223	$ 988,287

Note 7 - Notes payable (continued):

During the year ended June 30, 2010, the Organization purchased real property located at 713 Fremont Street, Santa Clara, California. To finance the purchase of this property the Organization borrowed $487,500, secured by real property located at 691-693 South 2nd Street in San Jose, California. The loan bears interest at 7.38%, is due April 15, 2020 and requires monthly principal and interest payments of $5,784. Interest paid during the years ended June 30, 2012 and 2011 was $32,327 and $29,375 respectively.

During the year ended June 30, 2011, the Organization began renovation of a building located at 3661 Peacock Court in Santa Clara, California. To partially finance the renovation, the Organization borrowed $100,000 of HOME Investment Partnerships funds form the City of Sunnyvale, secured by Peacock Court. The loan bears simple interest, deferred at 3.00% and is due January 2066. In addition, the Organization secured two $370,400 loans and a $500,000 loan from Opportunity Fund Northern California. During fiscal year 2012, a total of $912,766 was drawn on these loans. The Organization drew down $289,630 and 289,236 from the two $370,400 loans that bear interest at 0% and 7%, respectively, and are required to be repaid upon the Organization securing permanent financing at Peacock Court. Subsequent to year-end the Organization obtained a financing agreement to refinance these loans. The refinancing agreement requires payment in 55 years and as a result the loans are listed as long-term liabilities. The $500,000 loan bears no interest and becomes due fifty-five years after completion of the rehabilitation assuming no acceleration due to an event of default has occurred.

The Organization obtained Community Development Block Grant (CDBG) loans from the City of Mountain View and the City of Sunnyvale to purchase real property located at 509 View Street, Mountain View, California. The City of Mountain View loan, in the amount of $404,814, is structured as an equity sharing arrangement whereby the City will receive 80% of the market value of the property upon a transfer of the property. The loan bears no interest and has no due date. The City of Sunnyvale loan, in the amount of $72,000 is due and payable on June 30, 2026. There is no interest on $26,000 of the $72,000, while the remaining $46,000 bears simple interest of 3% per annum, deferred. Upon acquisition of the property, $13,800 of accrued interest on the $46,000 was assumed by the Organization. For the year ended June 30, 2012 and 2011, $1,380 and $2,760 of interest was accrued, respectively.

The future scheduled principal payments under these notes are as follows:

Year Ending June 30,		
2013	$	40,424
2014		43,778
2015		46,832
2016		50,408
2017		53,444
Thereafter		1,666,761
Total	$	1,901,647

Note 8 - Forgivable loans:

The Organization has loans with no specified due date that have been recorded as temporarily restricted net assets and not loans requiring mandatory principal and interest payback. However, disposition, change in use, or cessation of operations requires a mandatory repayment of principal and accrued interest. During fiscal year 2011 these amounts were recorded as permanently restricted net assets. During the current fiscal year the Organization corrected these amounts to temporarily restricted net assets. See Note 13 for further information.

During the fiscal year ended June 30, 1994, the Organization received the following grants for the acquisition and development of real property located at 3490 The Alameda in Santa Clara, CA:

A Community Development Block Grant (CDBG) of $48,500 from the City of Sunnyvale. This amount is secured by a Trust Deed on the subject property, bears three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a runaway and homeless youth shelter. As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $29,004 and $27,549, with an annual accrual of $1,455.

A grant of $980,000 from the Redevelopment Agency of the City of Santa Clara. This amount is secured by a Trust Deed on the subject property, bears three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a runaway and homeless youth shelter. As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $561,050 and $531,650, respectively, with an annual accrual of $29,400.

During the fiscal year ended June 30, 1997, the Organization received the following grants for the acquisition of real property located at 1284-1294 Jackson Street in Santa Clara, CA;

A grant of $375,000 from the Department of Housing and Urban Development. This amount is unsecured, bears no interest and will be considered paid in full if the Organization continues to use the facility as a teenaged parent family shelter for a period of twenty years (until approximately November 2016), with the last ten years being prorated.

A grant of $200,000 from the Department of Housing and Urban Development and a grant of $200,000 from the Redevelopment Agency of Santa Clara, both passed through the City of Santa Clara. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as a teenaged parent family shelter. As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $187,500 and $175,500, respectively, with an annual accrual of $12,000. The terms of the grants require the Organization to maintain a $50,000 reserve account for the maintenance and repair of the subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

Note 8 - Forgivable loans (continued):

During the fiscal year ended June 30, 1999, the Organization received the following grants for the acquisition of real property located at 2120 Main Street in Santa Clara, CA;

A grant of $77,743 from the Department of Housing and Urban Development and a grant of $297,257 from the Redevelopment Agency of Santa Clara, both passed through the City of Santa Clara. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facility as transitional housing for homeless teens. As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $152,813 and $141,563, respectively, with an annual accrual of $11,250. The terms of the grants require the Organization to maintain a $50,000 reserve account for the maintenance and repair of subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

During the fiscal year ended June 30, 2002, the Organization received the following grants:

A grant of $75,000 from the Redevelopment Agency of the City of Santa Clara for seismic upgrade and related rehabilitation work at 1284 Jackson Street, Santa Clara, California. This amount is secured by a Trust Deed on the subject property, bears no interest and will be considered paid in full if the Organization continues to use the facility as a youth transitional housing project for a period of twenty years (until approximately November 2020.)

A grant of $405,100 from the Department of Housing and Urban Development and a grant of $204,583 from the Redevelopment Agency of Santa Clara, both passed through the City of Santa Clara for the acquisition of 3551 Shafer Drive, Santa Clara, California. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and will be considered paid in full if the Organization continues to use the facility as a youth transitional housing project for a period of thirty years (until approximately June 2032). As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $182,903 and $164,613, respectively, with an annual accrual of $18,290. The terms of the grants require the Organization to maintain a $10,000 reserve for the maintenance and repair of the subject property. This amount is shown as part of temporarily restricted net assets in the statement of financial position.

Note 8 - Forgivable loans (continued):

During the fiscal year ended June 30, 2007, the Organization received the following grant for the acquisition, operations, and rehabilitation of real property located at 3661 Peacock Court in Santa Clara, CA:

An on-going grant of $4,767,565 from the Redevelopment Agency of the City of Santa Clara, with $4,190,064 and $3,813,477 advanced as of June 30, 2012 and 2011, respectively. The Redevelopment Agency of the City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing three percent simple interest, and neither the principal nor the accrued interest will become due if the Organization continues to use the facilities as housing for low income persons and families at risk of homelessness. As of June 30, 2012 and 2011, accrued interest on this obligation amounted to $483,626 and $372,386, respectively, with an accrual of $111,240. The terms of the grant requires the Organization to maintain a reserve account for the maintenance and repair of the subject property equal or greater than 3% of gross rents received.

During the fiscal year ended June 30, 2011, the Organization received the following grants:

A grant of $251,044 in HOME Investment Partnerships (“HOME”) funding passed through from the City of Santa Clara for rehabilitation of 3661 Peacock Court, Santa Clara, California. The City of Santa Clara has secured this amount by a Trust Deed on the subject property, bearing no interest, and the principal will not become due as long as the Organization continues to use the facility as housing for low income persons and families at risk of homelessness.

A grant of $1,917,455 in HOME funds passed through the City of San Jose. This amount is secured by a Trust Deed on the subject property, bearing no interest, and the principal will be forgiven if the Organization continues to use the facility for fifteen years as housing for low income persons and families at risk of homelessness. As of June 30, 2012 and 2011, the City of San Jose has advanced $1,911,445 and $730,750, respectively.

A grant of $82,959 from the City of Santa Clara for the installation of solar panels at 3490 The Alameda, Santa Clara, CA. This amount is unsecured, bears no interest and will be considered paid in full if the Organization maintains the solar panels for a period of ten years (until approximately August 2021).

Note 9 - Temporarily restricted net assets:

The temporarily restricted net assets activity for the years ended June 30, 2012 were as follows:

	July 1, 2011	Restatements	Additions	Releases	June 30, 2012
United Way	$ 50,000	$ -	$ 50,000	$ 50,000	$ 50,000
Pledges receivable	210,468	-	-	10,513	199,955
Residential services	-	-	82,344	54,317	28,027
Counseling services	-	-	4,000	-	4,000
Safe place	-	-	5,000	1,336	3,664
Transitional housing	5,408	-	-	271	5,137
Fatherhood works	5,000	-	-	5,000	-
Adopt a family	6,389	-	26,876	33,265	-
Center for living with dying/Healing heart	-	-	45,333	45,333	-
Child abuse prevention	-	-	20,000	-	20,000
CHAT	-	-	7,750	7,750	-
Core operating support	119,960	-	-	60,000	59,960
Van purchase	33,000	-	-	33,000	-
Facility operating cost at Shafer Drive	10,000	-	-	-	10,000
Building renovations and improvements	24,545	-	-	24,545	-
Drop in center remodel	-	-	30,100	5,100	25,000
Contributed use of facility	-	-	35,646	11,940	23,706
Board designated endowment fund	-	28,889	-	-	28,889
Reserve fund for facility operating costs	-	100,000	-	-	100,000
Property restricted by forgivable loans:					
Shafer	448,888	-		8,600	440,288
The Alameda	-	2,144,134	20,839	86,553	2,078,420
Jackson Street	-	560,349	3,535	20,107	543,777
Main Street	-	360,453	-	6,263	354,190
Peacock Court	-	4,580,466	1,908,943	32,011	6,457,398
Total temporarily restricted net assets	$ 913,658	$ 7,774,291	$ 2,240,366	$ 495,904	$ 10,432,411

See Note 13 for restatement of temporarily restricted net assets.

Note 9 - Temporarily restricted net assets (continued):

The temporarily restricted net assets activity for the years ended June 30, 2011 were as follows:

	July 1, 2010	Additions	Releases	June 30, 2011
United Way	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Pledges receivable	221,562	121,659	132,753	210,468
Transitional housing	5,408	-	-	5,408
Fatherhood works	-	5,000	-	5,000
Adopt a family	10,060	-	3,671	6,389
Center for living with dying/Healing heart	4,741	-	4,741	-
Core operating support	180,000	-	60,040	119,960
Van purchase	-	33,000	-	33,000
Facility operating cost at Shafer Drive	10,000	-	-	10,000
Building renovations and improvements	-	24,454	-	24,454
Drop in center remodel	14,754	-	14,754	-
Forgivable loans	457,289	-	8,400	448,889
Total	$ 953,814	$ 234,204	$ (274,360)	$ 913,658

Note 10 - Lease commitments:

The Organization is obligated under various facility leases, expiring through October 2017 and containing renewal clauses, for the rental of residential units. The total rental expense is incurred under leases for the years ending June 30, 2012 and June 30, 2011 was $246,398 and $324,966, respectively. The future minimum commitments under these leases are as follows:

Year Ending June 30,	
2013	$ 291,626
2014	234,268
2015	168,903
2016	145,451
2017	150,600
Thereafter	50,629
Total	$ 1,014,477

Note 10 - Lease commitments (continued):

The Organization's total rent expense was $945,896 and $881,535 for the years ended June 30, 2012 and 2011, respectively. Total rent expense included lease payments as described above, month to month leases and client lease assistance.

The Organization is also committed under various operating lease agreements for office equipment, with termination dates through November 2016. Monthly payments under these leases total $4,675 for the years ended June 30, 2012 and June 30, 2011, and total payments made pursuant to these leases were $56,101 and $47,005, respectively. The future annual minimum commitments under these leases are as follows:

Year Ending June 30,		Amount
2013	$	56,101
2014		37,496
2015		18,571
2016		3,277
2017		1,253
Total	$	116,698

Note 11 - Profit sharing plans:

The Organization maintains two discretionary profit sharing plans, which includes a cash or deferred arrangement under code section 401(k) (the "Plan"). The Plans are defined contribution plans covering all employees for the Organization who work more than 1,000 hours, have twelve months of service and are age eighteen or older. They are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year, the Organization may contribute to the Plans an amount determined at the Organization's discretion. For the years ended June 30, 2012 and 2011, the Board of Directors approved a total contribution of $274,128 and $285,045, respectively, to the Plans.

Each participant's account is credited with the Organization's contributions, the Plans' earnings, employee salary deferrals, and forfeitures of terminated participants' non-vested accounts. Allocations are based on participant gross compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. A participant is 100 percent vested on their own deferrals, and is 50 percent vested after one year of service and 100 percent vested after two years of service on the Organization's contributions.

Note 11 - Profit sharing plans (continued):

Upon termination of service, participants who are eligible for a distribution from the Plans an amount less than $5,000, cannot remain in the plan and must either rollover their funds or take a distribution. If terminated participants do not return their Distribution Election Form within 90 days of termination of employment, their account will be transferred to an IRA, in their name, at Community Bank, NA in Utica, NY if their distribution is between $200 and $5,000 (if their distribution is $200 or less, the amount will be paid out directly to the participant via check).

Terminated participants with distributions over $5,000 are eligible to rollover, take a distribution or remain in the plan until retirement.

The Organization also has a retirement plan adopted under code section 403(b) (the "403(b) Plan"), with an effective date of January 1, 1999. The 403(b) Plan is maintained for the exclusive benefit of eligible employees and their beneficiaries. All employees are eligible for the plan, except non-resident aliens and employees normally scheduled to work less than 20 hours per week. Pre-tax elective deferrals and rollover contributions are permitted under the terms of the plan.

Upon termination of service, 403(b) Plan participants can elect to receive their benefits in a lump sum distribution, including rollover distribution, or receive installment payments.

Note 12 - Concentration of risks and contingencies:

The Organization, during the normal course of operating its business, may be subject to various lawsuits, licensing reviews, and government audits. Management believes that losses resulting from these matters, if any, would either be covered under the Organization's insurance policy or is immeasurable. Management further believes the losses, if any, would not have a material effect on the financial position of the Organization.

BILL WILSON CENTER
Notes to Consolidated Financial Statements
June 30, 2012

Note 13 - Restatement

During fiscal year ended June 30, 2012, the Organization re-examined its contracts with various governmental agencies previously recorded as permanently restricted net assets. These contracts are in the form of forgivable loans and are described in detail in Note 8. The examination revealed that these loans are more accurately depicted as temporarily restricted loans as they have time and purpose restrictions that can be satisfied. For most of the contracts, each year an amount equal to the depreciation recorded for the related property is released to unrestricted net assets. As a result, the amount of $7,774,291 was released from permanently restricted net assets to temporarily restricted net assets. There was no change to total net assets.

	Temporarily restricted net assets	Permanently restricted net assets
As originally stated	$ 913,658	$ 7,774,291
Restatement	7,774,291	(7,774,291)
As restated	$ 8,687,949	$ -

SUPPLEMENTARY INFORMATION

Robert Lee & Associates, LLP

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*

To the Board of Directors of
Bill Wilson Center

We have audited the consolidated financial statements of Bill Wilson Center (the "Organization"), a non-profit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. 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 the Organization's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal controls over financial reporting that we considered to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

226 Airport Parkway, Suite 350 San Jose, CA 95110 www.rlallp.com Office: 408.855.6770 Fax: 408.855.6774

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.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated October 11, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Robert Lee + Associates, LLP

San Jose, California
October 11, 2012

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Bill Wilson Center

Compliance

We have audited the compliance of Bill Wilson Center (the "Organization") a nonprofit organization, with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ending June 30, 2012. The Organization's major federal programs are 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 each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

226 Airport Parkway, Suite 350 San Jose, CA 95110 www.rlallp.com Office: 408.855.6770 Fax: 408.855.6774

To the Board of Directors of
Bill Wilson Center

<u>Internal Control over Compliance</u>

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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.

Robert Lee + Associates, LLP

San Jose, California
October 11, 2012

BILL WILSON CENTER

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	**Federal CFDA number**	**Grant identifying number**	**Federal program expenditures**
U.S. Department of Housing and Urban Development			
Supportive housing program:			
Direct Award:			
Supportive housing	14.235	CA0032B9T00802	$ 160,921
Supportive housing	14.235	CA0032B9T00801	124,761
Transitional housing	14.235	CA0031B9T001003	270,748
Transitional housing	14.235	CA0031B9T001002	265,601
Peacock Commons	14.235	CA01B700002	74,602
Total Supportive housing program			896,633
Passed through the City of San Jose			
Home Investment Partnership	14.239	T-14679.001/511663	1,180,695
Community Development Block Grants			
Passed through the City of San Jose			
Family therapy/school outreach	14.218	CPS-10-004A	20,303
Second Street DIC	14.218	CPS-10-005A	30,260
Passed through the City of Santa Clara			
Runaway homeless youth shelter	14.218	-	72,636
Passed through the City of Sunnyvale			
Crisis counseling	14.218	1112-825920	21,290
Passed through the City of Mountain View			
CDBG	14.218	B-11-MC-06-0019	4,398
Total Community Development Block Grants			148,887
Passed through the City of San Jose			
Comr Emergency shelter grant	14.231	ESG-10-002	35,000
Emergency shelter grant	14.231	ESG-10-003	35,000
Total Emergency Shelter Grant			70,000
Total U.S. Department of Housing and Urban Development			**2,296,215**
U.S. Department of Justice			
Passed through California Emergency Management Agency			
Child abuse program*	16.575	AT10011430	159,225
Total U.S. Department of Justice			**159,225**
U.S. Department of Homeland Security			
Passed through Santa Clara County Board of Federal Emergency Management Agency			
Federal Emergency Management Agency-Phases 30	97.024	LRO ID 088000-021	19,665
Total U.S. Department of Homeland Security			**19,665**
Subtotal			**$ 2,475,105**

BILL WILSON CENTER
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Grant identifying number	Federal program expenditures
EXPENDITURES OF FEDERAL AWARDS (CONTINUED):			
Subtotal from previous page			**$ 2,475,105**
U.S. Department of Health and Human Services:			
Foster care programs:			
Passed-through County of Santa Clara:			
Foster care	93.658	-	123,144
Foster care intensive treatment	93.658	-	3,411
Quetzal house	93.658	-	233,725
AFDC and FC	93.658	-	395,453
Total foster care programs*			755,733
Transitional living programs:			
Direct award			
Transitional living - Maternity group home	93.550	09CX5063/05	66,835
Transitional living - Maternity group home	93.550	09CX5063/04	140,234
Transitional living	93.550	09CX5053/05	158,595
Transitional living	93.550	09CX5053/04	42,044
Total transitional living programs*			407,708
Runaway and Homeless Youth programs:			
Direct Award			
Runaway and homeless youth	93.623	90CY2567/01	137,089
Runaway and homeless youth	93.623	90CY2196/03	55,832
Runaway and homeless youth	93.623	90CY2572/01	128,275
Runaway and homeless youth	93.623	90CY2329/03	62,332
Total Runaway and Homeless Youth programs*			383,528
Direct Award:			
Promoting responsible fatherhood	93.086	90FR0096/05	85,328
Street outreach			
Direct Award			
Street outreach	93.557	09YO0153/02	76,315
Street outreach	93.557	09YO0153/01	22,227
Total street outreach			98,542
Total U.S. Department of Health and Human Services:			**1,730,839**
Total Expenditures of Federal Awards			**$ 4,205,944**

* Denotes a major program

BILL WILSON CENTER

Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1 - Organization and operations:

Bill Wilson Center (the "Organization") was incorporated as a California non-profit organization on March 29. 1974, and provides services to the residents of Santa Clara County. The organizations mission is to support and strengthen the community by serving youth and families through counseling, housing, education, and advocacy. Bill Wilson Center emphasizes the importance of collaborative program development and service delivery

Note 2 - Summary of significant accounting policies:

Basis of accounting - The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables and other liabilities.

The information in the accompanying Schedule of Expenditures of Federal Awards ("SEFA") include federal grant and loan activities of the Organization and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

BILL WILSON CENTER

Single Audit Reports
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Bill Wilson Center.
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the Organization is reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Major program	CFDA #		Expenditures
Foster care programs	93.658	$	755,733
Transitional living	93.550		407,708
Runaway and homeless youth	93.623		383,528
Child abuse program	97.024		159,225
Total major programs		$	1,706,194
Total Federal Awards		$	4,205,944
Percentage of total Federal award expenditures tested			41%

8. The threshold for distinguishing Types A and B programs was $300,000.
9. The Organization was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Current Year Findings

2012-1 Restatement of previously issued financial statements

Observation:
During fiscal year ended June 30, 2012, the Organization re-examined its contracts with various governmental agencies previously recorded as permanently restricted net assets. The examination revealed that these loans are more accurately depicted as temporarily restricted loans as they have time and purpose restrictions that can be satisfied. As a result, the amount of $7,774,291 was restated from permanently restricted net assets to temporarily restricted net assets.

Recommendation:
We recommend that the Organization review its internal controls and procedures for ways to strengthen internal controls over financial reporting to avoid future misstatements.

Management's response to significant deficiency:
The Organization added a Chief Financial Officer in August of 2011. Under the direction of the CFO, the reporting position on net restricted assets was reviewed. The CFO recommended that certain loans and their underlying assets be changed from permanently restricted net assets to temporarily restricted net assets. This review facilitated the above mentioned restatement and ongoing oversight is intended to prevent future similar misstatements.

Prior Year Findings

No financial statements audit findings noted in the prior year.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Current Year Findings

No findings or questioned costs were noted on the Organization's major programs in the current year.

Prior Year Findings

No findings or questioned costs were noted on the Organization's major programs in the prior year.