

BERKELEY FOOD AND HOUSING PROJECT

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTRY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

**BERKELEY FOOD AND HOUSING PROJECT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
BERKELEY FOOD AND HOUSING PROJECT
Berkeley, California

Report on Financial Statements

We have audited the accompanying financial statements of Berkeley Food and Housing Project, which comprise the statement of financial position as of June 30, 2020, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Berkeley Food and Housing Project as of June 30, 2020, 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.

Adoption of New Accounting Standard

As discussed in Note B to the financial statements, during the year ended June 30, 2020, the Organization adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2021, on our consideration of Berkeley Food and Housing Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkeley Food and Housing Project's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Berkeley Food and Housing Project as of June 30, 2019, were audited by Izabal, Bernaciak & Company, who combined with Grant Bennett Associates as of January 1, 2021, and whose report dated March 5, 2020, expressed an unmodified opinion on those statements.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
June 8, 2021



www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
Oakland, CA 94612
510/817-4886

Princeville, HI
888/763-7323

Together as One. Grant Bennett Associates is a Member of the Alliot Global Alliance of independent professional firms.

BERKELEY FOOD AND HOUSING PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
AND JUNE 30, 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,458,262	\$ 2,064,711
Investments	62,438	524,185
Account Receivables	1,314,912	974,518
Prepaid Expenses	132,284	88,463
Deposits	46,590	58,022
Total Current Assets	<u>3,014,486</u>	<u>3,709,899</u>
Fixed Assets (Net of Accumulated Depreciation of \$1,687,486 and \$1,573,107 respectively)	<u>1,967,757</u>	<u>1,088,599</u>
TOTAL ASSETS	<u>\$ 4,982,243</u>	<u>\$ 4,798,498</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 126,834	\$ 64,888
Accrued Vacation, Payroll and Payroll Taxes	324,496	387,761
Deferred Revenue	326,263	848,450
Security Deposits, Client Savings, and Pass-Through Funds	119,451	156,843
Loan Payable- short term	12,000	-
Mortgages Payable- short term	248,000	88,000
Total Current Liabilities	<u>1,157,044</u>	<u>1,545,942</u>
Noncurrent Liabilities		
Interest Payable	839,220	799,162
Loan Payable- long term	24,195	48,195
Mortgages Payable- long term	587,630	747,630
PPP Loan	874,230	-
Total Noncurrent Liabilities	<u>2,325,275</u>	<u>1,594,987</u>
Total Liabilities	<u>3,482,319</u>	<u>3,140,929</u>
Net Assets		
Net Assets without Donor Restrictions	1,154,736	187,216
Net Assets with Donor Restrictions	<u>345,188</u>	<u>1,470,353</u>
Total Net Assets	<u>1,499,924</u>	<u>1,657,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,982,243</u>	<u>\$ 4,798,498</u>

See notes to the financial statements

BERKELEY FOOD AND HOUSING PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With donor Restrictions	TOTAL 2020	TOTAL 2019
REVENUE				
Government Grants				
Federal	\$ 4,848,637	\$ -	\$ 4,848,637	\$ 4,467,945
Alameda County	103,844	-	103,844	99,771
Contra Costa	455,619	-	455,619	-
Solano County	-	-	-	4,677
City of Albany	388,034	-	388,034	125,302
City of Berkeley	1,027,852	-	1,027,852	2,377,882
City of Emeryville	198,069	-	198,069	77,170
Contributions				
Donations - Operating	1,092,460	-	1,092,460	794,999
Donations - Capital Campaign	-	-	-	57,496
In-Kind Donations	44,120	-	44,120	100,443
Government Revenue				
Alameda County	683,102	-	683,102	751,130
Program Service Revenue	319,581	-	319,581	183,477
Rental Income	9,111	-	9,111	8,924
Investment Income	7,189	-	7,189	12,703
Unrealized Gain/(Loss) on Investments	3,622	-	3,622	2,511
Other Income/(Loss)	45,863	-	45,863	2,914
Net assets released from:				
Satisfaction of usage restrictions	1,125,165	(1,125,165)	-	-
Total Revenue	10,352,268	(1,125,165)	9,227,103	9,067,344
EXPENSES				
Program Services	8,039,375	-	8,039,375	7,827,143
Management and General	1,005,487	-	1,005,487	994,557
Fund Raising and Capital Campaign	339,886	-	339,886	435,575
Total Expenses	9,384,748	-	9,384,748	9,257,275
Excess (Deficit) of Revenue Over Expenses	967,520	(1,125,165)	(157,645)	(189,931)
Net Assets - Beginning of Year	187,216	1,470,353	1,657,569	1,847,500
Net Assets - End of Year	\$ 1,154,736	\$ 345,188	\$ 1,499,924	\$ 1,657,569

See notes to the financial statements

BERKELEY FOOD AND HOUSING PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020
AND JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2020</u>	<u>2019</u>
Change in Net Assets	\$ (157,645)	\$ (189,931)
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities		
Depreciation	120,842	118,505
Loss on Disposal of Fixed Assets	-	47,130
Realized Loss on Investment	1,374	441
Unrealized Gain on Investment	(3,622)	(2,511)
(Increase)/Decrease in:		
Account Receivables	(340,394)	120,387
Prepaid Expenses	(43,821)	1,302
Deposits	11,432	(8,381)
Increase/(Decrease) in:		
Accounts Payable & Other Liabilities	38,739	200,196
Deferred Revenues	(522,187)	190,447
Security Deposits, Client Savings, and Pass-Through Funds	<u>(37,392)</u>	<u>(41,237)</u>
Net Cash Provided by/(Used by) Operating Activities	<u>(932,674)</u>	<u>436,348</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	-	(34,184)
Proceeds from Sale of Investments	463,995	-
Disposition of Fixed Assets	-	11,948
Purchases of Fixed Assets	<u>(1,000,000)</u>	<u>(91,036)</u>
Net Cash Provided by/(Used by) Investing Activities	<u>(536,005)</u>	<u>(113,272)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from PPP Loan	874,230	-
Loan payments	<u>(12,000)</u>	<u>(12,000)</u>
Net Cash Provided by/(Used by) Financing Activities	<u>862,230</u>	<u>(12,000)</u>
NET INCREASE/(DECREASE) IN CASH	(606,449)	311,076
Cash and Cash Equivalents at Beginning of the Year	<u>2,064,711</u>	<u>1,753,635</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 1,458,262</u>	<u>\$ 2,064,711</u>

SUPPLEMENTARY INFORMATION

Interest Paid	\$ <u>1,965</u>	\$ <u>3,081</u>
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See notes to the financial statements

**BERKELEY FOOD AND HOUSING PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

	<u>Supporting Services</u>			TOTAL 2020	TOTAL 2019
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Capital Campaign</u>		
Salaries	\$ 3,882,635	\$ 569,276	\$ 199,491	\$ 4,651,402	\$ 4,257,079
Fringe Benefits & Payroll Taxes	893,835	83,213	31,944	1,008,992	1,071,796
Total Personnel Expenses	4,776,470	652,489	231,435	5,660,394	5,328,875
Food Costs	126,976	-	-	126,976	139,845
Program Supplies	9,906	-	-	9,906	58,749
Client Relations	2,375	-	-	2,375	6,106
Contracted Program Services	80,508	1,659	-	82,167	374,427
Staff Development	17,552	6,629	1,605	25,786	78,470
Travel and Transportation	108,561	1,964	346	110,871	153,916
Professional Fees	-	162,346	-	162,346	65,174
Office Supplies	20,605	4,263	5,481	30,349	24,440
Household Supplies	72,052	-	-	72,052	43,379
Printing and Copying	7,385	1,596	56	9,037	15,388
Mailing and Postage	1,216	2,085	12,795	16,096	9,316
Marketing and Development	-	-	36,935	36,935	25,279
Campaign Expenses	-	-	-	-	19,659
Licenses, Permits, Fees, & Tax	2,117	45,581	7,436	55,134	4,573
Information Technology	134,509	10,999	9,213	154,721	140,678
Insurance	32,481	4,898	761	38,140	36,417
Rent	397,921	60,524	17,975	476,420	489,717
Equipment Rental	59,678	9,671	3,747	73,096	39,883
Household Equipment Rental	5,723	-	-	5,723	4,484
Office Furniture & Equipment	19,800	2,303	557	22,660	43,126
Household Furniture & Equipment	24,657	-	-	24,657	35,893
Repairs and Maintenance	131,025	9,553	2,701	143,279	122,733
Telephone	68,400	8,771	1,646	78,817	76,389
Utilities	128,754	7,510	1,532	137,796	144,836
Client Rents	1,663,775	-	-	1,663,775	1,566,691
Loss on disposal of assets	1,200	-	-	1,200	47,130
Total Expenses Before Depreciation and Interest	7,893,646	992,841	334,221	9,220,708	9,095,573
Interest	41,810	1,320	68	43,198	43,197
Depreciation	103,919	11,326	5,597	120,842	118,505
TOTAL EXPENSES	\$ 8,039,375	\$ 1,005,487	\$ 339,886	\$ 9,384,748	\$ 9,257,275

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note A: NATURE OF ACTIVITIES

Berkeley Food and Housing Project (“BFHP”), was incorporated as a California nonprofit public benefit corporation in 1984. BFHP is governed by a volunteer board of directors, and its principal function is to provide community-based services to poor, homeless and mentally disabled people.

BFHP’s mission is to ease and end the crisis of homelessness in the community. BFHP’s programs are grounded in the core components of food, emergency shelter, transitional housing, permanent housing, and rapid re-housing/homelessness prevention services. Core programming is enriched with wraparound supportive services, ranging from benefits enrollment and advocacy for medical and mental health, to money management, employment assistance, and housing case management, the latter of which is a comprehensive, intake-to-placement service delivery model that supports a household’s transition from homelessness to permanent housing.

BFHP is committed to preserving a safe, supportive and stabilizing environment wherein homeless and low income individuals and families can access a holistic range of services to meet their immediate needs and achieve their goals of ending their cycle of homelessness. The short-term goal of BFHP is to rapidly move its participants into permanent housing, while simultaneously addressing each client’s barriers to retaining their housing. The long-term goal of BFHP is to work with the larger community to end chronic homelessness.

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenditures are recorded when incurred.

New Accounting Pronouncement

During fiscal year 2020, the Organization adopted FASB ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact the Organization’s financial statements.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

BFHP is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Estimates

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

Income Tax Status

BFHP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. BFHP is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes that BFHP has no uncertain tax positions as of June 30, 2020.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and grants receivable approximate fair value because of the short maturity of those financial instruments. The carrying amounts of loans and mortgages payable are provided by the lenders, and are based on interest rates being offered for loans with similar terms, to other low-income housing borrowers.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, BFHP considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. BFHP maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, BFHP had uninsured cash balances of \$1,333,285.

Grants / Accounts Receivable

Grants / Accounts receivable consist of amounts due from funding sources, and are considered by management to be fully collectible.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are recorded at cost. Donated assets are recorded at their fair market value at the date of donation. Fixed asset additions are recorded at cost and depreciated using the straight-line and accelerated method over estimated useful lives ranging from five to twenty-seven and one-half years.

Functional Allocation of Expenses

The costs of providing BFHP's programs have been summarized on a functional basis in these financial statements. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Compensation and benefits are allocated on the basis of time and effort. Shared facilities and utilities are allocated based on square footage basis. Telephone costs are allocated based on the number of lines assigned to each program. Some of the shared costs of residential facilities are allocated on the basis of number of beds per program.

Advertising Costs

The costs of advertising are expensed as incurred. During the year ended June 30, 2020, advertising costs charged to expense is \$0.

Note C: INVESTMENTS

Long term-investments are reported on the basis of quoted market prices (all level 1 measurements). Investments are temporarily restricted for the HOPE Capital Campaign and consist of the following as of June 30, 2020:

	Cost	Fair Value
Stocks and Options	\$ 20,152	\$ 62,438

Investment return for the year ended June 30, 2020 is summarized as follows:

Interest and Dividends	\$ 8,563
Realized Loss on Investments	(1,374)
Unrealized Gain on Investments	<u>3,622</u>
Net Investment Income (Loss)	\$ <u><u>10,811</u></u>

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note D: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects BFHP financial assets as of the statement of financial position date. Financial assets available for general expenditure, without donor or other restrictions limited to their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalent	\$ 1,458,262
Investments	62,438
Account Receivables	<u>1,314,912</u>
Total Financial Assets	2,835,612
Less those unavailable for general expenditures within one year due to:	
Cash restricted by donor for specific uses	<u>(345,188)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,490,424</u></u>

BFHP has \$2,490,424 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$1,458,262.

BFHP has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,564,000. BFHP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, BFHP has a line of credit with Community Vision Bank in the amount of \$225,000. At June 30, 2020, BFHP did not draw money on the line of credit.

Note E: SECURITY DEPOSITS, CLIENT SAVINGS, AND PASS-THROUGH FUNDING

Client security deposits and savings are held on behalf of housing program participants, in checking accounts which bear no interest, and are refundable upon program departure. BFHP also provides representative payee services to clients who require assistance with money management, and support for the maintenance of permanent housing. In addition, Pass-through funds for fiscal services are also held on behalf of government agencies in non-interest bearing checking accounts.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note F: GRANTS AND ACCOUNTS RECEIVABLE

Receivables represent costs incurred on cost reimbursement contracts and earnings on other contracts in excess of revenues received. The following amounts were due to BFHP at June 30:

	<u>2020</u>	<u>2019</u>
Alameda County - Meals	\$ 59,579	\$ 27,584
VA GPD	21,395	16,347
Bridge	4,650	2,850
Bridge Housing	17,213	22,050
Alameda County - MAA	0	133,808
City of Albany	195,836	38,066
City of Emeryville	105,049	16,232
Contra Costa County	9,081	0
Contra Costa Care Center	62,426	0
Alameda County Shelter	58,709	0
Department of Labor	66,972	39,241
Russel Street Residence - COB	0	114,000
WOS COB	29,991	0
Solano County	0	4,677
FEMA	0	25,000
Russel Street Residence - HUD	0	69,776
Supportive Services for Veteran Families (SSVF)	489,943	321,597
Medi-Cal Administrative Activities	0	5,895
BMH	93,009	0
Shelter + Care COB	9,270	0
Foundation & Individual Grants	1,060	15,385
Capital Campaign Contributions	69,050	116,417
Other	21,679	5,593
	<u>21,679</u>	<u>5,593</u>
Total	\$ <u>\$1,314,912</u>	\$ <u>\$ 974,518</u>

Note G: LEASES COMMITMENTS

BFHP leases equipment, copiers, washing machines, vehicles and buildings for their residential programs and administrative purposes. The leases have varying expirations dated through February 2025. Future minimum principle payments are as follows:

Fiscal year ending June 30:

2021	\$ 487,414
2022	453,334
2023	224,799
2024	82,030
2025	30,830
	<u>30,830</u>
Total	\$ <u>1,278,407</u>

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note H: FIXED ASSETS

Fixed assets as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 270,000	\$ 270,000
Building	1,593,995	1,593,995
Property Improvements	545,980	545,980
Leasehold Improvements	74,332	80,795
Deposit on Transfer of Building	1,000,000	0
Vehicles	26,790	26,790
Equipment Owned	112,603	112,603
Equipment Leased	13,789	13,789
Furniture & Fixtures	17,754	17,754
Subtotal Fixed Assets	<u>3,655,243</u>	<u>2,661,706</u>
Less: Accumulated Depreciation	<u>(1,687,486)</u>	<u>(1,573,107)</u>
Net Fixed Assets	<u>\$ 1,967,757</u>	<u>\$ 1,088,599</u>

Depreciation expense was \$120,842 and \$118,505 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note I: DONATED SERVICES, MATERIALS, AND FACILITIES

BFHP receives donated services from a variety of unpaid volunteers assisting BHFP in its programs. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteer effort has not been satisfied.

Materials and food valued at \$44,120 and \$88,733, were donated to BFHP for the fiscal years ended June 30, 2020 and 2019, respectively. Donated professional services have been recognized as support and revenue, with an offsetting amount recognized as expenses, in the accompanying statement of activities. Donated materials were received and utilized by the various programs and for development purposes, and have been allocated as program expenses accordingly.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note J: LINE OF CREDIT

BFHP established a line of credit with Community Vision Bank. The credit line is \$225,000 and the annual interest rate is 6.75%. The line of credit is secured by BFHP's assets. As of June 30, 2020, the outstanding balance was \$0. The loan has been renewed through February 2022.

Note K: LOAN AND MORTGAGES PAYABLE

Loan

Having determined the need for technical and financial assistance in order to continue as a going concern on March 1, 2000, BFHP entered into an agreement with the Board of Trustees of Episcopal Charities ("EC"). This service agreement was terminated in June 2007. Under the agreement, EC supplied technical assistance and financial support relative to the operation management of BFHP. As part of its financial support, the Episcopal Bishop of California ("EBC") agreed to lend EC \$300,000, with the specific objective of short term financial aid to BFHP. This entire amount was provided to BFHP in March 2000. This loan is a part of EBC's bank line of credit, and bears interest and has payment terms identical to those of EBC's line of credit agreement. The loan bears interest at the bank's reference rate (3.25% at June 30, 2020 and 2019), and is payable in monthly installments of interest only. The balance due was \$36,195 and \$48,195, respectively, at June 30, 2020 and 2019.

Mortgages

On November 4, 1998, BFHP entered into a \$317,630 loan agreement with the City of Berkeley ("City"). An additional \$270,000 was borrowed from the City on March 29, 2002. The City loans bear simple interest at six percent (6%) per annum over fifty-five years, with all interest and principal payments to be deferred until March 1, 2053 or upon sale of the property, whichever occurs first.

In December 2001, BFHP entered into a \$160,000 loan agreement with the County of Alameda Housing and Community Development ("County"). The County loan bears simple interest at three percent (3%) per annum over ten years. The County loan is due and payable in ten years, or upon sale of the property, whichever occurs first. BFHP is in the process of having the debt forgiven and obtaining a deed of reconveyance from the lender.

On December 8, 2001, BFHP received an \$88,000 Affordable Housing Program (AHP) subsidy. The AHP subsidy is non-interest bearing, with a fifteen-year compliance period. BFHP is in the process of having the debt forgiven and obtaining a deed of reconveyance from the lender.

Total mortgage proceeds of \$835,630 were used to finance the rehabilitation and expansion of the Dwight Way property and all loans are secured by said property.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note K: LOAN AND MORTGAGES PAYABLE - (continued)

At June 30, 2020 and 2019, interest payable includes \$740,820 and \$705,562 interest payable to the City, respectively, and \$98,400 and \$93,600 interest payable to the County, respectively. Future minimum principle payments are as follows:

Fiscal year ending June 30:	
2021	\$ 260,000
2022	12,000
2023	12,000
2024	195
2025	0
Thereafter	587,630
Total	\$ 871,825

Note L: PPP LOAN PAYABLE

On April 30, 2020, BFHP received a loan from Mechanics Bank (the Borrower) in the aggregate amount of \$874,230, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated April 30, 2020 issued by the Borrower, matures on April 30, 2022 and bears interest at a rate of 1% per annum. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

Note M: NONCASH ASSISTANCE

The Organization received noncash assistance in the form of food commodities, which is included in the amounts reported on the Schedule of Expenditures of Federal Awards. Commodities, with a fair value of \$9,677 at the time received, have been included in the determination of federal awards expended for the year ended June 30, 2020.

**BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note N: CONTINGENCIES

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

On January 13, 2020 the Organization received a report from the Department of Veterans Affairs (VA) Office of Business Oversight (OBO) of their Supportive Services for Veteran Families (SSVF) Program. The VA OBO asserted approximately \$61,139 in questioned/unallowable costs. The Organization has not been requested to pay back the questioned/unallowable costs as of this date and no liability for these costs is recognized on the financial statements.

Note O: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, BFHP's net assets with donor restrictions are restricted for the following activities:

MRS - Feeding Appeal	\$	38,088
Capital Campaign		229,628
HUB Move-in Kit		450
HUB Donor TFA		1,034
Russel Street Resident – Project Peace - Garden		304
Employment Service - TFA		1,587
MPX - West Davis		3,404
MPX - VETS - Feeding Appeal		4,562
Restricted Fixes Assets		66,100
Other		31
Total	\$	<u>345,188</u>

Note P: RELATED PARTY

BFHP and Bridge Housing Corporation formed a limited liability company known as Hope Center Housing LLC.

Hope Center Housing LLC and Bridge Regional Partners, Inc. formed a limited partnership known as BFHP Hope Center LP. The purpose of the Partnership is the development and operation of the BFHP Hope Center, of which BFHP's portion will include 53 units of permanent affordable supportive housing, 32 shelter beds, 12 units of permanent supportive housing for veterans and a community meal center. At the completion of construction, temporary housing will be transferred to BHFP (BFHP Hope Center, LLC).

BERKELEY FOOD AND HOUSING PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note Q: SUBSEQUENT EVENTS

BFHP's management has evaluated its subsequent events through June 8, 2021, the date the financial statements were available to be issued, and determined to disclose the following subsequent event:

The spread of coronavirus (COVID-19) around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Directors
BERKELEY FOOD AND HOUSING PROJECT
Berkeley, California

We have audited the financial statements of Berkeley Food and Housing Project for the year ended June 30, 2020, and have issued our report thereon dated June 8, 2021 and is presented in the preceding section. That examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The following Schedules are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements, and, in our opinion the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
June 8, 2021



www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
Oakland, CA 94612
510/817-4886

Princeville, HI
888/763-7323

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**BERKELEY FOOD AND HOUSING PROJECT
SUPPLEMENTAL INFORMATION
SCHEDULE OF ALAMEDA COUNTY AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

The following is a summary of the awards, grant, and contracts received from the County of Alameda as of June 30, 2020:

	<u>Contract Period</u>	<u>Contract #</u>	<u>Amount</u>
Social Services - Workforce and Benefits Administration	7/01/19 - 6/30/20	900155	\$ <u>786,946</u>
Total awards, grants, and contracts			\$ <u><u>786,946</u></u>

The following is a summary of the awards, grant, and contracts received from the County of Alameda as of June 30, 2019:

	<u>Contract Period</u>	<u>Contract #</u>	<u>Amount</u>
Social Services - Workforce and Benefits Administration	7/01/18 - 6/30/19	17403 & 16339	\$ <u>673,929</u>
Subtotal - non-federal awards			<u>673,929</u>
Medi-Cal Administrative Activities	7/01/18 - 6/30/19	NA	177,533
Realignment Housing Program	7/01/18 - 12/31/18	12378	<u>(561)</u>
Subtotal - federal awards			<u>176,972</u>
Total awards, grants, and contracts			\$ <u><u>850,901</u></u>

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
BERKELEY FOOD AND HOUSING PROJECT
Berkeley, California

We have audited the financial statements of Berkeley Food and Housing Project as of and for the year ended June 30, 2020, and have issued our report thereon dated June 8, 2021, which contained an unmodified opinion on those financial statements. 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 Uniform Guidance and is 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 their 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.

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Rancho Cordova, California
June 8, 2021



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10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
Oakland, CA 94612
510/817-4886

Princeville, HI
888/763-7323

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**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

GRANTOR	Grant Number	Federal CFDA Number	Expenditures
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Contra Costa County</i>			
Care & Warming Center	25-081	14.267	66,813
Care & Warming Center	25-081	14.267	191,985
<i>Passed through City of Berkeley</i>			
Russell Street Residence Continuum of Care Program	32000202	14.267	51,568
Russell Street Residence Continuum of Care Program	32000202	14.267	468,885
Subtotal 14.267			779,251
<i>Passed through City of Berkeley</i>			
Community Development Block Grant - HUB	010568A	14.218	108,539
Community Development Block Grant - MHP	010568A	14.218	49,619
Community Development Block Grant-MHP	010568A	14.218	129,088
Subtotal 14.218			287,246
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,066,497</u>
U. S. DEPARTMENT OF VETERANS AFFAIRS			
<i>Direct:</i>			
VA Homeless Providers Grant and Per Diem Program	BFHP073-0054-612-LD-18-0	64.024	47,028
VA Homeless Providers Grant and Per Diem Program	BFHP073-0054-612-LD-18-0	64.024	192,776
Subtotal 64.024			239,804
Supportive Services for Veteran Families Program	18-CA-437	64.033	614,722
Supportive Services for Veteran Families Program	MOA 20-CA-437	64.033	3,272,916
Surge Funding	MOA S20-CA-502	64.033	537,781
Subtotal 64.033			4,425,419
TOTAL U. S. DEPARTMENT OF VETERANS AFFAIRS			<u>4,665,223</u>
U. S. DEPARTMENT OF AGRICULTURE			
<i>Passed through Alameda County Food Bank</i>			
Emergency Food Assistance Program	N/A	10.569	9,677
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>9,677</u>
U. S. DEPARTMENT OF LABOR			
<i>Direct:</i>			
Homeless Veterans' Reintegration Program	HV-33209-19-60-5-6	17.805	213,414
TOTAL U.S. DEPARTMENT OF LABOR			<u>213,414</u>
TOTAL FEDERAL EXPENDITURES			<u>5,954,811</u>
LOANS			
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through County of Alameda</i>			
HOPWA - County of Alameda	Loan	14.241	160,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOANS			<u>160,000</u>
TOTAL EXPENDITURES AND LOANS OF FEDERAL AWARDS			<u>\$ 6,114,811</u>

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Berkeley Food and Housing Project under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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 Berkeley Food and Housing Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Berkeley Food and Housing Project.

Note B: Summary of Significant Accounting Policies

(1) 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, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Berkeley Food and Housing Project did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C: Loans Outstanding

The following program had federally-funded loans outstanding at June 30, 2020:

Program Title	CFDA #	Amount Outstanding
Housing Opportunities for Persons With AIDS	14.241	160,000

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
BERKELEY FOOD AND HOUSING PROJECT
Berkeley, California

We have audited, in accordance with the 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 Berkeley Food and Housing Project, which comprise the statement of financial position as of June 30, 2020, 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 June 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkeley Food and Housing Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley Food and Housing Project's internal control. Accordingly, we do not express an opinion on the effectiveness of Berkeley Food and Housing Project'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as Finding 2020-1, Finding 2020-2, and Finding 2020-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley Food and Housing Project'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-1, Finding 2020-2, and Finding 2020-3.

Organization's Response to Findings

Berkeley Food and Housing Project's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financials statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grant Bennett Associates

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Certified Public Accountants

Rancho Cordova, California
June 8, 2021



www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
Oakland, CA 94612
510/817-4886

Princeville, HI
888/763-7323

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors

BERKELEY FOOD AND HOUSING PROJECT

Berkeley, California

Report on Compliance for Each Major Federal Program

We have audited Berkeley Food and Housing Project's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Berkeley Food and Housing Project's major federal programs for the year ended June 30, 2020. Berkeley Food and Housing Project's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Berkeley Food and Housing Project's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about Berkeley Food and Housing Project'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 with each major program. However, our audit does not provide a legal determination of Berkeley Food and Housing Project's compliance.

Basis for Qualified Opinion on All Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, Berkeley Food and Housing Project did not comply with requirements regarding CFDA 64.033 - VA Supportive Services for Veteran Families program as described in Finding numbers 2020-2 for Eligibility and 2020-3 for activities allowed or unallowed and the allowable costs and cost principles. Compliance with such requirements is necessary, in our opinion, for Berkeley Food and Housing Project to comply with the requirements applicable to that program.

Qualified Opinion on All Major Federal Programs

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Berkeley Food and Housing Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The Organization’s response to the noncompliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of Berkeley Food and Housing Project 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 Berkeley Food and Housing Project’s internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Berkeley Food and Housing Project’s internal control over compliance.

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* and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2020-2 and 2020-3 that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2020-02 and Finding 2020-3 to be material weaknesses.

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.

Berkeley Food and Housing Project's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

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Rancho Cordova, California
June 8, 2021



www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

1970 Broadway, Suite 260
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510/817-4886

Princeville, HI
888/763-7323

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**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified	FINDING 2020-1 FINDING 2020-2 FINDING 2020-3
Significant Deficiency(ies) Identified	NONE REPORTED
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	FINDING 2020-1 FINDING 2020-2 FINDING 2020-3
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified	FINDING 2020-2 FINDING 2020-3
Significant Deficiency(ies) Identified	NONE REPORTED
2. Type of Compliance Report Major Programs	MODIFIED
3. Uniform Guidance Audit Finding Disclosed by Audit	FINDING 2020-2 FINDING 2020-3
4. Major Programs:	64.033 VA Supportive Services for Veteran Families Program
5. Dollar Threshold for Type A Programs	\$750,000
6. Auditee Qualification	Not Low Risk
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	FINDING 2020-1 FINDING 2020-2 FINDING 2020-3
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in the Uniform Guidance	FINDING 2020-2 FINDING 2020-3

**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Finding 2020-1 Timely Account Reconciliation & Financial Statement Preparation

Finding Type: Financial Statement Finding

Criteria

To help ensure that financial reports, including audited financial statements, are accurate and prepared timely enough to meet filing requirements and provide useful information for decision making, general ledger accounts, including Cash, Deferred Revenue and Revenue should be reconciled monthly and annual financial statements should be prepared within a reasonable period after year-end.

Condition

During our audit, we noted that the bank account and certain other general ledger accounts, such as Deferred Revenue and Revenue, were not reconciled, increasing the risk of accounting errors and causing significant delays in the completion of the annual required audit.

Cause

Internal controls were not properly designed, executed, and monitored to ensure timely preparation of reports and reconciliation schedules for various financial statement accounts for year-end audit purposes.

Effect

As a result, Berkeley Food and Housing Project may have not had accurate and timely financial information for decision making and its annual financial statement audit was significantly delayed.

Recommendation

We recommend that management strengthen the related internal controls over monitoring of its year-end reconciliation of its financial statements to ensure that the general ledger accounts reflect proper and complete activity consistent with their basis of accounting. We believe that reviews, evaluations of transactions, and reconciliations by the Finance Director of all balance sheet reconciliations and account balances should be performed on a regular basis during the year.

View of Responsible Officials: Management agrees with this finding and offers the following explanation. During the fiscal year under review there was a confluence of events that negatively affected our ability to complete account reconciliations and prepare financial statements in a timely manner. These events include:

- **Year over year agency growth of over 100%:** In the spring of 2020 the agency began receiving numerous additional grant funds partially in response to COVID 19. The volume of accounting transactions increased dramatically.

**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- **Pandemic:** Simultaneously to when the agency began experiencing tremendous growth the effects of the COVID-19 pandemic forced our staff accountants to work remotely from their homes. Working remote proved challenging as at that time we did not have the IT infrastructure in place to properly support working from home.
- **Staff turnover:** Shortly after the start of the current FY 20/21 the department began experiencing turnover. Within the next few months there was 100% turnover. It was difficult to re-staff the department and fill new positions created from our growth during the height of the pandemic.

We will be able to complete account reconciliations and produce financial statements in a timely manner going forward. Currently:

- The department has been fully restaffed with permanent direct hires, including a Director of Finance, Accounting Manager, Three (3) Staff Accountants, and a Payroll Specialist.
- The staff is back to working most of their hours on-site, which allows for better collaboration and more timely/accurate results.
- In addition, we will be upgrading our software prior to FY 22/23.

Finding 2020-2 Lack of Internal Control for Supportive Services for Veteran Families Program

Finding Type: Federal Awards Finding

Federal Program: Supportive Services for Veteran Families; U.S. Department of Veterans Affairs; CFDA Number 64.033; Awards Number 18-CA-437, 20-CA-437, S20-CA-502.

Criteria: Under the Uniform Guidance, the Organization must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Costs must be adequately documented in order to be allowable under Federal awards.

Condition: Of the 40 veteran files we tested, we noted 2 files lacked timely recertifications (every three months), 1 file that had incorrect rent reasonableness calculations, and 1 file omitted verifications of income.

Cause: There is a lack of standardized procedures to ensure consistent case file documentation, as well as a lack of supervisory monitoring.

Effect: Management may not have adequate documentation to support eligibility.

**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendation: The agency should establish procedures to ensure that case manager duties are adequately segregated to deter mistakes, abuse or fraud. Prior to placement or payment, each case should include procedures for the independent verification of eligibility, placement, and payment.

View of Responsible Officials: : Management agrees with this finding and have prepared a Corrective Action Plan.

In FY 21/22 BFHP will be hiring a Director of Operations and a Quality Improvement Coordinator who will oversee Quality Management for the agency which will include auditing client files on a quarterly basis to ensure compliance.

Policies and procedures will be reviewed and updated to reflect the Program Manager's responsibility to conduct timely reviews of all eligibility forms and to disallow the issuance of Temporary Financial Assistance (TFA) forms without all relevant documentation of eligibility. Program Managers will be required to review each case file monthly to ensure accuracy of all documentation.

Staff will go through annual training on how to process client eligibility and quarterly training on documenting eligibility for issuance of TFA's. Training attendance will be tracked and reviewed by management.

Finding 2020-3 Supporting Documentation and Internal Controls

Finding Type: Federal Awards Finding

Criteria

Under Title 2 CFR Section 200, the Organization must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with requirements activities allowed or unallowed and the allowable costs and cost principles. Costs must be adequately documented in order to be allowable under Federal awards.

Condition

During our procedures to gain an understanding and test BFHP's internal controls, we noted the following exception:

- Cash Disbursements Cycle – We noted 18 out of 63 cash disbursements where invoice supporting documentation was unavailable for auditor review.

Cause

BFHP had significant turnover in the organization during the year, which contributed to the missing support identified above.

**BERKELEY FOOD AND HOUSING PROJECT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Effect

Without the necessary supporting documentation, the organization exposes themselves to risks of the inability to substantiate transactions to their funders.

Recommendation

It is our recommendation that management strive to maintain all necessary documentation and moving forward, ensure there are proper procedures in place to maintain the internal controls, even in times of transition.

View of Responsible Officials: Management agrees with this finding and offers the following explanation. During the fiscal year under review there was a confluence of events that negatively affected our ability to archive supporting documents and follow all internal controls. These events include:

- **Year over year agency growth of over 100%:** In the spring of 2020 the agency began receiving numerous additional grant funds partially in response to COVID 19. The volume of accounting transactions increased dramatically.
- **Pandemic:** Simultaneously to when the agency began experiencing tremendous growth the effects of the COVID-19 pandemic forced our staff accountants to work remotely from their homes. Working remote proved challenging as at that time we did not have the IT infrastructure in place to properly support working from home. We believe the missing cash disbursement documents are directly due to the movement of hard copies back & forth from the main office to home offices.
- **Staff turnover:** Shortly after the start of the current FY 20/21 the department began experiencing turnover. Within the next few months there was 100% turnover. It was difficult to re-staff the department and fill new positions created from our growth during the height of the pandemic.

We will be able to complete properly follow internal controls and archive supporting documents in a proper manner going forward. Currently:

- The department has been fully restaffed with permanent direct hires, including a Director of Finance, Accounting Manager, Three (3) Staff Accountants, and a Payroll Specialist.
- The staff is back to working most of their hours on-site, which allows for better collaboration and more timely/accurate results.
- In addition, we will be upgrading our software prior to FY 22/23.

CORRECTIVE ACTION PLAN

Schedule of Findings and Questioned Costs for Fiscal year Ending 6/30/2020

Finding 2020-1 Timely Account Reconciliation & Financial Statement Preparation

Finding Type: Financial Statement Finding

Response:

- 1) Name of person responsible for the corrective action: Kani Lin, Director of Finance
- 2) Corrective Action Planned: We will be able to complete account reconciliations and produce financial statements in a timely manner going forward. Currently:
 - the department has been fully restaffed with permanent direct hires, including a Director of Finance, Accounting Manager, Three (3) Staff Accountants, and a Payroll Specialist.
 - The staff is back to working most of their hours on-site, which allows for better collaboration and more timely/accurate results.
 - In addition, we will be upgrading our software prior to FY 22/23
- 3) Anticipated Completion date: Immediately and on-going

CORRECTIVE ACTION PLAN

Schedule of Findings and Questioned Costs for Fiscal year Ending 6/30/2020

Finding 2020-2 Lack of Internal Control for Supportive Services for Veteran Families Program

Finding Type: Federal Awards Finding

Response:

- 1) Name of person responsible for the corrective action: Angela Upshaw, Associate Director of Programs
- 2) Corrective Action Planned: In FY 21/22 BFHP will be hiring a Director of Operations and a Quality Improvement Coordinator who will oversee Quality Management for the agency which will include auditing client files on a quarterly basis to ensure compliance.

Policies and procedures will be reviewed and updated to reflect the Program Manager's responsibility to conduct timely reviews of all eligibility forms and to disallow the issuance of Temporary Financial Assistance (TFA) forms without all relevant documentation of eligibility. Program Managers will be required to review each case file monthly to ensure accuracy of all documentation.

Staff will go through annual training on how to process client eligibility and quarterly training on documenting eligibility for issuance of TFA's. Training attendance will be tracked and reviewed by management.

- 3) Anticipated Completion date: Immediately and on-going

CORRECTIVE ACTION PLAN

Schedule of Findings and Questioned Costs for Fiscal year Ending 6/30/2020

Finding 2020-3 Supporting Documentation and Internal Controls

Finding Type: Federal Awards Finding

Response:

- 1) Name of person responsible for the corrective action: Kani Lin, Director of Finance
- 2) Corrective Action Planned: We will be able to complete properly follow internal controls and archive supporting documents in a proper manner going forward. Currently:
 - the department has been fully restaffed with permanent direct hires, including a Director of Finance, Accounting Manager, Three (3) Staff Accountants, and a Payroll Specialist.
 - The staff is back to working most of their hours on-site, which allows for better collaboration and more timely/accurate results.
 - In addition, we will be upgrading our software prior to FY 22/23
- 3) Anticipated Completion date: Immediately and on-going

**BERKELEY FOOD AND HOUSING PROJECT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

2019-001 Allowable Costs for Veteran Supportive Services

Finding Type: Material Weakness in Internal Control over Compliance

Program: Supportive Services for Veteran Families; U.S. Department of Veterans Affairs; CFDA Number 64.033; Award Number 18-CA-437.

Condition: Of the 40 veteran files we tested, we noted 7 files that had incorrect rent reasonableness calculations, 3 files lacked timely recertifications (every three months), and 1 file omitted verifications of income.

Recommendation: The agency should establish procedures to ensure that case manager duties are adequately segregated to deter mistakes, abuse or fraud. Prior to placement or payment, each case should include procedures for the independent verification of eligibility, placement, and payment.

Status: Similar finding was noted in the fiscal year 2020 audit. See Finding 2020-2.