

BERKELEY FOOD AND HOUSING PROJECT

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND JUNE 30, 2020



Accountants & Advisors

BERKELEY FOOD AND HOUSING PROJECT

TABLE OF CONTENTS **JUNE 30, 2021 AND JUNE 30, 2020**

	Page(s)
Independent auditors' report	2 - 3
Consolidated statements of financial position	4
Consolidated statements of activities	5 - 6
Consolidated statements of functional expenses	7 - 8
Consolidated statements of cash flows	9
Notes to consolidated financial statements	10 - 21



Independent Auditors' Report

Board of Directors
Berkeley Food and Housing Project

We have audited the accompanying consolidated financial statements of Berkeley Food and Housing Project, which comprise the consolidated statements of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 2021 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Food and Housing Project as of June 30, 2021, 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.

Prior Period Financial Statements

The financial statements of Berkeley Food and Housing Project as of June 30, 2020, were audited by Izabal, Bernaciak & Company, who combined with Grant Bennett Associates as of January 1, 2021, and whose report dated June 28, 2021, expressed an unmodified opinion on those statements.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California

January 14, 2022

BERKELEY FOOD AND HOUSING PROJECT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
CURRENT:		
Cash and cash equivalents	\$ 2,300,304	\$ 1,458,262
Investments	-	62,438
Accounts receivable	3,452,682	1,314,912
Prepaid expenses	188,001	132,284
Deposits	62,025	46,590
TOTAL CURRENT ASSETS	6,003,012	3,014,486
PROPERTY AND EQUIPMENT, net	1,886,463	1,967,757
OTHER ASSETS:		
Intangibles, net	11,209	-
TOTAL ASSETS	\$ 7,900,684	\$ 4,982,243
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable	\$ 890,305	\$ 126,834
Accrued vacation, payroll and payroll taxes	567,448	324,496
Accrued liabilities	76,156	-
Deferred revenue	855,259	326,263
Security deposits, client savings and pass-through funds	20,523	119,451
Loan payable - short-term	-	12,000
Mortgages payable - short-term	-	248,000
PPP Loan	874,230	-
TOTAL CURRENT LIABILITIES	3,283,921	1,157,044
LONG-TERM:		
Interest payable	879,278	839,220
Loan payable - long-term	-	24,195
Mortgages payable - long-term	835,630	587,630
Paycheck Protection Program Loan	-	874,230
TOTAL LONG-TERM LIABILITIES	1,714,908	2,325,275
TOTAL LIABILITIES	4,998,829	3,482,319
NET ASSETS:		
Without donor restriction	2,321,503	1,154,736
With donor restriction	580,352	345,188
TOTAL NET ASSETS	2,901,855	1,499,924
TOTAL LIABILITIES AND NET ASSETS	\$ 7,900,684	\$ 4,982,243

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT:			
Government grants:			
Federal	\$ 14,606,617	\$ -	\$ 14,606,617
Alameda County	1,938,948	-	1,938,948
Contra Costa	1,992	-	1,992
City of Albany	517,517	-	517,517
City of Berkeley	1,607,274	-	1,607,274
City of Emeryville	(2,971)	-	(2,971)
Other	12,000	-	12,000
Contributions:			
Donations - operating	1,233,923	429,230	1,663,153
In-kind donations	76,361	-	76,361
Program service revenue	359,910	-	359,910
Rental income	4,602	-	4,602
Investment income	32,102	-	32,102
Unrealized gain/loss on investments	-	-	-
Developer fees	502,500	-	502,500
Other income/loss	6,188	-	6,188
Net assets released from restriction	194,066	(194,066)	-
	21,091,029	235,164	21,326,193
EXPENSES:			
Program services	17,764,020	-	17,764,020
Management and general	1,549,446	-	1,549,446
Fundraising and capital campaign	610,796	-	610,796
	19,924,262	-	19,924,262
CHANGE IN NET ASSETS	1,166,767	235,164	1,401,931
NET ASSETS, beginning of year	1,154,736	345,188	1,499,924
NET ASSETS, end of year	\$ 2,321,503	\$ 580,352	\$ 2,901,855

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<u>Without Donor</u> <u>Restriction</u>	<u>With Donor</u> <u>Restriction</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Government grants:			
Federal	\$ 4,848,637	\$ -	\$ 4,848,637
Alameda County	103,844	-	103,844
Contra Costa	455,619	-	455,619
City of Albany	388,034	-	388,034
City of Berkeley	1,027,852	-	1,027,852
City of Emeryville	198,069	-	198,069
Contributions:			
Donations - operating	1,092,460	-	1,092,460
In-kind donations	44,120	-	44,120
Government revenue:			
Alameda County	683,102	-	683,102
Program service revenue	319,581	-	319,581
Rental income	9,111	-	9,111
Investment income	7,189	-	7,189
Unrealized gain/loss on investments	3,622	-	3,622
Other income/loss	45,863	-	45,863
Net assets released from restriction	<u>1,125,165</u>	<u>(1,125,165)</u>	<u>-</u>
TOTAL REVENUE	<u>10,352,268</u>	<u>(1,125,165)</u>	<u>9,227,103</u>
EXPENSES:			
Program services	8,039,375	-	8,039,375
Management and general	1,005,487	-	1,005,487
Fundraising and capital campaign	<u>339,886</u>	<u>-</u>	<u>339,886</u>
TOTAL EXPENSES	<u>9,384,748</u>	<u>-</u>	<u>9,384,748</u>
CHANGE IN NET ASSETS	967,520	(1,125,165)	(157,645)
NET ASSETS, beginning of year	<u>187,216</u>	<u>1,470,353</u>	<u>1,657,569</u>
NET ASSETS, end of year	<u>\$ 1,154,736</u>	<u>\$ 345,188</u>	<u>\$ 1,499,924</u>

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services		Total Program Services	Supporting Services		Total
	Supportive Services for Veteran Families	All Other Programs		Management and General	Fundraising and Capital Campaign	
Personnel:						
Salaries and wages	\$ 3,356,626	\$ 2,011,007	\$ 5,367,633	\$ 489,377	\$ 337,380	\$ 6,194,390
Payroll taxes and benefits	720,465	404,194	1,124,659	85,930	50,053	1,260,642
Total personnel	4,077,091	2,415,201	6,492,292	575,307	387,433	7,455,032
Operating:						
Client rents	8,791,746	45,587	8,837,333	-	-	8,837,333
Rent	249,358	239,512	488,870	48,409	26,068	563,347
Information technology	268,319	156,418	424,737	97,763	20,993	543,493
Professional fees	2,442	43,812	46,254	384,166	-	430,420
Contracted program services	164,516	35,578	200,094	133,868	-	333,962
Program supplies	5,547	103,214	108,761	82,615	392	191,768
Repairs and maintenance	30,927	132,873	163,800	24,268	2,330	190,398
Utilities	13,993	149,967	163,960	8,897	3,311	176,168
Food costs	683	146,834	147,517	-	-	147,517
Telephone	66,527	29,765	96,292	34,748	6,146	137,186
Travel and transportation	103,985	21,238	125,223	11,537	280	137,040
Marketing and development	1,719	1,057	2,776	-	124,097	126,873
Program security	-	116,317	116,317	-	-	116,317
Staff development	12,895	4,227	17,122	56,227	4,042	77,391
Office supplies	29,562	4,013	33,575	28,699	3,993	66,267
Household equipment rental	40,412	20,056	60,468	-	-	60,468
Insurance	17,447	20,512	37,959	6,431	84	44,474
Office furniture and equipment	25,422	6,060	31,482	4,856	64	36,402
Licenses, permits, fees and taxes	5,328	7,775	13,103	14,812	52	27,967
Printing and copying	7,725	2,082	9,807	3,116	14,578	27,501
Equipment rental	-	-	-	15,762	1,076	16,838
Mailing and postage	716	300	1,016	4,025	7,890	12,931
Client relations	894	2,473	3,367	-	2,378	5,745
Total expenses before depreciation and interest	13,917,254	3,704,871	17,622,125	1,535,506	605,207	19,762,838
Interest	659	40,520	41,179	1,067	-	42,246
Depreciation and amortization	5,353	95,363	100,716	12,873	5,589	119,178
TOTAL EXPENSES	\$ 13,923,266	\$ 3,840,754	\$ 17,764,020	\$ 1,549,446	\$ 610,796	\$ 19,924,262

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services		Total Program Services	Supporting Services		Total
	Supportive Services for Veteran Families	All Other Programs		Management and General	Fundraising and Capital Campaign	
Personnel:						
Salaries and wages	\$ 2,030,495	\$ 1,852,140	\$ 3,882,635	\$ 569,276	\$ 199,491	\$ 4,651,402
Payroll taxes and benefits	467,035	426,800	893,835	83,213	31,944	1,008,992
Total personnel	2,497,530	2,278,940	4,776,470	652,489	231,435	5,660,394
Operating:						
Client Rents	1,325,765	338,010	1,663,775	-	-	1,663,775
Rent	127,164	270,757	397,921	60,524	17,975	476,420
Professional Fees	-	-	-	162,346	-	162,346
Information Technology	75,670	58,839	134,509	10,999	9,213	154,721
Repairs and Maintenance	10,945	120,080	131,025	9,553	2,701	143,279
Utilities	5,439	123,315	128,754	7,510	1,532	137,796
Food Costs	-	126,976	126,976	-	-	126,976
Travel and Transportation	82,165	26,396	108,561	1,964	346	110,871
Contracted Program Services	68,004	12,504	80,508	1,659	-	82,167
Telephone	44,033	24,367	68,400	8,771	1,646	78,817
Equipment Rental	33,108	26,570	59,678	9,671	3,747	73,096
Household Supplies	-	72,052	72,052	-	-	72,052
Licenses, permits, fees and taxes	918	1,199	2,117	45,581	7,436	55,134
Insurance	10,832	21,649	32,481	4,898	761	38,140
Marketing and Development	-	-	-	-	36,935	36,935
Office Supplies	17,896	2,709	20,605	4,263	5,481	30,349
Staff Development	7,384	10,168	17,552	6,629	1,605	25,786
Household furniture and equipment	-	24,657	24,657	-	-	24,657
Office furniture and equipment	16,625	3,175	19,800	2,303	557	22,660
Mailing and Postage	753	463	1,216	2,085	12,795	16,096
Program Supplies	657	9,249	9,906	-	-	9,906
Printing and Copying	5,909	1,476	7,385	1,596	56	9,037
Household Equipment Rental	-	5,723	5,723	-	-	5,723
Client Relations	-	2,375	2,375	-	-	2,375
Loss on disposal of assets	1,200	-	1,200	-	-	1,200
Total expenses before depreciation and interest	4,331,997	3,561,649	7,893,646	992,841	334,221	9,220,708
Interest	766	41,044	41,810	1,320	68	43,198
Depreciation and amortization	4,078	99,841	103,919	11,326	5,597	120,842
TOTAL EXPENSES	\$ 4,336,841	\$ 3,702,534	\$ 8,039,375	\$ 1,005,487	\$ 339,886	\$ 9,384,748

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2021	Year Ended June 30, 2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,401,931	\$ (157,645)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation & amortization	119,178	120,842
Realized (gain) loss on investment	(31,450)	1,374
Unrealized gain on investment	-	(3,622)
Contributions of stock	(13,396)	-
(Increase) decrease in:		
Accounts receivable	(2,137,770)	(340,394)
Prepaid expenses	(55,717)	(43,821)
Deposits	(15,435)	11,432
Increase (decrease) in:		
Accounts payable	803,529	38,739
Accrued vacation, payroll and payroll taxes	242,952	-
Accrued liabilities	76,156	-
Deferred revenue	528,996	(522,187)
Security deposits, client savings and pass-through funds	(98,928)	(37,392)
	<u>820,046</u>	<u>(932,674)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(25,000)	-
Proceeds from sale of investments	132,284	463,995
Purchases of fixed assets	(49,093)	(1,000,000)
	<u>58,191</u>	<u>(536,005)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program loan proceeds	-	874,230
Mortgage and loan payments	(36,195)	(12,000)
	<u>(36,195)</u>	<u>862,230</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	842,042	(606,449)
CASH AND CASH EQUIVALENTS, beginning of year	1,458,262	2,064,711
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,300,304</u>	<u>\$ 1,458,262</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 662	\$ 1,965

See notes to consolidated financial statements.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 1. NATURE OF BUSINESS:

Berkeley Food and Housing Project (“BFHP” or the “Organization”) began operating in 1970 and was incorporated as a California nonprofit public benefit corporation in 1984. BFHP is governed by a volunteer board of directors, and its mission is to ease and end the crisis of homelessness in our communities. BFHP lives out their mission by providing emergency food and shelter, transitional housing, rapid rehousing, and permanent supportive housing with wraparound support services. BFHP believes everyone has the right to affordable housing and healthy food to eat.

BFHP’s core values are equity, diversity, and inclusion. The Organization is committed to serving one of the most vulnerable populations in our community with fairness and dignity. Every day, BFHP advocates for and partners with individuals and families experiencing housing and food insecurity. BFHP is proud to operate the following programs in support of their mission.

Dwight Way Center

BFHP’s Dwight Way Center in Berkeley accommodates two shelters. The women’s shelter has been in operation since 1992 and the men’s shelter has been operating since 1986, each can accommodate up to 32 although they have been operating at 50% capacity due to COVID-19. The shelter offers those who are experiencing homelessness a safe place to stay and support while they build income, skills, and seek permanent housing. The shelter operates 365 days a year, and since March 13, 2020, has been open 24/7 to provide a place to shelter.

Dwight Way Single Room Occupancy Units

Dwight Way Center is home to five Single Room Occupancy (SRO) units. These units provide permanent supportive housing with wraparound support services for previously homeless Veterans. BFHP works closely with the Department of Veteran Affairs (VA), which provides case management and clinical services to support the Veterans to remain healthy and housed.

Free Community Meal

BFHP operates the longest running free, weekday community meal program in the City of Berkeley. Menus are created with nutritional value and taste in mind. A vegetarian option is always available. Guests include those who have low-income, are unemployed, and people experiencing homelessness. Since the start of the COVID-19 pandemic, the community meals are served to-go, outside the Dwight Way Center. The meal program also provides breakfast, lunch, and dinner for the clients in the Dwight Way Shelter and Berkeley Respite Program.

Homeless Veterans Reintegration Program (HVRP)

Made possible through the U.S. Department of Labor, BFHP is able to bring employment services into their work with Veterans, thus ensuring a higher rate of success in sustaining permanent housing.

Rio Vista House

BFHP partnered with Habitat for Humanity Solano to build a new six-bedroom, three bathroom house in Rio Vista, which opened in January 2021. Habitat for Humanity will transfer the title and mortgage to BFHP in 2022. BFHP operates this property that provides a permanent home with support services for local Veterans.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 1. NATURE OF BUSINESS (Continued):

Russell Street Residence (RSR) & Annex

Russell Street Residence was established in 2002 and provides permanent supportive housing for 17 formerly homeless adults diagnosed with serious and persistent mental illness (SMI). Residents at Russell Street receive 24/7 care. Staff works with residents to develop independent living skills and assess those who might be ready to move into a more independent setting, such as the Annex.

The Russell Street Annex is a four-bedroom house on the same property that provides housing for an additional four adults living with SMI. Annex residents live semi-independently and are responsible for the maintenance of their home, cooking, and cleaning. They still participate in program activities and outings, and work with staff on developing and maintaining independent living skills.

Shelter Plus Care (S+C)

Shelter Plus Care (S+C) is a housing subsidy program with ongoing tenancy support services. Clients in this program are high-need, formerly homeless individuals with one or more disability. They live in their own homes, pay approximately 30% of their income towards rent, and receive support services to help them maintain their housing.

Supportive Services for Veteran Families (SSVF)

Funded by the VA, SSVF is BFHP's largest program and provides a robust set of homelessness prevention and housing tools for Veterans and their families who are experiencing or at risk of homelessness, including: housing location help, temporary financial assistance, and wraparound case management.

The resources are flexible, meaning they can be tailored to the needs of the individual Veteran households. The SSVF shallow subsidy program provides two years of rental assistance that will not decrease if the household increases their income. BFHP operates this program in six counties including: Alameda, Amador, Contra Costa, Sacramento, San Joaquin, and Solano. During the year ended June 30, 2021, BFHP proudly served over a thousand Veterans through this program.

Transitional Housing

BFHP offers temporary housing (6 to 24 months) and intensive life skills training to up to 18 homeless male Veterans in Berkeley. This program has been funded by the VA since 2011.

HUD-VASH Voucher Administration

BFHP is part of pilot program to administer Housing & Urban Development/Veterans Affairs Supportive Housing (HUD-VASH) vouchers. The Organization works with local and public housing authorities to understand eligibility criteria and assist Veterans in preparing and submitting applications.

Roads Home Hotel Rooms

In partnership with Veterans Affairs, BFHP worked to get vulnerable veterans and their families off the streets since the start of the pandemic. As of October 2021, BFHP placed 524 Veteran households into the safety of hotel rooms. Of those 154 have already been placed into permanent or transitional housing and the majority of the clients still in hotels have a plan to achieve housing within 45 days.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 1. NATURE OF BUSINESS (Continued):

COVID-19 Response Programs

All of BFHP's COVID-specific programming has been focused on getting the most vulnerable people experiencing homelessness off the streets – those who are 65+ years of age and/or with high-risk medical conditions – as well as their partners and children. The COVID-19 response has demonstrated that when communities come together and treat homelessness as the urgent crisis it is, we can move more people off the streets quickly and efficiently.

Berkeley Respite Program

The Berkeley Respite Program has been active since June 2020. It is a partnership with the City of Berkeley to oversee and maintain 18 RV trailers and one four-bedroom shared house. BFHP provides case management, housing navigation and placement, and operational services including daily wellness checks, meals, laundry services, and hygiene and cleaning supplies. BFHP will continue to manage this program through the end of 2022 and is currently working with the City of Berkeley to build-out a Rapid Re-housing program to continue assisting this population into the following year.

Health, Housing, & Integrated Services (HHIS)

The Health, Housing, & Integrated Services (HHIS) program was built out of Project Safer Ground, one of the earliest COVID response programs. It began as a partnership with Alameda County to utilize hotel rooms in the City of Berkeley to allow people experiencing homelessness to safely shelter in place. Since the start of 2021, BFHP has partnered with Alameda County Care Connect and Abode Services to build a complimentary program that will transition clients through Abode Rapid Re-housing units and on into permanent housing with support service.

The BFHP Hope Center

This project broke ground on July 7, 2020, and is estimated to be completed in the spring of 2022. This project will be a joint development between BFHP and BRIDGE Housing. The goal is to create a continuum of affordable and very low-income housing that is integrated into the fabric of a vibrant downtown community, rich in transit and services.

BFHP's portion of the project will consist of:

- 32 shelter beds for homeless adult men
- 53 units of permanent supportive housing for homeless and disabled men and women
- 12 transitional housing beds for homeless male Veterans (in partnership with the VA)
- Offices for support staff and partner agencies such as LifeLong Medical and Berkeley Mental Health
- A commercial kitchen and dining facility for residents and daily Community Meal

The BFHP Hope Center is designed to serve Berkeley's very low-income, disabled, and chronically homeless population through an innovative integration of housing and onsite support services. Planned in close collaboration with the City of Berkeley, it is a vital part of the overall plan to find housing and a permanent stable solution for the city's estimated 1,000 people experiencing homelessness.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Revenue is recorded when earned and expenditures are recorded when incurred.

Principles of consolidation:

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.

BFHP's ownership will include:

- 49% owner/operator of 53 units of affordable supportive Housing;
- 100% owner/operator 32 shelter beds, 12 units of permanent supportive Housing for veterans, a commercial kitchen, and a community meal center.
- At the completion of construction, the 100% owner items will be transferred to BFHP (BFHP Hope Center, LLC).

The entire Berkeley Way Hope center project and construction is targeted for completion in May 2022.

Basis of presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Without donor restrictions:

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, board-designated net assets, but has opted not to do so.

With donor restrictions:

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as net assets without donor restrictions.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted support. All contributions are considered to be available for unrestricted use unless restricted by the donor.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Developer fees are recognized as income over the period based on the percentage completion of the project.

Rental income pro-rata over the period of rent.

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, 2021 and 2020, BFHP had uninsured cash balances of \$1,500,242 and \$1,333,285, respectively.

Accounts receivable:

The Organization considers all accounts receivable to be fully collectible at June 30, 2021 and 2020. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2021, advertising costs charged to expense was \$3,254. There were no advertising costs during the year ended June 30, 2020.

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.

Recently issued accounting standards:

In February 2016, and as amended, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which requires lessees to record most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The updated standard is effective for annual periods beginning after December 15, 2021 with early adoption permitted. The Organization has not determined the potential effects of this ASU on its financial statements but does expect that it will result in an increase in its long-term assets and liabilities.

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Contributed Nonfinancial Assets (Topic 958)*, which requires organizations receiving nonfinancial assets to disclose them as a separate line item on the various statements and provide additional disclosure on the organization's policies and valuation techniques for nonfinancial assets received. The updated standard is effective for annual periods beginning after June 15, 2021 with early adoption permitted. The Organization is reviewing the impact of this standard and will implement the standard in the year ended June 30, 2022.

Reclassifications:

Certain amounts in these financial statements have been reclassified or retitled for clarity. The prior year's corresponding amounts have been reclassified or retitled to conform to the current year's presentation. This change had no effect on net asset amounts.

Note 3. NATURE OF 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.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 4. INVESTMENTS:

Investments are reported on the basis of quoted market prices (all level 1 measurements). During the year June 30, 2021, the organization disposed of all of its assets.

	Assets at Fair Value as of June 30, 2020			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Money market funds	\$ 173	\$ -	\$ -	\$ 173
Mutual Funds	58,157	-	-	58,157
Equity securities	4,108	-	-	4,108
Total assets at fair value	\$ 62,438	\$ -	\$ -	\$ 62,438

Investment return for the years ended June 30, 2021 and 2020 is summarized as follows:

	June 30, 2021	June 30, 2020
Interest and dividends	\$ 652	\$ 8,563
Realized gain (loss) on investments	31,450	(1,374)
Unrealized gain on investments	-	3,622
Net investment income	\$ 32,102	\$ 10,811

Note 5. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects BFHP financial assets as of June 30, 2021 and 2020. 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:

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 2,300,304	\$ 1,458,262
Investments	-	62,438
Accounts receivable	3,452,682	1,314,912
Total financial assets	5,752,986	2,835,612
Less those unavailable for general expenditures due to:		
Board designated cash reserve	(600,000)	-
Cash restricted by donor for specific uses	(580,352)	(345,188)
Total financial assets not available to be used within one year	(1,180,352)	(345,188)
Financial assets available to meet cash needs within one year	\$ 4,572,634	\$ 2,490,424

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 5. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued):

BFHP has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$920,000. 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.

Note 6. 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.

Note 7. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 270,000	\$ 270,000
Building	1,593,995	1,593,995
Property improvements	545,980	545,980
Leasehold improvements	74,332	74,332
Construction in progress	1,000,000	1,000,000
Vehicles	26,790	26,790
Equipment owned	149,469	112,603
Equipment leased	13,297	13,789
Furniture and fixtures	17,754	17,754
Totals	3,691,617	3,655,243
Less accumulated depreciation	(1,805,154)	(1,687,486)
Net fixed assets	\$ 1,886,463	\$ 1,967,757

Depreciation expense was \$118,159 and \$120,842 for the years ended June 30, 2021 and 2020, respectively.

Note 8. INTANGIBLE ASSETS:

Intangible assets consist of software license costs of \$12,228. The costs are subject to amortization on a straight-line basis over an estimated life of three years. Amortization expense for the year ended June 30, 2021 was \$1,019. There was no amortization expense, nor accumulated amortization for the year ended June 30, 2020.

Note 9. 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, 2021, there was no outstanding balance. The loan has been renewed through February 2022.

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 10. 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 provide EC \$300,000, with the specific objective of short-term financial aid to BFHP. This entire amount was lent 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, 2021 and 2020), and is payable in monthly installments of interest only. The balance due was \$0 and \$12,000 at June 30, 2021 and 2020, respectively.

Mortgages (Long-term):

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, for a total of \$587,630. 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.

Mortgages (Short-term):

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.

At June 30, 2021 and 2020, interest payable includes \$776,078 and \$740,820 interest payable to the City, respectively, and \$103,200 and \$98,400 interest payable to the County, respectively. Future minimum principal payments are as follows:

Year Ending June 30,		
2022	\$	874,230
2023		-
2024		-
2025		-
2026		-
Thereafter		<u>2,594,186</u>
	<u>\$</u>	<u>3,468,416</u>

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 11. PAYCHECK PROTECTION PROGRAM LOAN:

On April 30, 2020, the BFHP received loan proceeds in the amount of \$874,230 under the Paycheck Protection Program (“PPP”).

The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. The unforgiven portion of the PPP loan was payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Organization received forgiveness on July 7, 2021 as it used the proceeds for purposes consistent with the PPP. The forgiven balance will be recognized as grant income in the year ended June 30, 2022.

Note 12. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following at June 30, 2021:

	June 30, 2020	Contributions	Released from Restriction	June 30, 2021
Capital Campaign	\$ 229,628	\$ 184,471	\$ -	\$ 414,099
Bob Woodruff	-	100,000	1,019	98,981
Restricted Fixed Assets	66,100	-	3,795	62,305
MPX - VETS - Feeding Appeal	4,562	-	-	4,562
HUB Move-In Kit	450	-	45	405
MRS - Feeding Appeal	38,088	-	38,088	-
MPX - West Davis	3,404	-	3,404	-
Employment Service - TFA	1,587	-	1,587	-
HUB Donor TFA	1,034	-	1,034	-
Russell Street Resident - Project Peace - Garden	335	-	335	-
Rest Food and Meal	-	76,407	76,407	-
RSR-Kaiser Meal Program	-	25,000	25,000	-
Shelter and ST Housing	-	18,356	18,356	-
Leshner Foundation Grant	-	10,200	10,200	-
Homeless Veterans	-	8,296	8,296	-
Share the Spirit	-	6,500	6,500	-
	\$ 345,188	\$ 429,230	\$ 194,066	\$ 580,352

BERKELEY FOOD AND HOUSING PROJECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 12. NET ASSETS WITH DONOR RESTRICTIONS (Continued):

Net assets with donor restrictions consisted of the following at June 30, 2020:

	June 30, 2019	Contributions	Released from Restriction	June 30, 2020
Capital Campaign	\$ 1,356,577	\$ 100	\$ 1,127,049	\$ 229,628
Restricted Fixed Assets	75,756	-	9,655	66,100
MRS - Feeding Appeal	-	42,293	4,205	38,088
MPX - VETS - Feeding Appeal	-	16,637	12,075	4,562
MPX - West Davis	-	7,500	4,096	3,404
Employment Service - TFA	1,647	-	60	1,587
HUB Donor TFA	1,159	-	125	1,034
HUB Move-In Kit	450	-	-	450
Russell Street Resident - Project Peace - Garden	446	-	112	335
MPX - CM - Feeding Appeal	16,637	2,902	19,540	-
Celgene	16,588	-	16,588	-
Dwight Way Single Room Occupancy	1,093	3,245	4,338	-
MRS - Dwight Shelters	-	24,340	24,340	-
MRS - Shelter & Short-term	-	17,460	17,460	-
MOS - Shelter & Short-term	-	10,821	10,821	-
VTH - Shelter & Short-term	-	10,042	10,042	-
WOS	-	9,306	9,306	-
MOS	-	9,169	9,169	-
MPX - Share the Spirit	-	6,000	6,000	-
MRS - Safeway	-	5,000	5,000	-
MRS - Western Digital	-	5,000	5,000	-
RSRB - Safeway	-	5,000	5,000	-
RSRB - Western Digital	-	5,000	5,000	-
WOS - Shelter & Short-term	-	2,687	2,687	-
RH	-	2,000	2,000	-
MRS - Veterans Appeal	-	1,440	1,440	-
VTH - Veterans Appeal	-	1,440	1,440	-
MPX - CCC - Feeding Appeal	-	1,302	1,302	-
MRS - ACHS	-	700	700	-
	<u>\$ 1,470,353</u>	<u>\$ 189,385</u>	<u>\$ 1,314,550</u>	<u>\$ 345,188</u>

Note 13. 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 \$76,361 and \$44,120 were donated to BFHP for the fiscal years ended June 30, 2021 and 2020, respectively. Donated professional services have been recognized as support and revenue, with an offsetting amount recognized as expenses, in the accompanying statements 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 FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 14. LEASE 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 principal payments are as follows:

Year Ending June 30,		
2022	\$	793,951
2023		979,972
2024		382,712
2025		<u>275,329</u>
	\$	<u>2,431,964</u>

Rent expense under all leases amounted to \$698,903 and \$561,291 for the years ended June 30, 2021 and 2020, respectively.

Note 15. 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 the Organization 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, BFHP 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 17. COVID-19 IMPACT:

COVID-19 has become a global pandemic and has resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty. The outcome and timeframe are highly unpredictable and, as such, the financial impact to operations cannot be estimated at this time.

Note 18. SUBSEQUENT EVENTS:

BFHP's management has evaluated its subsequent events through January 14, 2022, the date the financial statements were available to be issued, and determined to disclose the following subsequent events:

Effective July 1, 2021, the Organization created a 403(b) retirement plan which covers all eligible employees. The Plan was adopted under section 403(b) of the Internal Revenue Code for 501(c)(3) not-for-profit organizations.

Effective December 2021, an Operating Reserve Policy was approved and adopted.