

**BERKELEY FOOD AND HOUSING PROJECT**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND JUNE 30, 2021**



Advisory   Assurance   Tax   Private Client

# **BERKELEY FOOD AND HOUSING PROJECT**

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## **Independent Auditors' Report**

Board of Directors  
Berkeley Food and Housing Project

### **Opinion**

We have audited the accompanying consolidated financial statements of Berkeley Food and Housing Project (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the 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, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Berkeley Food and Housing Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements as of June 30, 2021, were audited by RINA Accountancy LLP, who merged with Aprio, LLP as of August 1, 2022, and whose report dated January 14, 2022, expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkeley Food and Housing Project's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

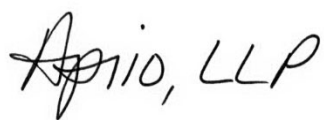
## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berkeley Food and Housing Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkeley Food and Housing Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly slanted style.

San Francisco, California  
December 27, 2022

# BERKELEY FOOD AND HOUSING PROJECT

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
CURRENT:		
Cash and cash equivalents	\$ 3,936,763	\$ 2,300,304
Accounts receivable	2,454,326	3,452,682
Prepaid expenses	202,492	188,001
Short-term deposits	138,070	-
TOTAL CURRENT ASSETS	6,731,651	5,940,987
PROPERTY AND EQUIPMENT, net	2,429,235	1,886,463
OTHER ASSETS:		
Intangibles, net	55,944	11,209
Lease deposits	71,948	62,025
TOTAL ASSETS	\$ 9,288,778	\$ 7,900,684
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT:		
Accounts payable	\$ 519,649	\$ 890,305
Accrued vacation, payroll and payroll taxes	695,568	567,448
Accrued liabilities	19,750	76,156
Deferred revenue	320,940	855,259
Security deposits, client savings and pass-through funds	28,794	20,523
Mortgages payable - short-term	261,200	-
PPP Loan	-	874,230
TOTAL CURRENT LIABILITIES	1,845,901	3,283,921
LONG-TERM:		
Interest payable	919,336	879,278
Mortgages payable - long-term	1,094,271	835,630
TOTAL LONG-TERM LIABILITIES	2,013,607	1,714,908
TOTAL LIABILITIES	3,859,508	4,998,829
NET ASSETS:		
Without donor restriction	3,454,780	2,321,503
With donor restriction	1,974,490	580,352
TOTAL NET ASSETS	5,429,270	2,901,855
TOTAL LIABILITIES AND NET ASSETS	\$ 9,288,778	\$ 7,900,684

See notes to consolidated financial statements.

# BERKELEY FOOD AND HOUSING PROJECT

## CONSOLIDATED STATEMENTS OF ACTIVITIES

### YEAR ENDED JUNE 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT:			
Government grants:			
Federal	\$ 12,581,591	\$ -	\$ 12,581,591
Alameda County	1,333,798	-	1,333,798
City of Albany	340,966	-	340,966
City of Berkeley	2,465,431	-	2,465,431
Contributions:			
Donations - operating	983,378	1,722,862	2,706,240
In-kind donations	34,771	-	34,771
Program service revenue	481,292	-	481,292
Special event income	21,581	-	21,581
Investment income	23,915	-	23,915
Other income	33,040	-	33,040
PPP loan forgiveness	874,230	-	874,230
Net assets released from restriction	328,724	(328,724)	-
TOTAL REVENUE	19,502,717	1,394,138	20,896,855
EXPENSES:			
Program services	15,619,804	-	15,619,804
Management and general	2,177,995	-	2,177,995
Fundraising and capital campaign	571,641	-	571,641
TOTAL EXPENSES	18,369,440	-	18,369,440
CHANGE IN NET ASSETS	1,133,277	1,394,138	2,527,415
NET ASSETS, beginning of year	2,321,503	580,352	2,901,855
NET ASSETS, end of year	\$ 3,454,780	\$ 1,974,490	\$ 5,429,270

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
Developer fees	502,500	-	502,500
Other income/loss	6,188	-	6,188
Net assets released from restriction	194,066	(194,066)	-
TOTAL REVENUE	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
TOTAL EXPENSES	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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	\$ 3,970,995	\$ 2,544,305	\$ 6,515,300	\$ 1,329,725	\$ 317,169	\$ 8,162,194
Payroll taxes and benefits	934,751	554,677	1,489,428	124,452	43,869	1,657,749
Total personnel	4,905,746	3,098,982	8,004,728	1,454,177	361,038	9,819,943
Operating:						
Client rents	4,138,576	173,777	4,312,353	-	-	4,312,353
Rent	307,254	270,927	578,181	97,252	2,416	677,849
Client relations	622,620	43,859	666,479	-	-	666,479
Information technology	252,806	124,519	377,325	56,719	15,510	449,554
Program security	-	354,833	354,833	-	-	354,833
Professional fees	50,594	25,524	76,118	240,746	9,109	325,973
Travel and transportation	173,625	49,462	223,087	13,642	1,569	238,298
Repairs and maintenance	44,796	161,138	205,934	10,347	237	216,518
Food costs	-	185,642	185,642	-	-	185,642
Telephone	92,210	45,529	137,739	33,046	4,677	175,462
Utilities	20,151	129,507	149,658	8,680	179	158,517
Marketing and development	-	1,083	1,083	15,424	112,338	128,845
Program supplies	-	37,925	37,925	1,645	37,321	76,891
Equipment rental	31,323	25,397	56,720	16,590	-	73,310
Staff recruitment	-	416	416	63,362	-	63,778
Staff development	24,512	11,516	36,028	17,974	3,263	57,265
Office supplies	26,485	20,574	47,059	5,545	420	53,024
Printing and copying	10,907	3,878	14,785	1,315	18,935	35,035
Household supplies	-	34,972	34,972	-	-	34,972
Insurance	6,360	3,531	9,891	24,533	-	34,424
Licenses, permits, fees and taxes	19,358	10,741	30,099	3,493	36	33,628
Office furniture and equipment	14,192	2,392	16,584	-	-	16,584
Mailing and postage	721	1,891	2,612	5,282	4,593	12,487
Household furniture & equipment	-	12,028	12,028	-	-	12,028
Household equipment rental	-	5,789	5,789	-	-	5,789
Total expenses before depreciation and interest	10,742,236	4,835,832	15,578,068	2,069,772	571,641	18,219,481
Interest	-	41,736	41,736	-	-	41,736
Depreciation and amortization	-	-	-	108,223	-	108,223
<b>TOTAL EXPENSES</b>	<b>\$ 10,742,236</b>	<b>\$ 4,877,568</b>	<b>\$ 15,619,804</b>	<b>\$ 2,177,995</b>	<b>\$ 571,641</b>	<b>\$ 18,369,440</b>

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 CASH FLOWS

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,527,415	\$ 1,401,931
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation & amortization	108,223	119,178
Realized gain on investment	-	(31,450)
Contributions of stock	-	(13,396)
Forgiveness of Paycheck Protection Program	(874,230)	-
(Increase) decrease in:		
Accounts receivable	998,356	(2,137,770)
Prepaid expenses	(14,491)	(55,717)
Deposits	(147,993)	(15,435)
Increase (decrease) in:		
Accounts payable	(330,598)	803,529
Accrued vacation, payroll and payroll taxes	128,120	242,952
Accrued liabilities	(56,406)	76,156
Deferred revenue	(534,319)	528,996
Security deposits, client savings and pass-through funds	8,271	(98,928)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,812,348</b>	<b>820,046</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	-	(25,000)
Proceeds from sale of investments	-	132,284
Purchases of property and equipment	(173,563)	(49,093)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(173,563)</b>	<b>58,191</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage and loan payments	(2,326)	(36,195)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(2,326)</b>	<b>(36,195)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,636,459	842,042
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,300,304	1,458,262
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 3,936,763	\$ 2,300,304

See notes to consolidated financial statements.

# BERKELEY FOOD AND HOUSING PROJECT

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ 662
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Donated building subject to mortgage	\$ 522,167	\$ -
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:		
Mortgage assumed	\$ 522,167	\$ -

See notes to consolidated financial statements.

# BERKELEY FOOD AND HOUSING PROJECT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

### **Note 1. NATURE OF BUSINESS:**

Berkeley Food and Housing Project (“BFHP”) 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 the community. 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. They are 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 (2) 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 thirty-two (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 (6) bedroom, three (3) bathroom house in Rio Vista, which opened in January 2021. Habitat for Humanity transferred the title and mortgage to BFHP in March 2022. BFHP operates this property that provides a permanent home with support services for local veterans.

# BERKELEY FOOD AND HOUSING PROJECT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

### **Note 1. NATURE OF BUSINESS (Continued):**

#### Russell Street Residence (RSR) & Annex:

Russell Street Residence was established in 2002 and provides permanent supportive housing for seventeen (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 (4) bedroom house on the same property that provides housing for an additional four (4) 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 disabilities. 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 Veteran's Administration, 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, 2022, BFHP proudly served over a thousand veterans through this program.

During the year ended June 30, 2022, BFHP awarded additional SSVF funding to expand legal services to veteran households. BFHP subcontracted with Bay Area Legal Aid (BALA) to provide legal services to veterans. BALA will assist veteran families to obtain mainstream benefits from federal, state or local agencies.

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

#### Transitional Housing – Grants Per Diem (GPD)

BFHP offers temporary housing (6 to 24 months) and intensive life skills training to up to eighteen (18) homeless male veterans in Berkeley. This program has been funded by the Department of Veteran Affairs since 2011.

# BERKELEY FOOD AND HOUSING PROJECT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

### 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 eighteen (18) RV trailers and one four (4) 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 June 2023, and is currently working with the City of Berkeley to build-out a Rapid Re-housing program to continue assisting this population into the next 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. HHIS program ended on December 31, 2021.

#### ***Housing Community Support (HCS)***

The Housing Community Supports is a continuation of the HHIS program and began in January 2022. BFHP is contracted with Alameda County's Health Care Services Agency (HCSA) Office of Homeless Care and Coordination (OHCC) to maintain 144 slots of combined strength-based housing transition navigation services and housing tenancy and sustaining services for homeless and formerly homeless individuals living in or transitioning to HCSA designated permanent housing units. BFHP administers one-time flexible housing deposits for consumers authorized by HCSA to assist with costs associated with move-in expenses.

#### ***SSVF 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 CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

### **Note 1. NATURE OF BUSINESS (Continued):**

The BFHP Hope Center:

This project broke ground on July 7, 2020. 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 (moved from the Dwight Way Center)
- 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. BFHP received a Temporary Certificate of Occupancy (TCO) on September 8, 2022.

### **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 was completed in September 2022.

# BERKELEY FOOD AND HOUSING PROJECT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

#### 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.

#### 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.



## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

##### 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 typically insured by the Federal Deposit Insurance Corporation up to \$250,000. Under a cash sweep provision through the Bank of Marin as of the year ended June 30, 2022, accounts are insured by the Federal Deposit Insurance Corporation up to \$20 million. At June 30, 2022, there were no uninsured cash balances. At June 30, 2021, BFHP had an uninsured cash balance of \$1,500,242.

##### Accounts receivable:

BFHP considers all accounts receivable to be fully collectible at June 30, 2022 and 2021. 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.

##### 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, 2022, advertising costs charged to expense was \$1,380. There were no advertising costs during the year ended June 30, 2021.

##### 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.

##### Reclassifications:

Certain amounts in these consolidated 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.

## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

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

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. BFHP 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.

**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.

**Note 4. LIQUIDITY AND AVAILABILITY OF RESOURCES:**

The following reflects BFHP financial assets as of June 30, 2022 and 2021. 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,	
	2022	2021
Cash and cash equivalents	\$ 3,936,763	\$ 2,300,304
Accounts receivable	2,454,326	3,452,682
Total financial assets	6,391,089	5,752,986
Less those unavailable for general expenditures due to:		
Operating reserve*	(600,000)	(600,000)
Assets with donor restriction	(1,974,490)	(580,352)
Total financial assets not available to be used within one year	(2,574,490)	(1,180,352)
Financial assets available to meet cash needs within one year	\$ 3,816,599	\$ 4,572,634

\*Note that this operating reserve is not subject to board or donor stipulations, but is held at management's discretion.

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 Bank of Marin in the amount of \$1,500,000.

## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 5. 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 6. PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following at June 30:

	2022	2021
Land	\$ 270,000	\$ 270,000
Building	1,999,890	1,593,995
Property improvements	618,332	545,980
Leasehold improvements	74,332	74,332
Construction in progress	1,000,000	1,000,000
Vehicles	38,457	26,790
Equipment owned	149,469	149,469
Equipment leased	13,297	13,297
Furniture and fixtures	175,201	17,754
Totals	4,338,978	3,691,617
Less accumulated depreciation	(1,909,743)	(1,805,154)
Net fixed assets	\$ 2,429,235	\$ 1,886,463

Depreciation expense was \$104,590 and \$118,159 for the years ended June 30, 2022 and 2021, respectively.

**Note 7. INTANGIBLE ASSETS:**

Intangible assets consist of software license costs of \$60,596. The costs are subject to amortization on a straight-line basis over an estimated life of three years. Amortization expense was \$3,633 and \$1,019 for the years ended June 30, 2022 and 2021, respectively.

**Note 8. 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. The line was closed in April 2022.

BFHP established a line of credit with Bank of Marin on April 5, 2022, that allows BFHP to borrow up to \$1,500,000. Borrowings under this agreement bear interest at an annual rate of 3.50% and is secured by BFHP's assets. The line of credit agreement expires on April 5, 2023. As of June 30, 2022, there was no outstanding balance on the line of credit.

## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 9. LOAN AND MORTGAGES PAYABLE:**

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.

On March 25, 2022, BFHP entered into a \$398,994 loan agreement with the Solano-Napa Habitat for Humanity, Inc. (SNHFH) for the cost of the Rio Vista Residence real property located at 600 St. Francis Way, Rio Vista, California. This is a non-interest-bearing note. Monthly installments of \$1,108 are due on the first day of the month.

On March 11, 2022, BFHP entered into a \$123,173 loan agreement with the Solano-Napa Habitat for Humanity, Inc. for the cost of Rio Vista Residence’s fixtures. This is a non-interest-bearing note and has no required periodic payments. BFHP agrees to pay the unpaid principal balance upon the earlier of (1) the sale, transfer, lease, or encumbrance of all or any interest in the Residence or Property itself without SNHFH’s prior written consent, or (2) BFHP’s failure to use the Residence for the deed-restricted principal purpose of providing housing to low-income veterans of Solano County.

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, 2022 and 2021, interest payable includes \$811,336 and \$776,078 interest payable to the City, respectively, and \$108,000 and \$103,200 interest payable to the County, respectively. Future minimum principal payments are as follows:

Year Ending June 30,		
2023	\$	261,200
2024		-
2025		-
2026		-
2027		-
Thereafter		<u>1,094,271</u>
	<u>\$</u>	<u>1,355,471</u>

## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 10. 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.

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

**Note 11. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions consisted of the following at June 30, 2022:

	June 30, 2021	Contributions	Released from Restriction	June 30, 2022
Hope Center Operation	\$ -	\$ 1,057,679	\$ -	\$ 1,057,679
Capital Campaign	414,099	317,451	76,905	654,645
Rest Food and Meal	-	209,213	62,162	147,051
Restricted Fixed Assets	62,305	-	22,518	39,787
Homeless Veterans	-	36,375	6,800	29,575
RSR-Kaiser Meal Program	-	50,400	25,400	25,000
Shelter and ST Housing	-	41,744	25,958	15,786
MPX - VETS - Feeding Appeal	4,562	-	-	4,562
HUB Move-In Kit	405	-	-	405
Bob Woodruff	98,981	-	98,981	-
Leshar Foundation Grant	-	10,000	10,000	-
	\$ 580,352	\$ 1,722,862	\$ 328,724	\$ 1,974,490

## BERKELEY FOOD AND HOUSING PROJECT

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

**Note 11. NET ASSETS WITH DONOR RESTRICTIONS (Continued):**

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	-
	<u>\$ 345,188</u>	<u>\$ 429,230</u>	<u>\$ 194,066</u>	<u>\$ 580,352</u>

**Note 12. DONATED SERVICES, MATERIALS AND FACILITIES:**

BFHP receives donated services from a variety of unpaid volunteers assisting BFHP 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 \$34,771 and \$76,361 were donated to BFHP for the fiscal years ended June 30, 2022 and 2021, 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.

**Note 13. EMPLOYEE BENEFIT PLAN:**

BFHP has a defined contribution 403(b) plan which covers substantially all of its employees and allows for matching contributions. BFHP makes matching contributions of 2% of each participant's compensation, up to \$2,000 annually after one year of employment. Total matching contributions were \$68,024 for the year ended June 30, 2022. There were no matching contributions for the year ended June 30, 2021.

# BERKELEY FOOD AND HOUSING PROJECT

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021

### **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 2027. Future minimum principal payments are as follows:

Year Ending June 30,		
2023	\$	1,141,413
2024		487,551
2025		389,124
2026		266,473
2027		126,209
		<u>126,209</u>
	\$	<u>2,410,770</u>

Rent expense under all leases amounted to \$810,486 and \$698,903 for the years ended June 30, 2022 and 2021, 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 BFHP to the provisions of the grants. BFHP's management is of the opinion that it has complied with the terms of all grants.

### **Note 16. SUBSEQUENT EVENTS:**

BFHP's management has evaluated its subsequent events through December 27, 2022, the date the financial statements were available to be issued, and determined to disclose the following subsequent events:

Veterans Affairs has awarded BFHP an additional \$2,000,000 in funding to expand the SSVF program to San Francisco beginning October 2022. This expansion gives BFHP the privilege of serving 250 Veteran households annually through a variety of services including: searching for counseling and housing, property owner outreach and mediation, rental, and utility assistance, moving and transportation cost assistance, emergency housing and general housing stability assistance, healthcare navigation, and childcare financial assistance. Through a network of community providers, BFHP will also provide legal services related to housing stability, assistance obtaining benefits, employment and workforce development, representative payee services, healthcare, mental health, and substance abuse services.

On November 17, 2022, BFHP entered into a four-year lease agreement commencing on December 1, 2022. The lease is for office space on Market Street in San Francisco where BFHP is expanding its SSVF program. The term of the new lease expires on November 30, 2026 and will have monthly lease payments of \$4,250 that escalate annually.

## **BERKELEY FOOD AND HOUSING PROJECT**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND JUNE 30, 2021**

**Note 16. SUBSEQUENT EVENTS (Continued):**

BFHP was awarded \$1,200,000 from California Department of Social Service Community Care Expansion Capital Expansion grant. The purpose of this grant is for rehabilitation of the Dwight Way rehabilitation building. The CCE grant is requiring BFHP to generate \$100,000 in matching funds. BFHP will fulfill this matching requirement through fundraising support.

On November 9, 2022, a fire at Dwight Way Center resulted in damages of a currently undetermined amount. No staff or residents were injured, and residents were successfully relocated. BFHP is working with its insurance carrier in order to assess the damage and is expected to be reimbursed for property damage sustained and business losses incurred as a result of this incident. BFHP has been further notified that this incident will not affect the CCE grant and that insurance proceeds are eligible to be applied to the matching requirement discussed above.