BRILLIANT CORNERS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

BRILLIANT CORNERS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Brilliant Corners

We have audited the accompanying consolidated financial statements of Brilliant Corners (a nonprofit organization), and its wholly-owned subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and notes to the 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brilliant Corners and its wholly owned subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 17-19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The consolidated financial statements include a wholly owned subsidiary which expended $750,000 or more in federal awards that has a separate uniform guidance audit. Uniform guidance compliance is not applicable on a consolidated basis and is not included in this audit.

August 8, 2019

Perotti & Carrade

BRILLIANT CORNERS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current Assets:		
Cash	$ 6,778,854	$ 5,495,353
Accounts receivable, net of allowance for doubtful accounts: 2018, $113,896; 2017, $83,068	25,749,206	18,998,756
Grant receivable	2,875,000	3,300,000
Prepaid tenant rents and expenses	5,619,104	2,899,293
Total current assets	41,022,164	30,693,402
Property, net	191,795,808	149,355,351
Other Assets:		
Restricted cash reserves	3,937,134	3,023,140
Office security and other deposits	361,754	89,766
Total other assets	4,298,888	3,112,906
Total Assets	$ 237,116,860	$ 183,161,659

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities:		
Accounts payable and accrued expenses	$ 5,637,752	$ 5,614,661
Line of credit borrowings	388,341	197,225
Accrued interest	403,665	309,246
Program advances	24,795,924	13,651,933
Deferred revenue from acquisition and development activities	2,327,474	2,863,629
Current portion of real estate debt	2,848,637	2,479,874
Current portion of furniture financing	39,586	39,586
Total current liabilities	36,441,379	25,156,154
Long-term Debt:		
Real estate debt, net of unamortized loan fees	96,142,161	81,617,665
Financing for office furnishings	45,834	85,420
Tenant security deposits held	511,718	168,366
Total long-term debt	96,699,713	81,871,451
Net Assets:		
Unrestricted	99,251,584	70,257,051
Temporarily restricted	4,724,184	5,877,003
Total net assets	103,975,768	76,134,054
Total Liabilities and Net Assets	$ 237,116,860	$ 183,161,659

See accompanying notes to financial statements.

BRILLIANT CORNERS

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in Unrestricted Net Assets:		
Revenue and Support:		
Rental property income	$ 10,768,627	$ 7,958,159
Project acquisition and renovation management	34,183,615	33,741,468
Housing services	109,022,256	48,925,206
Donations and other income	430,461	39,356
Net assets released from restrictions	3,027,929	2,412,389
Total revenue and support	157,432,888	93,076,578
Expenses:		
Program services	123,593,479	58,215,724
General and administrative	4,405,402	2,161,225
Business development	439,474	321,371
Total expenses	128,438,355	60,698,320
Increase in Unrestricted Net Assets	28,994,533	32,378,258
Changes in Temporarily Restricted Net Assets:		
Foundation grants	1,875,110	6,650,194
Net assets released from restrictions	(3,027,929)	(2,412,389)
Increase (Decrease) in Temporarily Restricted Net Assets	(1,152,819)	4,237,805
Increase in Net Assets	27,841,714	36,616,063
Net Assets at Beginning of Year	76,134,054	39,517,991
Net Assets at End of Year	$ 103,975,768	$ 76,134,054

See accompanying notes to financial statements.

BRILLIANT CORNERS

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating Activities:		
Change in net assets	$ 27,841,714	$ 36,616,063
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	3,236,043	1,903,720
Amortization	131,034	105,071
Accrued interest in City of Los Angeles loan payable	195,265	277,500
Change in allowance for doubtful accounts	30,828	(539)
Changes in assets and liabilities:		
Accounts receivable	(6,781,278)	(13,717,918)
Grant receivable	425,000	(2,225,000)
Prepaid expenses	(2,719,811)	(2,470,517)
Accounts payable and accrued expenses	23,091	3,852,363
Accrued interest	94,419	148,247
Program advances	11,143,991	10,351,903
Deferred revenue from acquisition and development activities	(536,155)	1,579,219
Office security and other deposits - net	(271,988)	6,527
Change in tenant security deposits	(8,876)	22,196
Cash provided by operating activities	32,803,277	36,448,835
Investing Activities:		
Additions to property	(45,676,500)	(60,902,449)
Proceeds from sale of property	-	435,000
Payment of acquisition loan fees	(315,980)	(785,390)
Increase in reserves, net	(561,766)	(338,004)
Cash used for investing activities	(46,554,246)	(61,590,843)
Financing Activities:		
Advances on line of credit	1,529,717	2,621,157
Repayment of line of credit borrowings	(1,338,601)	(2,804,292)
Proceeds from new borrowings	17,497,774	30,202,648
Principal payments on real estate debt and furnishings financing	(2,654,420)	(2,414,704)
Cash provided by financing activities	15,034,470	27,604,809
Increase in Cash	1,283,501	2,462,801
Cash - Beginning of Year	5,495,353	3,032,552
Cash - End of Year	$ 6,778,854	$ 5,495,353

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. THE ORGANIZATION

Brilliant Corners (the Organization), a nonprofit public benefit corporation, was formed in 2004. The Organization's primary purpose is to increase affordable supportive housing opportunities for vulnerable populations, with emphases on people with developmental disabilities and people transitioning from homelessness and institutional settings. The Organization fulfills this purpose by developing and managing both licensed and unlicensed affordable supportive housing, by implementing scattered-site supportive housing programs, and by providing an array of housing-related services, including clinical case management.

On April 6, 2006, the Organization formed a wholly owned limited liability company, A Home for Life, LLC (AHFL), to own, operate, lease, manage and maintain a series of single-family residences to be used as dwellings for people with disabilities. AHFL, through its agreement with various organizations (known as the Bay Area Housing Plan), received renovated property, along with the assumption of the debt associated with such property, to facilitate this purpose.

In February 2013, the Organization formed a wholly owned limited liability company, WBHC LA Supportive Housing, LLC, to own and operate fifteen residential properties in the Los Angeles area to be used as dwellings for 56 households transitioning from homelessness.

Two significant programs have expanded in recent years. The Organization's partnership with the Los Angeles County Department of Health Services to administer the Flexible Housing Subsidy Pool (FHSP) has helped house over 6,700 people and is anticipated to serve over 10,000 people over the next several years. The Organization working with California Department of Developmental Disabilities and the majority of the state's 21 nonprofit Regional Centers are creating community-based housing for individuals who remain in the state-run institutional settings slated for closure by 2021. The Organization is acquiring and converting single-family homes to specialized residential facilities deed-restricted for people with disabilities.

The Organization's primary sources of project acquisition and renovation management and housing services revenue are from contracts with its funding agencies, principally: Regional Centers throughout the state, each of which receives pass-through funds from the California Department of Developmental Services; public health agencies such as the San Francisco County Department of Public Health and Los Angeles County Department of Health Services, and the Veterans Administration. Revenue from such agencies accounted for more than 90% and 91% of the total revenue and support earned in the years ended June 30, 2018 and 2017, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Organization have been prepared using the accrual method of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation – The accounts of Brilliant Corners and its wholly owned limited liability companies have been consolidated in the accompanying financial statements. Significant inter-company transactions and balances have been eliminated.

Financial statement presentation – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization currently does not have permanently restricted net assets.

Recognition of donor restricted contributions – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied in the period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a contribution has been previously restricted and the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Rental property income – Rental income from leased properties, along with other related fees, are recognized as income in the month the rent is earned. Rent is generally due on the first of each month. The Organization's policy is to charge a late fee should a tenant not pay rent within 5 days of the due date. Rental payments received in advance are deferred until earned. All leases between the Organization and tenants of the property are considered operating leases. Rental income for owned property is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Project acquisition and renovation management – The Organization earns revenue from funding agencies and, occasionally, from lessees of owned properties to assist in the acquisition and rehabilitation of properties to make them suitable for tenant needs. The revenue earned is to cover certain acquisition and rehabilitation costs and has been treated as unrestricted revenue, in part, because it represents a fee for service, and, to the extent that it is a grant to acquire and rehabilitate the property, that activity satisfies the donor's need to provide housing for people with disabilities. The revenue is earned during the period in which the acquisition and rehabilitation costs are incurred. Funds received in advance of property acquisition or rehabilitation are deferred until the services are performed.

Housing services – The Organization provides various housing services to government agencies and managed care plans. These services include being a fiscal agent, overseeing the timely payment of tenant rents and assisting in identifying qualified housing. Billing to the government agencies occurs at the end of each month for services rendered in that particular month. Payment of rent on behalf of eligible tenants has been treated as a program cost; payment of rents along with payment for other services by government agencies has been included in revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash – Cash is defined as demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use such as replacement reserves, operating reserves, and tenant security deposits. The Organization maintains cash on deposit in excess of the Federal Deposit Insurance Corporation limit. The Organization has not experienced any losses in such accounts.

Allowance for doubtful accounts - An allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the aging of accounts receivable balances. Receivables are written off when deemed uncollectible.

Property and depreciation - Property is stated at cost as of the date of acquisition, or fair market value as of the date of donation. Property is depreciated using the straight line method over the estimated economic lives of the assets (20 to 40 years for building and improvements; 3 to 10 years for furnishings, furniture, and equipment; and 5 years for vehicles). The cost of maintenance and repairs for the properties are charged to operations when incurred. The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2018 and 2017.

Loan fees and amortization – Financing costs associated with the acquisition of properties have been capitalized and are amortized over the life of the loan using the straight-line method. Loan fees have been netted with the related long-term debt and the related amortization reflected as a component of interest expense.

Program Advances - Certain programs are funded by contracts that operate on a cost-reimbursement basis. To mitigate the impact on working capital, funders have provided advances for these programs. Advances are based on projected cash outflows of the programs in the upcoming quarter and are replenished as required. Throughout the month, program costs are deducted from the advance based on costs and services provided. At the end of each month, the Organization invoices the funders for actual costs to replenish the advances.

Tax-Exempt Status – The Organization is tax-exempt pursuant to the Internal Revenue Code Section 501(c)(3) and related California code sections. No income tax provision has been included in the consolidated financial statements for the single member limited liability companies which are generally considered disregarded entities. Only the annual California limited liability company minimum tax and the annual fee appear as a miscellaneous expense in the consolidated financial statements. The Organization believes that it has appropriate support for any tax positions taken, and, as such, do not have any

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

uncertain tax positions that are material to the consolidated financial statements. Brilliant Corners' informational returns and LLCs' income tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively after they are filed.

Use of estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional expenses allocation - Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, general and administrative support, and business development expenses.

Subsequent events - Subsequent events have been evaluated through August 8, 2019, the date in which the financial statements were available to be issued.

Reclassification - Certain amounts previously reported in the 2017 financial statements were reclassified to conform to the 2018 presentation for comparative purposes.

3. RESTRICTED CASH RESERVES

The debt service reserve was funded from the bond refinance proceeds described more fully in Note 6 below. This reserve is held by the bond fiduciary and is available to cover debt service on bonds should a default occur. The Organization has irrevocably authorized Golden Gate Regional Center to instruct the bond fiduciary on the disposition of the reserve.

In accordance with two of its long-term debt agreements, the Organization has established both an operating and replacement reserve. Withdrawals from each of the reserves require prior written approval from the respective lender. The Organization has established a replacement reserve to provide funds to cover future improvements and major repairs to properties as required by California Department of Developmental Services housing guidelines and regional center contracts.

3. RESTRICTED CASH RESERVES (continued)

The following summarizes the balance of the restricted cash reserves as of June 30, 2018 and 2017:

	2018	2017
Debt service reserve	$ 1,827,159	$ 1,827,159
Replacement reserves	1,578,019	1,029,984
Security deposit	497,935	145,707
Operating reserves	34,021	20,290
Total	$ 3,937,134	$ 3,023,140

4. PROPERTY

At June 30, property (at cost) consist of the following:

	2018	2017
Land	$ 69,904,797	$ 58,759,716
Building and improvements	124,039,068	85,182,084
Construction in progress	7,884,154	12,209,709
Furnishings, furniture, and equipment	851,246	851,256
Vehicles	39,439	39,439
Total	202,718,704	157,042,204
Less accumulated depreciation	(10,922,896)	(7,686,853)
Net property	$ 191,795,808	$ 149,355,351

At June 30, 2018 and 2017, the Organization owned one hundred ninety-two and one hundred sixty properties, respectively. Generally, the rental properties leased to provide housing for developmentally disabled individuals are subject to restrictive covenants which limit the use of the property exclusively for the benefit of individuals with developmental disabilities. The restrictive covenants for twenty-four properties expire at various times between the years ended June 30, 2046 and 2068. One hundred thirty-three properties are deed restricted in perpetuity.

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $3,236,043 and $1,903,720, respectively.

Property and equipment with a cost of $2,000 or more, purchased with grant revenue from the regional centers, may revert to the State of California in the event of termination of the Organization's programs.

5. LINE OF CREDIT

The Organization has a $800,000 line of credit with its commercial bank which matured in February 2019. The Organization is in the process of extending the line. Funds borrowed bear interest at prime (5.00% as of June 30, 2018) and are collateralized by all the assets of the Organization.

Terms of the line of credit require the Organization to meet certain financial and reporting covenants.

Interest paid and expensed related to the line of credit was $11,776 and $14,889 for the years ended June 30, 2018 and 2017, respectively.

6. REAL ESTATE DEBT

Real estate debt is composed of the following as of June 30:

	2018	2017
Brilliant Corners	$ 84,303,637	$ 68,454,945
A Home for Life, LLC	9,849,181	10,814,933
WHBC LA Supportive Housing LLC:		
Note obligation	5,550,000	5,550,000
Accrued interest	1,325,833	1,130,568
Unamortized loan fees	(2,037,853)	(1,852,907)
Total	$ 98,990,798	$ 84,097,539

Brilliant Corners:

The Organization acquires and renovates properties to provide affordable housing for persons with developmental disabilities. At June 30, 2018 and 2017 the Organization had one hundred sixty-four and one hundred and thirty-two properties, respectively. The properties are financed by conventional lenders. Terms of the agreements generally require monthly payments of principal and interest at rates ranging from 3.25% to 7.75%. The required monthly payment for all notes as of June 30, 2018 was $518,736.

Two notes were scheduled to mature in August 2018 and would have required balloon payments of approximately $230,000 each. The terms of the loans were subsequently modified in 2019, and the loan maturity dates were extended to September 1, 2019. One hundred sixty-three notes mature between August 2024 and July 2048. One note matures in October 2051. The individual properties are collateral for the debt related to the specific property.

6. REAL ESTATE DEBT (continued)

Interest paid, capitalized and expensed on notes payable during the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Interest paid	$ 3,826,010	$ 2,615,378
Interest accrued	$ 403,665	$ 309,246
Interest capitalized	$ 1,202,881	$ 1,066,867
Interest expensed	$ 2,717,548	$ 1,696,758

One Hundred sixteen properties have profit participation agreements with California's Department of Developmental Services (DDS). Each agreement requires the Organization to pay DDS up to a maximum amount should a transfer of the property or the Organization's interest in the property occur. The profit participation agreements expire between October 2113 and June 2117 and the maximum amount that may be required to be paid to DDS ranges between approximately $100,000 and $850,000, per property.

A Home for Life, LLC:

A Home for Life, LLC (Home) was established to serve as the fee owner of thirteen properties that were acquired and rehabilitated under the Bay Area Housing Plan (BAHP) to serve as residences for individuals with developmental disabilities. Home acquired properties and assumed certain related loans financed by California Housing Finance Agency (CalHFA).

During the year ended June 30, 2011 the CalHFA loans were refinanced with a loan from the California Health Facilities Financing Authority (CHFFA) using proceeds from a bond issuance. Home also assumed long term residency lease agreements with the service providers who staff each property to provide the necessary care for the residents of the property.

Bond financing requires monthly payments sufficient to retire bonds that mature at various dates and accrue interest at varying rates. Monthly payments of approximately $149,000 including interest at an approximate effective rate of 7.55% are required to satisfy this obligation which matures incrementally through February 1, 2026. The individual properties are collateral for the debt.

Interest paid and expensed related to the bonds was $819,177 and $877,344 for the years ended June 30, 2018 and 2017, respectively.

6. REAL ESTATE DEBT (continued)

WBHC LA Supportive Housing LLC:

WBHC LA Supportive Housing LLC, a wholly owned subsidiary, was established to acquire and manage fifteen properties in the Los Angeles area originally owned by Restore Neighborhoods LA, Inc. (RNLA), another non-profit organization. In addition to managing the properties, the Organization provides supportive services to the tenants that occupy the properties under a contract with County of Los Angeles' Department of Health Services.

RNLA provided a loan to WBHC LA Supportive Housing LLC to assist in the acquisition of the properties. The note bears 5% simple interest. Annual payments of principal and interest are required from residual receipts which is calculated annually. The loan matures in May 2068. The individual properties are collateral for the debt. In June 2017 the City of Los Angeles became the holder of the loan. The loan terms and conditions are the same to those of the original agreement. The Organization is currently working with the Los Angeles Housing and Community Investment Department to determine if any residual receipts are required to be paid through June 30, 2018. The Organization expects no residual receipts will be required to be paid.

Interest of $195,265 and $277,500 was incurred during the years ended June 30, 2018 and 2017, respectively. A $82,235 adjustment was required during the year ended June 30, 2018 to bring the accrued interest balance to the amount communicated by the City of Los Angeles.

Schedule debt maturities over the next five years, for the years ending June 30 are as follows:

	A Home for Life, LLC	Brilliant Corners	Total
2019	$ 1,024,488	$ 1,824,149	$ 2,848,637
2020	1,095,384	2,283,762	3,379,146
2021	1,174,111	1,955,987	3,130,098
2022	1,261,907	2,061,337	3,323,244
2023	1,360,420	2,168,756	3,529,176
Thereafter	3,932,871	74,009,646	77,942,517
Total	$ 9,849,181	$ 84,303,637	$ 94,152,818

Unamortized loan fees will be amortized over the life of the loans. Annual amortization for the next five years will be approximately $129,000. Loan fee amortization included in interest expense in the years ended June 30, 2018 and 2017 totaled $131,034 and $105,071, respectively.

7. FINANCING OF OFFICE FURNISHINGS

In August 2015 the Organization entered into an agreement to finance the acquisition of office equipment and furniture costing $198,069. The loan requires monthly payments of $3,967 through June 2024 including interest of 7.75%.

The scheduled debt maturities for the years ending June 30, 2019 and 2020 is $39,586 and $45,834, respectively.

Interest paid and expensed related to the capital lease was $8,022 and $10,868 for the years ended June 30, 2018 and 2017, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

The Organization has received temporarily restricted grants. The most significant grants assist in launching initiatives in Los Angeles and San Francisco counties.

Temporarily restricted net assets are available at June 30, 2018 and 2017 for the following purposes:

	2018	2017
Flexible Housing Subsidy Pool	$ 3,988,478	$ 4,000,000
Capacity Building	486,334	1,122,196
Moving on Initiative	199,372	670,248
Other programs	50,000	50,000
Breaking Barriers	-	34,559
	$ 4,724,184	$ 5,877,003

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors during the years ended June 30, 2018 and 2017 as follows:

	2018	2017
Moving on Initiative	$ 1,595,986	$ 529,752
Flexible Housing Subsidy Pool	761,522	267,893
Capacity Building	635,862	132,354
Breaking Barriers	34,559	1,282,196
Other programs	-	200,194
	$ 3,027,929	$ 2,412,389

9. LEASING ACTIVITIES AS LESSOR (RENTAL PROPERTY INCOME)

Principal rental property income is derived from the Organization owning properties which are leased to entities who provide services to residents who have developmental disabilities and are paid monthly fees based on the number of patients served by local Regional Centers.

Brilliant Corners/WHBC LA Supportive Housing:

In addition to owning and managing properties as affordable housing rented directly to low-income households, the Organization leases properties to service agencies that provide licensed residential care services to the residents under separate contracts with funding agencies. Most leases are for a lease term of fifteen years. The future revenue from the one hundred fourteen properties whose construction is complete and leases executed is $9,481,908 per year for the next five years. There are thirty-six properties under construction as of June 30, 2018. It is anticipated each will execute 15-year leases. Twelve properties have a term of one year and continue after the expiration of the lease on a month to month basis or are not currently occupied and consequently their annual income is not included in annual lease income for the successive five years.

Total gross lease income (before vacancy) for the years ended June 30, 2018 and 2017 amounted to approximately $8,010,000 and $4,837,000, respectively.

A Home for Life, LLC:

Each of the thirteen properties under A Home for Life have executed leases which expire on February 1, 2026. The lease agreements call for monthly rent equal to the monthly required debt service and certain other expenses. The Organization also earns miscellaneous fees under the lease agreements. The lease revenue over the next five years from the A Home for Life property leases (exclusive of miscellaneous fees) is $1,784,929 per year.

The executed leases indicate that at the end of the lease term, the rental income would be reduced to zero. Management believes an amendment will be made to provide rental income to the Organization sufficient to cover ongoing, operating costs.

Total lease income (including miscellaneous fees of approximately $150,000 each year) from the A Home for Life properties amounted to approximately $1,935,000 each year for the years ended June 30, 2018 and 2017.

10. LEASE COMMITMENTS

The Organization leased its office premises in San Francisco under an agreement which expired on November 30, 2018. In May 2018, the Organization signed a lease for new office premises in San Francisco. The new lease commenced in November 2018 and expires on November 30, 2021. The Organization also leases office space in Los Angeles, Vallejo, San Diego, San Mateo, and Ontario under agreements which expire between March 2020 and August 2022. The current monthly lease payment for all locations is approximately $100,000.

10. LEASE COMMITMENTS (continued)

The rental expense, including monthly parking, for the years June 30, 2018 and 2017 was $1,187,713 and $783,313, respectively.

Lease commitments for the next five years ended June 30th under the terms of the leases signed as of June 30, 2018 is as follows:

2019	$	822,751
2020		844,021
2021		848,782
2022		587,915
2023		32,585
Total	$	3,136,054

The Organization also leases certain office equipment under non-cancelable operating leases which expire at various times until November 30, 2022. Annual obligations in connection with these leases are less than $16,000 each year.

11. RETIREMENT PLAN

The Organization established a 403(b) Retirement Plan for its eligible employees effective January 1, 2011. The Organization contributes to the plan in an amount equal to 100% of the employee's contribution up to 5% (effective January 1, 2018, 4% previously) of the employee's annual compensation. The total employer contribution for the years ended June 30, 2018 and 2017 was $289,339 and $116,190, respectively.

12. CONCENTRATION OF RISK

Cash – Financial instruments that potentially subject the Organization to credit risk include cash on deposit with financial institutions that at times exceed the insurance limit of the United States Federal Deposit Insurance Corporation.

BRILLIANT CORNERS

SUPPLEMENTAL SCHEDULE I

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(Summarized totals for the year ended June 30, 2017)

	Program Services	General and Administrative	Business Development	Total	2017 Total
Tenant rents and improvements	$ 95,594,764			$ 95,594,764	$ 40,971,188
Salaries	8,188,940	$ 1,731,219	$ 296,159	10,216,318	6,331,004
Consulting services	6,195,006	668,115	6,140	6,869,261	3,079,207
Interest, including loan fee amortization of: 2018, $131,034; 2017, $105,071	3,838,433	24,591		3,863,024	2,956,673
Payroll taxes and benefits	1,687,692	356,794	61,037	2,105,523	1,130,188
Maintenance expenses	1,179,904	380,022	4,300	1,564,226	946,654
Rent	959,488	202,845	34,701	1,197,034	787,580
Property taxes & licenses	792,374			792,374	331,265
Utilities	717,611			717,611	552,656
Travel and training	366,740	106,880	26,735	500,355	432,684
Office expenses	286,137	86,945	806	373,888	309,811
Bad debt	342,569	59		342,628	72,328
Miscellaneous	118,846	199,977	3,981	322,804	214,691
Insurance	129,233	163,199		292,432	251,989
Telephone	155,271	32,826	5,615	193,712	168,604
Legal		150,231		150,231	95,313
Accounting and audit		106,127		106,127	162,765
Total expenses before depreciation	120,553,008	4,209,830	439,474	125,202,312	58,794,600
Depreciation	3,040,471	195,572		3,236,043	1,903,720
Total expenses	$ 123,593,479	$ 4,405,402	$ 439,474	$ 128,438,355	$ 60,698,320

BRILLIANT CORNERS

SUPPLEMENTAL SCHEDULE II

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Brilliant Corners	A Home For Life	WBHC LA Supportive Housing	Eliminating Transactions	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 6,710,435	$ 34,072	$ 34,347		$ 6,778,854
Accounts receivable	25,737,437	95,843	99,197	$ (183,271)	25,749,206
Grants receivable	2,875,000				2,875,000
Prepaid expenses	5,612,695	6,409			5,619,104
Total current assets	40,935,567	136,324	133,544	(183,271)	41,022,164
Property and Equipment, net	171,159,059	15,354,032	5,282,717		191,795,808
Other Assets:					
Restricted cash reserves	1,633,704	2,103,675	199,755		3,937,134
Office and other deposits	361,754				361,754
Total other assets	1,995,458	2,103,675	199,755		4,298,888
Total Assets	$ 214,090,084	$ 17,594,031	$ 5,616,016	$ (183,271)	$ 237,116,860
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable and accrued expenses	$ 5,665,592	$ 49,306	$ 106,125	$ (183,271)	$ 5,637,752
Line of credit	388,341				388,341
Accrued interest	403,665				403,665
Program advances	24,795,924				24,795,924
Deferred revenue from acquisition and development activities	2,178,730	148,744			2,327,474
Current portion of real estate debt	1,824,149	1,024,488			2,848,637
Current portion of furniture financing	39,586				39,586
Total current liabilities	35,295,987	1,222,538	106,125	(183,271)	36,441,379
Long-term Debt:					
Real estate debt, net of unamortized loan fees	81,045,857	8,282,395	6,813,909		96,142,161
Financing for office furnishings	45,834				45,834
Tenant security deposits held	507,219		4,499		511,718
Total liabilities	81,598,910	8,282,395	6,818,408		96,699,713
Net Assets	97,195,187	8,089,098	(1,308,517)		103,975,768
Total Liabilities and Net Assets	$ 214,090,084	$ 17,594,031	$ 5,616,016	$ (183,271)	$ 237,116,860

BRILLIANT CORNERS

SUPPLEMENTAL SCHEDULE III

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Brilliant Corners	A Home For Life	WBHC LA Supportive Housing	Eliminating Transactions	Consolidated
Changes in Unrestricted Net Assets:					
Revenue and Support:					
Rental property income	$ 8,606,715	$ 1,934,826	$ 376,083	$ (148,997)	$ 10,768,627
Project acquisition and renovation management	34,183,615				34,183,615
Housing services	108,779,907	100,009	142,340		109,022,256
Donations and other income	405,555	22,720	2,186		430,461
Net assets released from restrictions	3,027,929				3,027,929
Total revenue and support	155,003,721	2,057,555	520,609	(148,997)	157,432,888
Expenses:					
Program services	121,557,979	1,394,932	789,565	(148,997)	123,593,479
General and administrative	4,388,077	775	16,550		4,405,402
Business development	439,474				439,474
Total expenses	126,385,530	1,395,707	806,115	(148,997)	128,438,355
Increase in Unrestricted Net Assets	28,618,191	661,848	(285,506)	-	28,994,533
Changes in Temporarily Restricted Net Assets:					
Foundation grant	1,875,110				1,875,110
Net assets released from restrictions	(3,027,929)				(3,027,929)
Decrease in Temporarily Restricted Net Assets	(1,152,819)	-	-	-	(1,152,819)
Change in Net Assets	27,465,372	661,848	(285,506)		27,841,714
Net Assets at Beginning of Year	69,729,815	7,427,250	(1,023,011)		76,134,054
Net Assets at End of Year	$ 97,195,187	$ 8,089,098	$ (1,308,517)	$	$ 103,975,768