

BRILLIANT CORNERS

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



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 affiliates, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses 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 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 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 affiliates as of June 30, 2020 and 2019, 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 22-26 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 consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of Brilliant Corners' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brilliant Corners' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brilliant Corners' internal control over financial reporting and compliance.

February 19, 2021



BRILLIANT CORNERS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>		
	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 27,241,910	\$ 7,059,309
Short-term investments	1,001,907	-
Grants and accounts receivable, net of allowance for doubtful accounts: 2020, \$863,896; 2019, \$863,896	45,706,892	32,594,956
Prepaid tenant rents and expenses	9,102,327	7,769,670
Total current assets	83,053,036	47,423,935
Property, net	233,450,381	216,734,921
Other Assets:		
Restricted cash reserves	4,994,120	4,504,095
Office security and other deposits	330,333	259,149
Total other assets	5,324,453	4,763,244
Total Assets	\$ 321,827,870	\$ 268,922,100
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 23,841,476	\$ 16,750,285
Accrued interest	395,551	308,767
Program advances	39,450,730	25,658,358
Deferred lease revenue	161,278	148,744
Current portion of real estate debt	3,774,632	3,525,047
Current portion of capital lease	-	35,459
Total current liabilities	67,623,667	46,426,660
Long-term Debt:		
Real estate debt, net of unamortized loan fees	106,320,586	102,305,074
Tenant security deposits held	979,924	796,117
Loans payable	4,814,900	-
Total long-term debt	112,115,410	103,101,191
Net Assets:		
Without donor restrictions:		
Undesignated	131,505,133	116,992,906
Board designated	255,064	174,422
Total without donor restrictions	131,760,197	117,167,328
With donor restrictions	10,328,596	2,226,921
Total net assets	142,088,793	119,394,249
Total Liabilities and Net Assets	\$ 321,827,870	\$ 268,922,100

See accompanying notes to financial statements.

BRILLIANT CORNERS
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Changes in Net Assets Without Donor Restrictions:		
Revenue and Support:		
Housing services	\$ 260,809,613	\$ 200,260,505
Project acquisition and renovation management	16,913,614	18,683,641
Rental property income	17,714,282	15,203,555
Donations and other income	3,115,664	831,511
Net assets released from restrictions	5,853,025	5,460,363
	<u>304,406,198</u>	<u>240,439,575</u>
Expenses:		
Program services	281,220,602	217,201,410
General and administrative	7,741,483	5,167,936
Business development	851,244	154,486
	<u>289,813,329</u>	<u>222,523,831</u>
Increase in Net Assets Without Donor Restrictions	<u>14,592,869</u>	<u>17,915,744</u>
Changes in Net Assets With Donor Restrictions:		
Foundation grants	13,954,700	2,963,100
Net assets released from restrictions	(5,853,025)	(5,460,363)
Increase (Decrease) in Net Assets With Donor Restrictions	<u>8,101,675</u>	<u>(2,497,263)</u>
Increase in Net Assets	<u>22,694,544</u>	<u>15,418,481</u>
Net Assets at Beginning of Year	<u>119,394,249</u>	<u>103,975,768</u>
Net Assets at End of Year	<u>\$ 142,088,793</u>	<u>\$ 119,394,249</u>

See accompanying notes to financial statements.

BRILLIANT CORNERS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	General and Administrative	Business Development	Total
Client rents and subsidy payments	\$ 213,983,931	\$ -	\$ -	\$ 213,983,931
Client furniture and move-in costs	24,238,473	-	-	24,238,473
Salaries	14,070,153	5,455,202	516,803	20,042,158
Consulting services	5,570,400	81,520	75,231	5,727,151
Interest, including loan fee amortization of \$138,900	5,658,290	-	-	5,658,290
Payroll taxes and benefits	3,108,157	1,205,078	114,164	4,427,399
Maintenance expenses	3,067,653	213,945	22,774	3,304,372
Rent	1,806,054	285,103	26,763	2,117,920
Bad debt	1,255,626	-	-	1,255,626
Travel and training	751,380	130,569	52,967	934,916
Property taxes & licenses	778,253	1,438	49	779,740
Miscellaneous	445,815	61,754	11,583	519,152
Telephone	416,758	48,030	4,890	469,678
Office expenses	398,086	57,659	11,731	467,476
Insurance	292,005	113,215	10,725	415,945
Utilities	306,886	-	-	306,886
Legal	169,924	7,442	3,564	180,930
Accounting and audit	-	69,741	-	69,741
Total expenses before depreciation	<u>276,317,844</u>	<u>7,730,696</u>	<u>851,244</u>	<u>284,899,784</u>
Depreciation	4,902,758	10,787	-	4,913,545
Total expenses	<u>\$ 281,220,602</u>	<u>\$ 7,741,483</u>	<u>\$ 851,244</u>	<u>\$ 289,813,329</u>

See accompanying notes to financial statements.

BRILLIANT CORNERS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	General and Administrative	Business Development	Total
Client rents and subsidy payments	\$ 165,051,908	\$ -	\$ -	\$ 165,051,908
Salaries	11,993,753	3,061,094	97,254	15,152,100
Consulting services	12,341,772	531,098	-	12,872,870
Client furniture and move-in costs	7,788,290	-	-	7,788,290
Interest, including loan fee amortization of \$131,888	5,007,715	23,903	-	5,031,618
Payroll taxes and benefits	2,423,518	651,507	19,100	3,094,125
Maintenance expenses	2,601,249	24,542	-	2,625,791
Rent	1,622,209	287,966	9,599	1,919,774
Property taxes & licenses	56,773	-	-	56,773
Utilities	310,855	-	-	310,855
Travel and training	948,661	192,748	22,562	1,163,971
Office expenses	294,016	65,868	949	360,832
Bad debt	1,229,787	72,641	-	1,302,428
Miscellaneous	452,769	80,589	5,023	538,381
Insurance	324,532	47,856	-	372,388
Telephone	324,031	18,551	-	342,582
Legal	199,454	9,831	-	209,285
Accounting and audit	-	99,741	-	99,741
Total expenses before depreciation	212,971,291	5,167,936	154,486	218,293,712
Depreciation	4,230,119	-	-	4,230,119
Total expenses	\$ 217,201,410	\$ 5,167,936	\$ 154,486	\$ 222,523,831

See accompanying notes to financial statements.

BRILLIANT CORNERS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 22,694,544	\$ 15,418,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,913,545	4,230,119
Amortization	138,900	131,888
Change in allowance for doubtful accounts	-	750,000
Changes in assets and liabilities:		
Grants and accounts receivable	(13,111,936)	(4,720,750)
Prepaid expenses	(1,332,657)	(2,150,566)
Accounts payable and accrued expenses	7,091,191	11,112,533
Accrued interest	364,284	182,602
Program advances	13,792,372	(1,316,296)
Deferred lease revenue	12,534	-
Office security and other deposits - net	(71,184)	102,605
Tenant security deposit liability	183,807	284,399
Net cash provided by operating activities	34,675,400	24,025,015
Cash Flows from Investing Activities:		
Additions to property	(21,629,005)	(29,169,232)
Payment of acquisition loan fees	(248,138)	(198,848)
Increase in short-term investments	(1,001,907)	-
Net cash used in investing activities	(22,879,050)	(29,368,080)
Cash Flows from Financing Activities:		
Advances on line of credit	-	425,000
Repayment of line of credit borrowings	-	(813,341)
Proceeds from new borrowings	12,176,871	9,704,115
Principal payments on real estate debt and capital lease obligation	(3,300,595)	(3,125,293)
Net cash provided by financing activities	8,876,276	6,190,481
Net Increase in Cash, Cash Equivalents, and Restricted Cash Reserves	20,672,626	847,416
Cash, Cash Equivalents, and Restricted Cash Reserves - Beginning of Year	11,563,404	10,715,988
Cash, Cash Equivalents, and Restricted Cash Reserves - End of Year	\$ 32,236,030	\$ 11,563,404
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to Amounts Reported on the Statement of Financial Position:		
Cash and cash equivalents	\$ 27,241,910	\$ 7,059,309
Restricted cash reserves	4,994,120	4,504,095
Cash, Cash Equivalents, and Restricted Cash Reserves - End of Year	\$ 32,236,030	\$ 11,563,404
Supplementary Information:		
Interest paid	\$ 4,869,424	\$ 4,786,892

See accompanying notes to financial statements.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. THE ORGANIZATION

Brilliant Corners (the “Organization”), a nonprofit 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 thirteen 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 (LASH), to own and operate fifteen residential properties in the Los Angeles area to be used as dwellings for 56 households transitioning from homelessness.

In August 2019, the Organization formed Shine BC-LA, a nonprofit corporation, to operate and implement Brilliant Corners’ Flexible Housing Subsidy Pool program in southern California. Shine BC-LA had no activities during the year ended June 30, 2020.

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 7,400 people and is anticipated to serve over 10,000 people over the next several years. The Organization is working with California Department of Developmental Disabilities and the majority of the state’s 21 nonprofit Regional Centers to create 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, 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 89% and 92% of the total revenue and support earned in the years ended June 30, 2020 and 2019, respectively.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Organization have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles of the United State of America. Significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the readers.

Basis of consolidation – The accounts of Brilliant Corners, Shine BC-LA, 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-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 are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. The Organization does not have any donor-restricted net assets which are restricted in perpetuity.

The Organization's key revenue and support is derived from the following:

Contributions and grants – Contributions and grants, 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 in which the use is limited by the donor are reported as increases in net assets with donor restrictions. Contributions that are restricted by the donor or are conditional are reported as increases in net assets without donor restriction if the restrictions or conditions are satisfied in the fiscal year in which the contributions are recognized. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restrictions are 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. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Project acquisition and renovation management – The Organization receives funding from local government agencies to assist in the acquisition and rehabilitation of properties to make them suitable for tenant needs. The support is earned during the period in which the acquisition and rehabilitation costs are incurred.

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 and support.

Funds received in advance for property acquisition or rehabilitation and housing services are reflected as program advances on the statement of financial position until the condition for the support has been met.

A substantial portion of the Organization's support is considered conditional and does not permit recording of the contribution until the barriers on which they depend are substantially met. There is more than \$200 million of conditional support not recorded as of June 30, 2020, principally for the project acquisition and renovation management and housing services programs as the Organization has not substantially met the conditions of the grants (the most significant condition being not incurring qualified expenditures).

Rental property income – Rental income from leased properties, along with other related fees, are recognized as income in the month the rent is earned. The Organization enters into long-term rental agreements (generally either one-year leases or fifteen-year leases). Rent is generally due on the first of each month. 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. The Organization's policy is to charge a late fee should a tenant not pay rent within 5 days of the due date. Rental units occupied by employees are included in rental income and as an expense of operations.

Cash and Cash Equivalents – Cash and cash equivalents is defined as demand deposit accounts as well as cash on hand. 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.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term investments – Short-term investments includes certificates of deposits which have an original maturity date of more than 90 days.

Grants and accounts receivable– Grants receivable represent consideration from local government agencies and private organizations, of which the Organization has an unconditional right to receive. Accounts receivable represent amounts that have been billed to tenants of leased properties that the Organization has an unconditional right to receive. The Organization considers grants receivable to be past due if payment is not received within 30 days of the invoice date. Management evaluates the need to write off a receivable based on its review of the aging of the receivables and historical collection experience. An allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in the grants and accounts receivable balance. 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 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 2020 and 2019.

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 agreements 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 – Brilliant Corners and Shine BC-LA are tax-exempt pursuant to the Internal Revenue Code Section 501(c)(3) and related California code sections. Accordingly, the Organization is generally exempt from federal or state income taxes. 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. The

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax-exempt status (continued) – Organization believes that it has appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the consolidated financial statements. Brilliant Corners and Shine BC-LAs’ 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. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management’s analysis of time and effort spent on the programs and supportive services. Accordingly, certain costs, including payroll, payroll taxes and benefits, rent, insurance, and telephone, have been allocated among the programs, general and administrative support, and business development expenses.

Recent Accounting Pronouncements – During the year ended June 30, 2020, the Organization implemented the Financial Accounting Standard Board (“FASB”) Accounting Standard Updates (“ASU”) 2016-18 – Statement of Cash flows. See note 17 for a reconciliation of the restatement to the statements of cash flows.

Reclassification - Certain amounts previously reported in the 2019 financial statements were reclassified to conform to the 2020 presentation for comparative purposes.

3. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

Amounts available to meet general expenditures within one year include net assets with donor restrictions as the purposes are expected to be fulfilled within the next year and the board designated reserve as its purposes is to provide operating cash if necessary. To help manage unanticipated liquidity needs, the Organization has various restricted cash reserves and a line of credit which the Organization can utilize to meet liquidity needs.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. LIQUIDITY AND AVAILABILITY (continued)

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, that are available to meet general expenditures within one year of the statement of financial position date.

	2020	2019
Cash and cash equivalents	\$ 27,241,910	\$ 7,059,309
Short-term investments	1,001,907	-
Grants and accounts receivable	45,706,892	32,594,956
Net financial assets available to meet cash needs for general expenditures within one year	\$ 73,950,709	\$ 39,654,265

4. BOARD DESIGNATED OPERATING RESERVE

The Board of Directors has designated \$255,064 and \$174,422 of the net assets without donor restriction as of June 30, 2020 and 2019, respectively, as a board-designated operating reserve. The board-designated reserve is held in operating cash.

5. RESTRICTED CASH RESERVES

The debt service reserve was funded from the bond refinance proceeds described more fully in Note 8. 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 accounts. 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.

The components of the restricted cash reserves as presented in the statement of financial position as of June 30, 2020 and 2019 is comprised of:

	2020	2019
Debt service reserve	\$ 1,827,159	\$ 1,827,159
Replacement reserves	2,123,188	1,838,383
Security deposit	952,748	758,911
Operating reserves	91,025	79,642
Total	\$ 4,994,120	\$ 4,504,095

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

6. PROPERTY

The Organization's property consists of the following as of June 30:

	2020	2019
Building and improvements	\$ 165,561,223	\$ 149,230,816
Land	81,332,817	76,720,452
Construction in progress	5,175,401	4,477,551
Furniture and equipment	1,174,995	1,419,678
Vehicles	36,939	39,439
Total	253,281,375	231,887,936
Less accumulated depreciation	(19,830,994)	(15,153,015)
Net property	\$ 233,450,381	\$ 216,734,921

At June 30, 2020 and 2019, the Organization owned two hundred thirty-one and two hundred thirteen 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-five properties expire at various times between the years ended June 30, 2046 and 2068. One hundred sixty-five properties are deed restricted in perpetuity.

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.

7. LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with its commercial bank which matured on February 5, 2021. The Organization is in the process of renewing the line of credit under similar terms. Funds borrowed bear interest at the higher of 4.75% or prime (4.75% and 5.50% as of June 30, 2020 and 2019, respectively) and are collateralized by all the assets of the Organization. There was no outstanding balance as of June 30, 2020 and 2019.

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 \$23,903 for the year ended June 30, 2019. No interest was paid or incurred related to the line of credit during the year ended June 30, 2020.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. REAL ESTATE DEBT

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

	<u>2020</u>	<u>2019</u>
Brilliant Corners	\$ 97,161,081	\$ 91,962,472
A Home for Life, LLC	7,717,355	8,819,129
WHBC LA Supportive Housing LLC:		
Note obligation	5,550,000	5,550,000
Accrued interest	1,880,833	1,603,333
Unamortized loan fees	<u>(2,214,051)</u>	<u>(2,104,813)</u>
Total real estate debt	110,095,218	105,830,121
Less current portion of real estate debt	<u>3,774,632</u>	<u>3,525,047</u>
Real estate debt, net of current portion	<u>\$ 106,320,586</u>	<u>\$ 102,305,074</u>

Brilliant Corners:

The Organization acquires and renovates properties to provide affordable housing for persons with developmental disabilities. At June 30, 2020 and 2019 the Organization had two hundred three and one hundred eighty-five 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 combined monthly payment for all notes as of June 30, 2020 was \$627,636.

Two notes matured in August 2018, the terms of the loans were subsequently modified, and the loan maturity dates were extended to June 1, 2021. The Organization is in the process of refinancing the loans. The loan balance of the two loans total approximately \$300,000 and have been included in the current portion of real estate debt. Two hundred one notes mature between August 2024 and October 2051. Individual properties are collateral for the debt related to the specific property.

Interest paid, capitalized and expensed on notes payable during the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest paid	\$ 4,869,424	\$ 4,786,892
Interest accrued	\$ 395,551	\$ 308,767
Interest capitalized	\$ 402,336	\$ 781,972
Interest expensed	\$ 4,553,872	\$ 3,881,164

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. REAL ESTATE DEBT (continued)

One hundred sixty-five 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 2119 and the maximum amount that may be required to be paid to DDS ranges between approximately \$98,400 and \$850,000, per property, and in the aggregate totals approximately \$43 million.

A Home for Life, LLC:

A Home for Life, LLC (AHFL) 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. AHFL 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. AHFL 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 \$688,018 and \$712,208 for the years ended June 30, 2020 and 2019, respectively.

WBHC LA Supportive Housing LLC:

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

To assist in the acquisition of the properties, a loan was obtained and is now held by the City of Los Angeles. 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. The Organization is currently working with the Los Angeles Housing and Community Investment Department to determine

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. REAL ESTATE DEBT (continued)

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. The loan limits the distributions from LASH to Brilliant Corners.

Interest of \$277,500 was incurred during both years ended June 30, 2020 and 2019. No payments were made related to interest during the years ended June 30, 2020 and 2019.

Principal payments over the next five years, for the years ending June 30 are as follows:

	A Home for Life, LLC	Brilliant Corners	Total
2021	\$ 1,174,111	\$ 2,600,521	\$ 3,774,632
2022	1,261,907	2,427,210	3,689,117
2023	1,360,420	2,555,811	3,916,231
2024	1,466,970	2,680,917	4,147,887
2025	1,583,824	2,813,239	4,397,063
Thereafter	870,123	84,083,383	84,953,506
Total	\$ 7,717,355	\$ 97,161,081	\$ 104,878,436

Unamortized loan fees will be amortized over the life of the loans. Annual amortization for the next five years will be approximately \$146,000. Loan fee amortization included in interest expense during the years ended June 30, 2020 and 2019 totaled \$138,900 and \$131,888, respectively.

9. CAPITAL LEASE OBLIGATION

In August 2015 the Organization entered into an agreement to finance the acquisition of office equipment and furniture costing \$198,069. The loan required monthly payments of \$3,967 through June 2020 including interest at 7.75%. Interest paid and expensed related to the capital lease was \$4,956 for the year ended June 30, 2019.

10. LOANS PAYABLE

The Organization received \$3,814,900 under the federal payroll protection program in April 2020. The loan bears interest at a rate of 1% annually with a maturity date of April 2022. The loan permits no repayment of principal or interest until August 2021. If criteria are met, including having the loan proceeds cover certain eligible costs including wages, benefits, rent and other costs over a twenty-four week period, up to 100% of the loan and related interest could be forgiven. The Organization expects to apply for forgiveness during the year ending June 30, 2021. Any loan proceeds not forgiven will be payable in the year ending June 30, 2022. No interest has been recorded as of June 30, 2020 as it has been deemed de minimus.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. LOANS PAYABLE (continued)

The Organization obtained a working capital loan of \$1,000,000 in March 2020. The loan requires payments of interest only on a quarterly basis starting on July 1, 2020. The principal balance and any unpaid interest are due in April 2025. No interest has been recorded as of June 30, 2020 as it has been deemed de minimus.

11. NET ASSETS WITH DONOR RESTRICTIONS

The Organization has received donor restricted grants. The most significant grants assist Los Angeles and San Francisco counties.

Net assets with donor restrictions are available at June 30, 2020 and 2019 for the following purposes:

	2020	2019
LA flexible housing subsidy pool	\$ 9,136,011	\$ 1,304,677
SF flexible housing subsidy pool	1,192,585	808,134
Other programs and administrative	-	50,000
Capacity building	-	64,110
Total	\$ 10,328,596	\$ 2,226,921

Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying the purposes specified by donors during the years ended June 30, 2020 and 2019 as follows:

	2020	2019
LA flexible housing subsidy pool	\$ 5,534,666	\$ 3,408,801
SF flexible housing subsidy pool	204,249	1,478,738
Capacity building	64,110	422,224
Other programs and administrative	50,000	150,600
Total	\$ 5,853,025	\$ 5,460,363

12. 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

12. LEASING ACTIVITIES AS LESSOR (RENTAL PROPERTY INCOME) (continued)

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 its residents. Most leases are for a lease term of fifteen years. The future revenue from the one hundred sixty-nine properties whose construction is complete, and leases executed is \$14,209,164 per year for the next five years. There are twenty-one properties under construction as of June 30, 2020. It is anticipated each will execute 15-year leases. Thirteen 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, 2020 and 2019 amounted to approximately \$14,476,000 and \$12,219,000, 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, 2020 and 2019.

13. LEASE COMMITMENTS

The Organization leases its office premises in San Francisco under an agreement which 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 May 2022 and November 2024. The current monthly lease payment for all locations is approximately \$155,000.

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

13. LEASE COMMITMENTS (continued)

Lease commitments related to office space for the next five years ended June 30th under the terms of the leases signed as of June 30, 2020 is as follows:

2021	\$ 1,837,284
2022	1,601,894
2023	999,950
2024	684,338
2025	103,376
Total	\$ <u>5,226,842</u>

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 \$14,000 each year.

14. 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% of the employee's annual compensation. The total employer contribution for the years ended June 30, 2020 and 2019 was \$726,390 and \$438,074, respectively.

15. RELATED PARTY

A board member of the Organization is also a partner of a law firm engaged by the Organization. During the years ended June 30, 2020 and 2019 the Organization incurred approximately \$190,000 and \$240,000, respectively, for legal services from this law firm.

16. CONCENTRATION OF RISK

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

BRILLIANT CORNERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

17. RESTATEMENT OF THE STATEMENTS OF CASH FLOWS

During the year ended June 30, 2020, the Organization implemented FASB ASU 2016-18 which required the statement of cash flows to include restricted cash in the calculation of the change in cash. This resulted in the following changes to the 2019 statement of cash flows.

	Originally Reported	Adjustment	Restatement
Change in tenant security deposits	\$ 23,423	\$ 260,976	\$ 284,399
Increase in reserves, net	\$ (305,985)	\$ 305,985	\$ -
Cash, Cash Equivalents, and Restricted Cash Reserves - Beginning of Year	\$ 6,778,854	\$ 3,937,134	\$ 10,715,988
Cash, Cash Equivalents, and Restricted Cash Reserves - End of Year	\$ 7,059,309	\$ 4,504,095	\$ 11,563,404

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 19, 2020, the date on which the financial statements were available to be issued. In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of the Organization, has been impacted. The extent to which the pandemic will impact operations will depend on future developments, which are highly uncertain. The Organization's management is currently unable to determine if the pandemic will have a material financial impact.

Subsequent to June 30, 2020, two of the properties owned by the Organization were either destroyed or damaged during wildfires. Insurance claims have been filed. The Organization expects to receive insurance proceeds to cover a majority of the costs to replace the damaged properties.

BRILLIANT CORNERS
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	<u>Brilliant Corners</u>	<u>A Home For Life</u>	<u>WBHC LA Supportive Housing</u>	<u>Eliminating Transactions</u>	<u>Consolidated</u>
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 27,023,492	\$ 119,215	\$ 99,203	\$ -	\$ 27,241,910
Short-term investments	1,001,907	-	-	-	1,001,907
Grants and accounts receivable	45,923,993	340,020	13,002	(570,123)	45,706,892
Prepaid expenses	9,097,459	4,868	-	-	9,102,327
Total current assets	<u>83,046,851</u>	<u>464,103</u>	<u>112,205</u>	<u>(570,123)</u>	<u>83,053,036</u>
Property and Equipment, net	<u>213,332,271</u>	<u>14,960,607</u>	<u>5,157,503</u>	<u>-</u>	<u>233,450,381</u>
Other Assets:					
Restricted cash reserves	2,670,214	2,059,773	264,133	-	4,994,120
Office security and other deposits	330,333	-	-	-	330,333
Total other assets	<u>3,000,547</u>	<u>2,059,773</u>	<u>264,133</u>	<u>-</u>	<u>5,324,453</u>
Total Assets	<u>\$ 299,379,669</u>	<u>\$ 17,484,483</u>	<u>\$ 5,533,841</u>	<u>\$ (570,123)</u>	<u>\$ 321,827,870</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 23,808,355	\$ 428,579	\$ 174,665	\$ (570,123)	\$ 23,841,476
Accrued interest	395,551	-	-	-	395,551
Program advances	39,450,730	-	-	-	39,450,730
Deferred lease revenue	-	161,278	-	-	161,278
Current portion of real estate debt	2,600,521	1,174,111	-	-	3,774,632
Total current liabilities	<u>66,255,157</u>	<u>1,763,968</u>	<u>174,665</u>	<u>(570,123)</u>	<u>67,623,667</u>
Long-term Debt:					
Real estate debt, net of unamortized loan fees	92,806,006	6,143,189	7,371,391	-	106,320,586
Loans payable	4,814,900	-	-	-	4,814,900
Tenant security deposits held	976,167	-	3,757	-	979,924
Total liabilities	<u>98,597,073</u>	<u>6,143,189</u>	<u>7,375,148</u>	<u>-</u>	<u>112,115,410</u>
Net Assets	<u>134,527,439</u>	<u>9,577,326</u>	<u>(2,015,972)</u>	<u>-</u>	<u>142,088,793</u>
Total Liabilities and Net Assets	<u>\$ 299,379,669</u>	<u>\$ 17,484,483</u>	<u>\$ 5,533,841</u>	<u>\$ (570,123)</u>	<u>\$ 321,827,870</u>

BRILLIANT CORNERS
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Brilliant Corners</u>	<u>A Home For Life</u>	<u>WBHC LA Supportive Housing</u>	<u>Eliminating Transactions</u>	<u>Consolidated</u>
Changes in Net Assets Without Donor Restrictions:					
Revenue and Support:					
Housing services	\$ 260,435,084	\$ 217,430	\$ 157,099	\$ -	\$ 260,809,613
Project acquisition and renovation management	16,913,614	-	-	-	16,913,614
Rental property income	15,491,583	1,925,011	448,478	(150,790)	17,714,282
Donations and other income	3,092,446	23,090	128	-	3,115,664
Net assets released from restrictions	5,853,025	-	-	-	5,853,025
Total revenue and support	<u>301,785,752</u>	<u>2,165,531</u>	<u>605,705</u>	<u>(150,790)</u>	<u>304,406,198</u>
Expenses:					
Program services	278,988,616	1,405,862	976,914	(150,790)	281,220,602
General and administrative	7,724,158	775	16,550	-	7,741,483
Business development	851,244	-	-	-	851,244
Total expenses	<u>287,564,018</u>	<u>1,406,637</u>	<u>993,464</u>	<u>(150,790)</u>	<u>289,813,329</u>
Increase in Net Assets Without Donor Restrictions	<u>14,221,734</u>	<u>758,894</u>	<u>(387,759)</u>	<u>-</u>	<u>14,592,869</u>
Changes in Net Assets With Donor Restrictions:					
Foundation grant	13,954,700	-	-	-	13,954,700
Net assets released from restrictions	(5,853,025)	-	-	-	(5,853,025)
Increase in Net Assets With Donor Restrictions	<u>8,101,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,101,675</u>
Change in Net Assets	22,323,409	758,894	(387,759)	-	22,694,544
Net Assets at Beginning of Year	112,204,030	8,818,432	(1,628,213)	-	119,394,249
Net Assets at End of Year	<u>\$ 134,527,439</u>	<u>\$ 9,577,326</u>	<u>\$ (2,015,972)</u>	<u>\$ -</u>	<u>\$ 142,088,793</u>

BRILLIANT CORNERS
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION REQUIRED BY SAN FRANCISCO'S MOHCD
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Project Street Address: 1340 Portola Drive, San Francisco, CA 94127

Rental Income		
5120	Gross Potential Tenant Rents	\$ 157,120
	Total Rent Revenue:	157,120
Vacancies		
5220	Apartments	-
	Total Vacancies:	-
	Net Rental Income: (Rent Revenue Less Vacancies)	157,120
Other Revenue		
5400	Interest Revenue - Project Operations (From All Other Accts)	
5990	Misc. Revenue (principally charitable contributions)	
	Total Other Revenue:	-
	Total Operating Revenue:	157,120
Management		
6320	Management Fee	
	Total Management Expenses:	-
Salaries/Benefits		
6310	Office Salaries	-
6330	Manager's Salary	10,199
6723	Employee Benefits: Health Insurance & Disability Insurance	1,093
	Employee Benefits: Retirement & Other Salary/Benefit Expenses	363
	Total Salary/Benefit Expenses:	11,655
Administration		
6210	Advertising and Marketing	-
6311	Office Expenses	-
6350	Audit Expense	412
6390	Miscellaneous Administrative Expenses (principally fundraising)	-
	Total Administrative Expenses:	412
Utilities		
6450	Electricity	-
6451	Water	1,942
6452	Gas	-
6453	Sewer	2,284
	Total Utilities Expenses:	4,226

BRILLIANT CORNERS
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION REQUIRED BY SAN FRANCISCO'S MOHCD
SCHEDULE OF OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Project Street Address: 1340 Portola Drive, San Francisco, CA 94127

Taxes and Licenses		
6710 Real Estate Taxes		14,867
6711 Payroll taxes		796
6790 Miscellaneous Taxes, Licenses, and Permits		4,500
	Total Taxes and Licenses Expenses:	<u>20,163</u>
Insurance		
6720 Property and Liability, D&O Insurance		3,441
6722 Workers' Compensation		288
	Total Insurance Expenses:	<u>3,729</u>
Maintenance and Repairs		
6510 Payroll		-
6515 Supplies		-
6520 Contracts		650
6525 Garbage and Trash Removal		1,388
6570 Vehicle and Maintenance Equipment Operation and Repairs		6,745
6590 Miscellaneous Operating and Maintenance Expenses		-
	Total Maintenance and Repairs Expenses:	<u>8,783</u>
	Total Operating Expenses:	<u>48,968</u>
Financial Expenses		
6820 Interest on Mortgage (or Bonds) Payable		19,394
6830 Interest on Notes Payable (Long Term)		-
	Total Financial Expenses:	<u>19,394</u>
6000	Total Cost of Operations before Depreciation:	<u>68,362</u>
5060	Operating Profit (Loss):	<u>88,758</u>
Depreciation & Amortization Expenses		
6600 Depreciation Expense		18,634
6610 Amortization Expense		-
	Operating Profit (Loss) after Depreciation & Amortization:	<u>70,124</u>
Net Entity Expenses/(Income)		
7190 Investment income		-
	Total Net Entity Expenses (Income):	<u>-</u>
3250 Change in Total Net Assets from Operations		<u>\$ 70,124</u>

BRILLIANT CORNERS
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION REQUIRED BY SAN FRANCISCO'S MOHCD
COMPUTATION OF SURPLUS CASH FOR 1340 PORTOLA DRIVE
FOR THE YEAR ENDED JUNE 30, 2020

Project Street Address: 1340 Portola Drive, San Francisco, CA 94127

		<u>Total</u>
Operating Revenue	\$	157,120
Interest earned on restricted accounts		
	Adjusted Operating Revenue	<u>157,120</u>
Operating Expenses		<u>(48,968)</u>
Net Operating Income		<u>108,152</u>
 Other Activity		
Mandatory Debt Service - Principal		(75,209)
Mandatory Debt Service - Interest		(19,394)
Mandatory Debt Service - Other Amount		
Deposits to Replacement Reserve Account		(9,600)
Deposits to Operating Reserve Account		(11,368)
Withdrawals from Operating Reserve Account		
Withdrawals from Other Required Reserve Account		
	Total Other Activity:	<u>(115,571)</u>
Operating Cash Flow/Surplus Cash:	\$	<u><u>(7,419)</u></u>
 Disbursement from surplus cash to repay outstanding loan		
	\$	<u><u>-</u></u>

SUMMARY OF PORTOLA RESERVE ACCOUNTS

	<u>Reserve for operations</u>	<u>Reserve for replacements</u>	
Balances, June 30, 2019	\$ 34,021	\$ 29,790	
Deposits	11,368	9,600	
Earned interest	-	-	
Balances, June 30, 2020	<u>\$ 45,389</u>	<u>\$ 39,390</u>	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Brilliant Corners

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Brilliant Corners (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December **, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 19, 2021

Pierotti & Carade