

**BRILLIANT CORNERS
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2021

BRILLIANT CORNERS AND AFFILIATES
 COMBINED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	8
Supplementary Information: Combining Schedules.....	19
Combining Schedule of Financial Position.....	20
Combining Schedule of Activities	22
Combining Schedule of Cash Flows.....	23
Supplementary Information Required by San Francisco Mayor’s Office of Housing and Community Development (MOHCD)	25
Schedule of Operating Revenues and Expenses	26
Computation of Surplus Cash	29
Summary of Replacement Reserve and Operating Reserve Activities	30
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31

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INDEPENDENT AUDITOR'S REPORT

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Brilliant Corners, a California nonprofit public benefit corporation, and Affiliates, which comprise the combined statement of financial position as of June 30, 2021, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Brilliant Corners and Affiliates as of June 30, 2021, and the changes in their net assets and their cash flows for the year 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 basic combined financial statements taken as a whole. The accompanying supplementary information on pages 20 through 24, and the supplementary information required by San Francisco Mayor's Office of Housing and Community Development on pages 26 through 30, are presented for purposes of additional analysis and are not a required part of the basic combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022 on our consideration of Brilliant Corners and Affiliates' internal control over financial reporting and on our tests of their 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 and Affiliates' 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 and Affiliates' internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

February 15, 2022

BRILLIANT CORNERS AND AFFILIATES
 COMBINED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 35,329,301
Receivables:	
Housing services and housing development contracts, net	34,637,045
Grants and contributions – foundations and other	1,814,712
Rent	1,350,848
Related-party	140,717
Other	2,146,793
Note receivable – current portion (Note 4)	30,000
Prepaid expenses	10,514,640
Total current assets	85,964,056
Restricted cash (Note 3)	5,910,453
Note receivable – net of current portion (Note 4)	210,000
Property and equipment – net (Note 5)	254,619,297
Other assets	294,352
Total assets	\$ 346,998,158

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 18,835,330
Program advances	34,065,612
Interest payable – current portion (Note 7)	394,069
Real estate debt – current portion (Note 7)	4,255,250
Total current liabilities	57,550,261
Tenant security deposits	1,141,598
Interest payable – net of current portion (Note 7)	2,158,333
Real estate debt – net of current portion (Note 7)	112,952,446
Notes payable (Note 8)	4,814,900
Total liabilities	178,617,538
Net assets:	
Without donor restrictions:	
Undesignated	155,738,882
Board-designated (Note 9)	284,592
Total without donor restrictions	156,023,474
With donor restrictions (Note 9)	12,357,146
Total net assets	168,380,620
Total liabilities and net assets	\$ 346,998,158

The accompanying notes are an integral part of these financial statements.

BRILLIANT CORNERS AND AFFILIATES
 COMBINED STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Support and revenue:			
Housing services and housing development:			
Grants and contributions	\$ 356,230,474	\$ -	\$ 356,230,474
Other housing services and housing development income	602,304	-	602,304
	<u>356,832,778</u>	<u>-</u>	<u>356,832,778</u>
Rental and property management income (Note 10)	20,806,200	-	20,806,200
Grants and contributions – foundations and other	10,122,975	9,195,559	19,318,534
Project acquisition and renovation management	16,386,925	-	16,386,925
Other	2,038,851	-	2,038,851
Net assets released from restrictions (Note 9)	3,564,209	(3,564,209)	-
Total income	<u>409,751,938</u>	<u>5,631,350</u>	<u>415,383,288</u>
Expenses:			
Program services	374,066,582	-	374,066,582
General and administrative	6,252,362	-	6,252,362
Business development	961,392	-	961,392
Total expenses	<u>381,280,336</u>	<u>-</u>	<u>381,280,336</u>
Change in net assets before other revenue (expenses)	<u>28,471,602</u>	<u>5,631,350</u>	<u>34,102,952</u>
Other revenue (expenses):			
Deferred interest expense (Note 7)	(277,500)	-	(277,500)
Loss of property due to fire, net (Note 5)	(1,244,529)	-	(1,244,529)
Depreciation (Note 5)	(5,136,707)	-	(5,136,707)
Total other revenue (expenses)	<u>(6,658,736)</u>	<u>-</u>	<u>(6,658,736)</u>
Change in net assets	21,812,866	5,631,350	27,444,216
Net assets, beginning of year, as restated (Note 16)	<u>134,210,608</u>	<u>6,725,796</u>	<u>140,936,404</u>
Net assets, end of year	<u>\$ 156,023,474</u>	<u>\$ 12,357,146</u>	<u>\$ 168,380,620</u>

The accompanying notes are an integral part of these financial statements.

BRILLIANT CORNERS AND AFFILIATES
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2021

	<i>Program Services</i>	<i>General and Administrative</i>	<i>Business Development</i>	<i>Total</i>
Client rents and subsidy payments	\$ 249,621,409	\$ -	\$ -	\$ 249,621,409
Client furniture and move-in costs	73,289,865	-	-	73,289,865
Salaries and wages	18,246,234	4,132,154	494,239	22,872,627
Outside and consulting services	13,133,320	506,823	304,030	13,944,173
Interest (Notes 7 and 8)	5,437,110	-	25,611	5,462,721
Payroll taxes and benefits (Note 12)	4,361,217	553,071	74,341	4,988,629
Maintenance	3,471,226	295,677	11,598	3,778,501
Rent (Note 11)	1,492,210	415,345	19,237	1,926,792
Bad debt	904,799	-	-	904,799
Travel and training	952,731	127,624	10,407	1,090,762
Property taxes and licenses	791,127	-	-	791,127
Telephone	275,375	48,189	3,572	327,136
Office expenses	245,909	32,056	15,551	293,516
Insurance	602,493	37,463	2,806	642,762
Utilities	318,079	-	-	318,079
Legal	238,554	14,122	-	252,676
Accounting and audit	19,582	70,114	-	89,696
Other	665,342	19,724	-	685,066
Total expenses before other expenses	374,066,582	6,252,362	961,392	381,280,336
Deferred interest expense (Note 7)	277,500	-	-	277,500
Loss of property due to fire, net	1,244,529	-	-	1,244,529
Depreciation (Note 5)	4,976,348	160,359	-	5,136,707
Total	\$ 380,564,959	\$ 6,412,721	\$ 961,392	\$ 387,939,072

The accompanying notes are an integral part of these financial statements.

BRILLIANT CORNERS AND AFFILIATES
 COMBINED STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 27,444,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,136,707
Loss of property due to fire, net	1,244,529
Interest – amortization of debt issuance costs	152,342
(Increase) decrease in assets:	
Receivables:	
Housing services and housing development contracts	8,960,437
Grants and contributions – foundations and other	(339,712)
Rent	(598,296)
Related-party	(91,833)
Property taxes	118,373
Other	(1,057,192)
Prepaid expenses	(1,412,313)
Other assets	35,981
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(4,727,706)
Program advances	(8,622,225)
Interest payable	276,018
Tenant security deposits liability	161,674
	<u>26,681,000</u>
Net cash provided by operating activities	<u>26,681,000</u>
Cash flows from investing activities:	
Decrease in short-term investments	1,001,907
Decrease in notes receivable	30,000
Purchase of property and equipment	<u>(27,550,152)</u>
Net cash used in investing activities	<u>(26,518,245)</u>
Cash flows from financing activities:	
Payment of debt issuance costs	(297,485)
Proceeds from real estate debt	12,638,325
Payments of real estate debt	<u>(3,499,871)</u>
Net cash provided by financing activities	<u>8,840,969</u>
Net increase in cash, cash equivalents, and restricted cash	9,003,724
Cash, cash equivalents, and restricted cash, beginning of year	<u>32,236,030</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 41,239,754</u></u>

The accompanying notes are an integral part of these financial statements.

BRILLIANT CORNERS AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Supplementary information:	
Cash paid for interest – net of capitalized portion	<u>\$ 5,705,930</u>
Cash and cash equivalents	\$ 35,329,301
Restricted cash	<u>5,910,453</u>
Total cash, cash equivalents and restricted cash shown in the combined statement of cash flows	<u>\$ 41,239,754</u>

The accompanying notes are an integral part of these financial statements.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Brilliant Corners (BC), a nonprofit public benefit corporation, was formed in 2004. BC'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. BC 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, BC 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, BC 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, BC formed Shine BC-LA, a nonprofit corporation, to operate and implement Brilliant Corners' Flexible Housing Subsidy Pool (FHSP) program in Southern California.

Two significant programs have expanded in recent years. BC's partnership with the Los Angeles County Department of Health Services (LA DHS) to administer the FHSP has helped house over 9,747 people and is anticipated to serve over 10,000 people over the next several years. BC and Affiliates are working with the California Department of Developmental Services (DDS) 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 which closed in 2021. BC is acquiring and converting single-family homes to specialized residential facilities deed-restricted for people with disabilities.

The BC'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 Departments of Health Services, and the Veterans Administration. Revenue from such agencies accounted for more than 88% of the total revenue for the year-ended June 30, 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of BC, its wholly owned limited liability companies, and Shine BC-LA (collectively, BC and Affiliates). All material intercompany balances and transactions have been eliminated in the combined financial statements.

Accounting Method

BC and Affiliates use the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Basis of Presentation

BC and Affiliates report information regarding their financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of BC and Affiliates.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. BC and Affiliates have no net assets with non-expiring donor restrictions as of June 30, 2021.

Revenue Recognition

Grants and Contributions

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 combined 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.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature, or if they enhance a non-financial asset.

BC and Affiliates receive certain contributions on a reimbursement basis. Such contributions are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BC and Affiliates have incurred expenditures in compliance with specific donor provisions. An amount of \$453,700,000 of contributions has not been recognized as of June 30, 2021, and will be recognized when BC and Affiliates incur expenditures in compliance with the donor provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as program advances in the combined statement of financial position.

Housing Services

BC and Affiliates provide 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.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Funds received in advance for property acquisition or rehabilitation and housing services are included in program advances in the combined statement of financial position until the conditions upon which they depend are substantially met.

Rental Property Income

Rental income from leased properties, along with other related fees, are recognized as income in the month the rent is earned. BC and Affiliates enter 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 BC and Affiliates 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. BC and Affiliates' policy is to charge a late fee should a tenant not pay rent within 5 days of the due date.

Revenue from resident fees, rents and services is recognized in the period rendered.

Project Acquisition and Renovation Management

BC and Affiliates receive funding from Regional Centers 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.

Cash, Cash Equivalents, and Restricted Cash

Cash is defined as demand deposit accounts, as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, money market accounts and investments with original maturities of three months or less qualify as cash equivalents. Restricted cash are funds restricted as to their use, such as replacement reserves, debt service reserve, operating reserves, and tenant security deposits. BC and Affiliates maintains cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately \$36,806,000 as of June 30, 2021. BC and Affiliates have not experienced any losses in such accounts.

Receivables

BC and Affiliates evaluate 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 receivables balance. Receivables are written off when deemed uncollectible. The allowance for doubtful accounts was \$1,258,055 as of June 30, 2021.

Property and Equipment

Property and equipment are stated at cost as of the date of acquisition, or fair market value as of the date of donation. Assets with a cost greater than \$5,000 are capitalized. The cost of maintenance and repairs for the properties are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated economic lives of the assets.

The economic lives of the assets are estimated as follows:

Buildings and improvements	20 to 40 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

In accordance with generally accepted accounting of the United States of America, BC and Affiliates review their property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property to the future net undiscounted cash flows expected to be generated by the property, including any estimated proceeds from the eventual disposition of the property. 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 was no impairment loss recognized in 2021.

Construction in Progress

BC and Affiliates incur costs during a major repair of the Project. Such costs include construction costs, as well as governmental fees, legal and consulting fees, if any. BC and Affiliates record these costs as assets (construction in progress). Major repair costs are considered to be construction in progress until they are placed in service. Construction in progress is not depreciated until the completion of the development.

Debt Issuance Costs

Costs incurred in order to obtain acquisition and permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the terms of the respective loans. Debt issuance costs are reported as a direct deduction from the face of the related debt.

Income Taxes

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

No income tax provision has been included in the combined financial statements for the single member limited liability companies which are generally considered disregarded entities. The income or loss of the limited liability companies is included in the tax returns of their respective sole members. Only the annual California limited liability company minimum tax and the annual fee appear as an expense in the combined financial statements.

BC and Affiliates believe that they have appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the combined financial statements. BC and Affiliates' informational returns and limited liability companies' income tax returns for the fiscal years ended 2017 through 2020 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.

Functional Expenses Allocation

Costs of providing the various programs and other activities have been summarized on a functional basis in the combined 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.

Subsequent Events

Management has evaluated subsequent events through February 15, 2022, the date on which the combined financial statements were available to be issued.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 3 – RESTRICTED CASH

Restricted cash consists of the following as of June 30, 2021:

Replacement reserves	\$ 2,904,017
Debt service reserve	1,826,958
Tenant security deposits	1,088,439
Operating reserves	<u>91,039</u>
 Total	 <u><u>\$ 5,910,453</u></u>

Replacement Reserves and Operating Reserves

In accordance with long-term debt agreements, DDS’s housing guidelines, and Regional Center contracts, BC and Affiliates have established replacement reserve and operating reserve accounts. Withdrawals from the reserves require prior written approval from the respective lender.

Debt Service Reserve

The debt service reserve was funded from the bond refinance proceeds described in Note 8. This reserve is held by the bond fiduciary and is available to cover debt service on bonds should a default occur. BC and Affiliates have irrevocably authorized Golden Gate Regional Center to instruct the bond fiduciary on the disposition of the reserve.

Tenant Security Deposits

BC and Affiliates are required to hold security deposits in separate bank accounts in the name of the properties.

NOTE 4 – NOTE RECEIVABLE

In 2019, BC provided funds to Florence Towne, LLC totaling \$300,000 for certain costs in connection with the development of a property as affordable housing. The loan bears no interest and requires annual payments in the amount of \$30,000 until maturity in 2029. The balance of the note receivable was \$240,000 as of June 30, 2021.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2021:

Land	\$ 88,857,222
Building and improvements	179,916,781
Furniture and equipment	1,191,485
Vehicles	<u>308,612</u>
	270,274,100
Less: accumulated depreciation	<u>(24,952,457)</u>
	245,321,643
Construction in progress	<u>9,297,654</u>
 Total property and equipment	 <u><u>\$ 254,619,297</u></u>

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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. Depreciation expense was \$5,136,707 in 2021.

During 2021, fire occurred in three residential properties of BC resulting in a net loss of property equal to \$1,244,529. BC carries general liability insurance to protect against such loss. In accordance with accounting principles generally accepted in the United States of America, such loss is presented as a loss from continuing operations in the combined statement of activities.

NOTE 6 – LINE OF CREDIT

BC entered into a \$1,000,000 line of credit with a commercial bank, which matures on February 5, 2022. The line of credit bears variable interest. There was no outstanding balance as of June 30, 2021. No interest was incurred in 2021.

NOTE 7 – REAL ESTATE DEBT

Real estate debt by entity consists of the following as of June 30, 2021:

	<i>Interest Payable</i>	<i>Principal</i>
Brilliant Corners	\$ 394,069	\$ 107,480,446
A Home for Life, LLC	-	6,536,444
WBHC LA Supportive Housing, LLC	2,158,333	5,550,000
Total	2,552,402	119,566,890
Less:		
Unamortized debt issuance costs ⁽¹⁾	-	(2,359,194)
Current portion	(394,069)	(4,255,250)
Long-term portion	\$ 2,158,333	\$ 112,952,446

⁽¹⁾ Costs incurred to obtain construction and permanent financing were \$3,473,210 as June 30, 2021 and are amortized on a straight-line basis into interest expense over the terms of the respective loans. Interest expense for amortization of debt issuance costs was \$152,342 in 2021.

Brilliant Corners

BC acquires and renovates properties to provide affordable housing for persons with developmental disabilities. The properties are financed by conventional lenders. Terms of the agreements generally require monthly payments of principal and interest at rates ranging from 3% to 7.75%, to be repaid in full at various maturity dates through October 2051.

In 2021, interest expense was \$4,681,387, and capitalized interest was \$633,444.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

186 properties have profit participation agreements with DDS. Each agreement requires BC to pay DDS up to a maximum amount should a transfer of the property or BC'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 \$46,000,000.

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 8.48%, are required to satisfy this obligation, which matures incrementally through February 1, 2026. The individual properties are collateral for the debt.

Interest expense was \$603,381 in 2021.

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, BC provides supportive services to the tenants that occupy the properties under a contract with LA DHS.

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, as defined in the loan agreement, to be repaid in full in September 2068.

Interest expense was of \$277,500 in 2021.

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

	<i>Brilliant Corners</i>	<i>A Home for Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Total</i>
2022	\$ 2,985,305	\$ 1,269,945	\$ -	\$ 4,255,250
2023	2,834,574	1,368,869	-	4,203,443
2024	2,974,926	1,476,450	-	4,451,376
2025	3,123,885	1,593,923	-	4,717,808
2026	3,278,022	827,257	-	4,105,279
Thereafter	92,283,734	-	5,550,000	97,833,734
Total	<u>\$ 107,480,446</u>	<u>\$ 6,536,444</u>	<u>\$ 5,550,000</u>	<u>\$ 119,566,890</u>

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following as of June 30, 2021:

Paycheck Protection Program loan ⁽¹⁾	\$ 3,814,900
Working capital loan ⁽²⁾	1,000,000
Total	\$ 4,814,900

⁽¹⁾ Due to uncertainty of the current economic conditions, BC requested and received loan funds administered by CRF Small Business Loan Company, LLC, totaling \$3,814,900 from the Paycheck Protection Program (PPP), a program authorized under the CARES Act and the PPP Flexibility Act, to support ongoing operations and to retain workers and maintain payroll. Loan funds are fully guaranteed by the Small Business Administration and eligible for forgiveness if used on eligible costs for a covered period of 24-weeks, including the requirement to maintain staff and compensation levels. Any unforgiven funds are due by April 2022 or renegotiated to extend the maturity date to April 2025. The loan bears 1% simple interest per annum. Monthly payments of principal and interest are required, commencing in November 2021. BC applied for forgiveness of the loan and is expecting approval in 2022.

⁽²⁾ BC obtained a working capital loan in the amount of \$1,000,000 from the California Community Foundation. The loan bears interest at 2% compounding quarterly. Payments of interest only are required on a quarterly basis, commencing on July 1, 2020. The principal balance and any unpaid interest are due in April 2025. Interest expense was \$25,611 in 2021.

NOTE 9 – NET ASSETS

Net Assets without Donor Restrictions – Board-Designated Operating Reserve

The Board of Directors has designated \$284,592 of the net assets without donor restrictions as of June 30, 2021 as a board-designated operating reserve. The board-designated reserve is held in operating cash.

Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes:

	<i>June 30, 2020, As Restated</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2021</i>
Los Angeles FHSP	\$ 5,985,805	\$ 5,670,559	\$ (3,237,962)	\$ 8,418,402
San Francisco FHSP	739,991	25,000	(300,264)	464,727
Capacity building	-	3,500,000	(25,983)	3,747,017
Total	\$ 6,725,796	\$ 9,195,559	\$ (3,564,209)	\$ 12,357,146

NOTE 10 – LEASING ACTIVITIES AS LESSOR (RENTAL PROPERTY INCOME)

BC and Affiliates own properties which are leased to entities who provide services to residents with developmental disabilities. BC and Affiliates are paid monthly fees based on the number of patients served by local Regional Centers.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Brilliant Corners/WHBC LA Supportive Housing, LLC

In addition to owning and managing properties as affordable housing rented directly to low- income households, BC and LASH lease 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 181 properties whose construction is complete, and leases are executed is \$15,212,236 annually for the next five years. 13 properties out 181 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.

There are 31 properties under construction as of June 30, 2021. It is anticipated each will execute 15-year leases.

Total gross lease income (before vacancy) for the year ended June 30, 2021 amounted to approximately \$17,448,651.

A Home for Life, LLC

Each of the thirteen properties under AHFL 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. BC also earns miscellaneous fees under the lease agreements. The lease revenue over the next five years from the AHFL property leases (exclusive of miscellaneous fees) is \$1,784,929 annually.

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 AHFL sufficient to cover ongoing operating costs.

Total lease income (including miscellaneous fees of approximately \$150,000 each year) from the AHFL properties amounted to \$1,935,940 in 2021.

NOTE 11 – LEASE COMMITMENTS

BC leases its office premises in San Francisco under an agreement which expired on November 30, 2021 and was subsequently converted to a month-to-month lease. BC also leases office space in Los Angeles, Rancho Cucamonga, San Diego, and San Mateo under agreements which expire between May 2022 and November 2024. The total current monthly lease payment for all locations is approximately \$128,000. For the year-ended June 30, 2021, total rent expense was \$1,617,266 and is included in Rent in the accompanying combined statement of functional expenses.

Lease commitments related to office space for the next five years ending June 30 are as follows:

2022	\$ 1,350,524
2023	807,123
2024	571,133
2025	82,081
2026	-

BC and Affiliates also lease 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.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 12 – RETIREMENT PLAN

BC established a 403(b) Retirement Plan for its eligible employees effective January 1, 2011. BC 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 year ended June 30, 2021 was \$824,685.

NOTE 13 – RELATED-PARTY

A board member of BC is also a partner of a law firm engaged by BC. During the years ended June 30, 2021, BC incurred approximately \$279,000 for legal services from this law firm.

NOTE 14 – LIQUIDITY AND AVAILABILITY

BC and Affiliates strive to maintain liquid financial assets sufficient to cover 90 days of general expenditures. BC and Affiliates’ sources of liquidity include cash, including the board-designated operating reserve (see Note 10), the line of credit, and cash advances from contracts to meet its operating needs.

Financial assets available to meet general expenditures within one year of the combined statement of financial position date are as follows:

Cash	\$ 35,329,301
Receivables	40,090,115
Note receivable – current portion	<u>30,000</u>
	75,449,416
Less:	
Cash subject to expenditure for specific purpose	(10,722,146)
Receivables subject to expenditure for specific purpose	<u>(1,635,000)</u>
Net financial assets available to meet general expenditures	<u><u>\$ 63,092,270</u></u>

NOTE 15 – OTHER MATTER

COVID-19 Pandemic

The emergence and spread of the coronavirus (COVID-19) has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on BC and Affiliates’ operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on individual and government contributors, residents, service providers, employees, and business partners, and changes in business practices, all of which are uncertain and cannot be determined at this time.

BRILLIANT CORNERS AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Certain errors in previously issued financial statements were discovered and corrected in 2021 which resulted in an increase (decrease) in the balance of net assets without donor restrictions and net assets with donor restrictions.

	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restriction</i>	<i>Total</i>
Balance, June 30, 2020, as previously reported	\$ 131,760,197	\$ 10,328,596	\$ 142,088,793
Adjustment for understatement in recognition of revenue ⁽¹⁾	1,375,000	-	1,375,000
Adjustment of overstatement in recognition of revenue ⁽¹⁾	(2,557,389)	-	(2,557,389)
Adjustment of understatement of program advances ⁽²⁾	30,000	-	30,000
Adjustment of release of net assets ⁽³⁾	3,602,800	(3,602,800)	-
Total	\$ 134,210,608	\$ 6,725,796	\$ 140,936,404

- ⁽¹⁾ Contributions and grants were recognized on a cash-basis. In accordance with generally accepted accounting principles of the United State of America, such revenue is recognized: (a) during the period the promise is received, if unconditional; and (b) when the conditions upon which they depend are substantially met, if conditional. Accordingly, an adjustment was made during the current year to correct the misstatement of revenue, which impacted net assets.
- ⁽²⁾ Brilliant Corners received an amount of \$300,000 from LA DHS in a prior year. The funds were loaned to a third party, bearing no interest and requiring annual payments of \$30,000 until maturity in 2029 (see Note 5). During the year ended June 30, 2021, Brilliant Corners became aware that LA DHS had intended for Brilliant Corners to apply the annual payments from such related loan against future billings. Accordingly, an adjustment was made during the current year to correct the misstatement of revenue, which impacted net assets.
- ⁽³⁾ As of June 30, 2020, the releases of net assets with donor restrictions were understated for certain contributions with donor restrictions which have already expired when either the purpose restriction has been accomplished or the stipulated time restriction ended.

SUPPLEMENTARY INFORMATION: COMBINING SCHEDULES

BRILLIANT CORNERS AND AFFILIATES
 COMBINING SCHEDULE OF FINANCIAL POSITION
 JUNE 30, 2021

	<i>Brilliant Corners</i>	<i>A Home For Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 35,187,607	\$ 17,561	\$ 124,133	\$ 35,329,301	\$ -	\$ 35,329,301
Receivables:						
Housing services and housing development contracts, net	34,510,787	90,246	36,012	34,637,045	-	34,637,045
Grants and contributions – foundations and other	1,814,712	-	-	1,814,712	-	1,814,712
Rent	1,337,348	-	13,500	1,350,848	-	1,350,848
Related-party	295,627	-	-	295,627	(154,910)	140,717
Other	2,146,793	-	-	2,146,793	-	2,146,793
Note receivable – current portion	30,000	-	-	30,000	-	30,000
Prepaid expenses	10,507,597	7,043	-	10,514,640	-	10,514,640
Total current assets	85,830,471	114,850	173,645	86,118,966	(154,910)	85,964,056
Restricted cash	3,669,433	2,038,250	202,770	5,910,453	-	5,910,453
Note receivable – net of current portion	210,000	-	-	210,000	-	210,000
Property and equipment – net	234,747,642	14,777,953	5,093,702	254,619,297	-	254,619,297
Other assets	294,352	-	-	294,352	-	294,352
Total assets	\$ 324,751,898	\$ 16,931,053	\$ 5,470,117	\$ 347,153,068	\$ (154,910)	\$ 346,998,158

BRILLIANT CORNERS AND AFFILIATES
 COMBINING SCHEDULE OF FINANCIAL POSITION
 JUNE 30, 2021

	<i>Brilliant Corners</i>	<i>A Home For Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 18,814,710	\$ 122,743	\$ 11,629	\$ 18,949,082	\$ (113,752)	\$ 18,835,330
Program advances	33,916,572	141,761	7,279	34,065,612	-	34,065,612
Related-party payable	-	-	41,158	41,158	(41,158)	-
Interest payable – current portion	394,069	-	-	394,069	-	394,069
Real estate debt – current portion	2,985,305	1,269,945	-	4,255,250	-	4,255,250
Total current liabilities	56,110,656	1,534,449	60,066	57,705,171	(154,910)	57,550,261
Tenant security deposits	1,137,841	-	3,757	1,141,598	-	1,141,598
Interest payable – net of current portion	-	-	2,158,333	2,158,333	-	2,158,333
Real estate debt – net of current portion	102,523,081	4,937,565	5,491,800	112,952,446	-	112,952,446
Notes payable	4,814,900	-	-	4,814,900	-	4,814,900
Total non-current liabilities	108,475,822	4,937,565	7,653,890	121,067,277	-	121,067,277
Total liabilities	164,586,478	6,472,014	7,713,956	178,772,448	(154,910)	178,617,538
Net assets (deficit):						
Without donor restrictions:						
Undesignated	147,523,682	10,459,039	(2,243,839)	155,738,882	-	155,738,882
Board-designated	284,592	-	-	284,592	-	284,592
Total without donor restrictions	147,808,274	10,459,039	(2,243,839)	156,023,474	-	156,023,474
With donor restrictions	12,357,146	-	-	12,357,146	-	12,357,146
Total net assets (deficit)	160,165,420	10,459,039	(2,243,839)	168,380,620	-	168,380,620
Total liabilities and net assets (deficit)	\$ 324,751,898	\$ 16,931,053	\$ 5,470,117	\$ 347,153,068	\$ (154,910)	\$ 346,998,158

BRILLIANT CORNERS AND AFFILIATES
 COMBINING SCHEDULE OF ACTIVITIES
 JUNE 30, 2021

	<i>Brilliant Corners</i>	<i>A Home For Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Support and revenue:						
Housing services and housing development:						
Grants and contributions	\$ 355,892,189	\$ 173,544	\$ 164,741	\$ 356,230,474	\$ -	\$ 356,230,474
Other housing services and housing development income	609,570	-	-	609,570	(7,266)	602,304
	<u>356,501,759</u>	<u>173,544</u>	<u>164,741</u>	<u>356,840,044</u>	<u>(7,266)</u>	<u>356,832,778</u>
Rental and property management income	18,526,280	1,935,940	494,770	20,956,990	(150,790)	20,806,200
Grants and contributions – foundations and other	19,318,534	-	-	19,318,534	-	19,318,534
Project acquisition and renovation management	16,386,925	-	-	16,386,925	-	16,386,925
Other	1,883,070	155,721	60	2,038,851	-	2,038,851
Total support and revenue	<u>412,616,568</u>	<u>2,265,205</u>	<u>659,571</u>	<u>415,541,344</u>	<u>(158,056)</u>	<u>415,383,288</u>
Expenses:						
Program services	372,539,252	1,155,699	522,421	374,217,372	(150,790)	374,066,582
General and administrative	6,235,162	750	23,716	6,259,628	(7,266)	6,252,362
Business development	961,392	-	-	961,392	-	961,392
Total expenses	<u>379,735,806</u>	<u>1,156,449</u>	<u>546,137</u>	<u>381,438,392</u>	<u>(158,056)</u>	<u>381,280,336</u>
Change in net assets before other revenue (expenses)	<u>32,880,762</u>	<u>1,108,756</u>	<u>113,434</u>	<u>34,102,952</u>	<u>-</u>	<u>34,102,952</u>
Other revenue (expenses):						
Deferred interest expense	-	-	(277,500)	(277,500)	-	(277,500)
Loss of property due to fire, net	(1,244,529)	-	-	(1,244,529)	-	(1,244,529)
Depreciation	(4,845,863)	(227,043)	(63,801)	(5,136,707)	-	(5,136,707)
Total other revenue (expenses)	<u>(6,090,392)</u>	<u>(227,043)</u>	<u>(341,301)</u>	<u>(6,658,736)</u>	<u>-</u>	<u>(6,658,736)</u>
Change in net assets	26,790,370	881,713	(227,867)	27,444,216	-	27,444,216
Net assets (deficit), beginning of year, as restated	133,375,050	9,577,326	(2,015,972)	140,936,404	-	140,936,404
Net assets (deficit), end of year	<u>\$ 160,165,420</u>	<u>\$ 10,459,039</u>	<u>\$ (2,243,839)</u>	<u>\$ 168,380,620</u>	<u>\$ -</u>	<u>\$ 168,380,620</u>

BRILLIANT CORNERS AND AFFILIATES
COMBINING SCHEDULE OF CASH FLOWS

JUNE 30, 2021

	<i>Brilliant Corners</i>	<i>A Home For Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Cash flows from operating activities:						
Change in net assets	\$ 26,790,370	\$ 881,713	\$ (227,867)	\$ 27,444,216	\$ -	\$ 27,444,216
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation	4,845,863	227,043	63,801	5,136,707	-	5,136,707
Loss of property due to fire, net	1,244,529	-	-	1,244,529	-	1,244,529
Interest – amortization of debt issuance costs	79,979	71,121	1,242	152,342	-	152,342
(Increase) decrease in assets:						
Receivables:						
Housing services and housing development contracts	8,745,170	249,774	(34,507)	8,960,437	-	8,960,437
Grants and contributions – foundations and other	(339,712)	-	-	(339,712)	-	(339,712)
Rent	(596,293)	-	(2,003)	(598,296)	-	(598,296)
Related-party	323,380	-	-	323,380	(415,213)	(91,833)
Property taxes	118,373	-	-	118,373	-	118,373
Other	(1,057,192)	-	-	(1,057,192)	-	(1,057,192)
Prepaid expenses	(1,410,138)	(2,175)	-	(1,412,313)	-	(1,412,313)
Other assets	35,981	-	-	35,981	-	35,981
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(4,716,925)	(305,836)	(161,316)	(5,184,077)	456,371	(4,727,706)
Program advances	(8,608,267)	(19,517)	5,559	(8,622,225)	-	(8,622,225)
Related-party payable	-	-	41,158	41,158	(41,158)	-
Interest payable	(1,482)	-	277,500	276,018	-	276,018
Tenant security deposits liability	161,674	-	-	161,674	-	161,674
Net cash provided by (used in) operating activities	25,615,310	1,102,123	(36,433)	26,681,000	-	26,681,000

BRILLIANT CORNERS AND AFFILIATES
COMBINING SCHEDULE OF CASH FLOWS

JUNE 30, 2021

	<i>Brilliant Corners</i>	<i>A Home For Life, LLC</i>	<i>WBHC LA Supportive Housing, LLC</i>	<i>Subtotal</i>	<i>Eliminations</i>	<i>Total</i>
Cash flows from investing activities:						
Decrease in short-term investments	1,001,907	-	-	1,001,907	-	1,001,907
Decrease in notes receivable	30,000	-	-	30,000	-	30,000
Purchase of property and equipment	(27,505,763)	(44,389)	-	(27,550,152)	-	(27,550,152)
Net cash used in investing activities	(26,473,856)	(44,389)	-	(26,518,245)	-	(26,518,245)
Cash flows from financing activities:						
Payment of debt issuance costs	(297,485)	-	-	(297,485)	-	(297,485)
Proceeds from real estate debt	12,638,325	-	-	12,638,325	-	12,638,325
Payments of real estate debt	(2,318,960)	(1,180,911)	-	(3,499,871)	-	(3,499,871)
Net cash provided by (used in) financing activities	10,021,880	(1,180,911)	-	8,840,969	-	8,840,969
Net increase (decrease) in cash, cash equivalents, and restricted cash	9,163,334	(123,177)	(36,433)	9,003,724	-	9,003,724
Cash, cash equivalents, and restricted cash, beginning of year	29,693,706	2,178,988	363,336	32,236,030	-	32,236,030
Cash, cash equivalents and restricted cash, end of year	\$ 38,857,040	\$ 2,055,811	\$ 326,903	\$ 41,239,754	\$ -	\$ 41,239,754
Supplementary information:						
Cash paid for interest – net of capitalized portion	\$ 5,102,549	\$ 603,381	\$ -	\$ 5,705,930	\$ -	\$ 5,705,930
Cash and cash equivalents	\$ 35,187,607	\$ 17,561	\$ 124,133	\$ 35,329,301	\$ -	\$ 35,329,301
Restricted cash	3,669,433	2,038,250	202,770	5,910,453	-	5,910,453
Total cash, cash equivalents and restricted cash shown in the combining schedule of cash flows	\$ 38,857,040	\$ 2,055,811	\$ 326,903	\$ 41,239,754	\$ -	\$ 41,239,754

**SUPPLEMENTARY INFORMATION REQUIRED BY SAN FRANCISCO
MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT
(MOHCD)**

BRILLIANT CORNERS AND AFFILIATES
 SUPPLEMENTARY INFORMATION REQUIRED BY MOHCD
 SCHEDULE OF OPERATING REVENUES AND EXPENSES
 YEAR ENDED JUNE 30, 2021

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

	Rental income:	
5120	Gross potential tenant rents	\$ 157,120
5121	Rental assistance payments (inc. LOSP)	-
5140	Commercial unit rents	-
	Total rental income	<u>157,120</u>
	Vacancies:	
5220	Apartments	-
5240	Stores and commercial	-
	Total vacancies	<u>-</u>
	Net rental revenue (rental income less vacancies)	<u>157,120</u>
	Other revenue:	
5170	Rent revenue – garage and parking	-
5190	Miscellaneous rent revenue	-
5300	Supportive services income	-
5400	Interest revenue – project operations (from operating account only)	-
5400	Interest revenue – project operations (from all other accounts)	-
5910	Laundry and vending revenue	-
5920	Tenant charges	-
5990	Miscellaneous revenue (see details)	-
	Total other revenue	<u>-</u>
	Total revenue	<u>157,120</u>

BRILLIANT CORNERS AND AFFILIATES
SUPPLEMENTARY INFORMATION REQUIRED BY MOHCD
SCHEDULE OF OPERATING REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2021

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

	Management expenses:	
6320	Management fee	-
	"Above the line" asset management fee	-
	Total management expenses	<u>-</u>
	Salaries/benefits:	
6310	Office salaries	10,522
6330	Manager's salary	-
6723	Employee benefits: health insurance and disability insurance	1,080
	Employee benefits: retirement and other salary/benefit expenses	418
6331	Administrative rent free unit	-
	Total salary/benefits expenses	<u>12,020</u>
	Administrative:	
6210	Advertising and marketing	-
6311	Office expenses	258
6312	Office rent	828
6340	Legal expense – property	119
6350	Audit expense	-
6351	Bookkeeping/accounting services	-
6370	Bad debts	26
6390	Miscellaneous administrative expenses	731
	Total administrative expenses	<u>1,962</u>
	Utilities:	
6450	Electricity	31
6451	Water	2,809
6452	Gas	-
6453	Sewer	3,216
	Total utilities expenses	<u>6,056</u>
	Taxes and licenses:	
6710	Real estate taxes	16,121
6711	Payroll taxes (project's share)	809
6790	Miscellaneous taxes, licenses, permits and insurance	5
	Total taxes and licenses expenses	<u>16,935</u>
	Insurance:	
6720	Property and liability insurance (hazard)	2,229
6721	Fidelity bond insurance	-
6722	Workers' compensation	-
6724	Director and officers liabilities insurance	-
	Total insurance expenses	<u>2,229</u>

BRILLIANT CORNERS AND AFFILIATES
SUPPLEMENTARY INFORMATION REQUIRED BY MOHCD
SCHEDULE OF OPERATING REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2021

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

	Maintenance and repairs:	
6510	Payroll	-
6515	Supplies	1
6520	Contracts	314
6525	Garbage and trash removal	723
6530	Security payroll/contracts	-
6546	HVAC repairs and maintenance	658
6570	Vehicle and maintenance equipment operation and repairs	1,772
6590	Miscellaneous operating and maintenance expenses (see details)	4,383
	Total maintenance and repairs expenses	<u>7,851</u>
6900	Supportive services	<u>-</u>
	Capital and non-capital expenditures to be reimbursed from replacement reserve	<u>-</u>
	Total operating expenses	<u>47,053</u>
	Financial expenses:	
6820	Interest on mortgage (or bonds) payable	15,127
6825	Interest on other mortgages	-
6830	Interest on notes payable (long term)	-
6840	Interest on notes payable (short term)	-
6850	Mortgage insurance premium/service charge	-
6890	Miscellaneous financial expenses	-
	Total financial expenses	<u>15,127</u>
6000	Total cost of operations before depreciation	62,180
5060	Operating profit before depreciation	94,940
	Depreciation and amortization expenses:	
6600	Depreciation expense	18,823
6610	Amortization expense	<u>-</u>
	Operating income	<u>76,117</u>
	Net entity expenses:	
7190	Other expenses	<u>-</u>
	Total net entity expenses	<u>-</u>
3250	Change in total net assets from operations	<u>\$ 76,117</u>

BRILLIANT CORNERS AND AFFILIATES
 SUPPLEMENTARY INFORMATION REQUIRED BY MOHCD
 COMPUTATION OF SURPLUS CASH
 YEAR ENDED JUNE 30, 2021

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

Operating revenue	\$ 157,120
Operating expenses	<u>47,053</u>
Net adjusted operating income	<u>110,067</u>
Other activities:	
Mandatory debt service – principal	(79,477)
Mandatory debt service – interest	(15,126)
Deposits to replacement reserve account	<u>(4,800)</u>
Total other activities	<u>(99,403)</u>
 Surplus cash	 <u><u>\$ 10,664</u></u>
 Distribution of surplus cash:	
To repay outstanding loan	<u><u>\$ 10,664</u></u>

BRILLIANT CORNERS AND AFFILIATES
 SUPPLEMENTARY INFORMATION REQUIRED BY MOHCD
 SUMMARY OF REPLACEMENT RESERVE AND
 OPERATING RESERVE ACTIVITIES
 YEAR ENDED JUNE 30, 2021

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

	<i>Replacement Reserve</i>	<i>Operating Reserve</i>
Balance, June 30, 2020	\$ 39,390	\$ 45,389
Deposits	4,800	-
Interest earned	-	-
Withdrawals	-	-
Balance, June 30, 2021	\$ 44,190	\$ 45,389



ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
SCOTT K. SMITH
CRISANTO S. FRANCISCO
JOE F. HUIE

SHERMAN G. LEONG

Board of Directors
Brilliant Corners
San Francisco, California

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brilliant Corners, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brilliant Corners’ internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brilliant Corners’ internal control. Accordingly, we do not express an opinion on the effectiveness of Brilliant Corners’ 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 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 Brilliant Corners' 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.

Lindquist, von Husen and Joyce LLP

February 15, 2022

BRILLIANT CORNERS

(A California Nonprofit Public Benefit Corporation)

**INTERNAL CONTROL AND
COMPLIANCE REPORTS AND
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2021

BRILLIANT CORNERS
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance and on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	5

* * * *



Board of Directors
Brilliant Corners
San Francisco, California

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
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SHERMAN G. LEONG

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited Brilliant Corners’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brilliant Corners’ major federal programs for the year ended June 30, 2021. Brilliant Corners’ major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Brilliant Corners’ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brilliant Corners’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Brilliant Corners’ compliance.

Opinion on Each Major Federal Program

In our opinion, Brilliant Corners complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Brilliant Corners is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Corners' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brilliant Corners' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

Brilliant Corners' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Brilliant Corners' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Brilliant Corners as of and for the year ended June 30, 2021, and have issued our report thereon dated February 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Lindquist, von Hoven and Joyce LLP

September 21, 2022

BRILLIANT CORNERS
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

<i>Federal Grantor/Pass-Through Grantor/Title</i>	<i>Federal Assistance Listing (AL) Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>Centers for Disease Control and Prevention:</u>			
Pass-through award:			
Los Angeles County Department of Health Services – COVID-19 Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity of Infectious Disease and Emerging Infections Program Cooperative Agreements	93.521	H-705430	\$ 13,983,293
<u>United States Department of Justice:</u>			
Pass-through award:			
Los Angeles County Department of Health Services – Coronavirus Emergency Supplemental Funding Program	16.034	H-705430	1,928,927
<u>United States Department of the Treasury:</u>			
Pass-through award:			
Los Angeles County Department of Health Services – Coronavirus Relief Fund	21.019	H-705430	<u>47,917,418</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 63,829,638</u></u>

BRILLIANT CORNERS

(A California Nonprofit Public Benefit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant and loan activities of Brilliant Corners and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The purpose of the Schedule is to present a summary of those activities of Brilliant Corners for the year ended June 30, 2021, which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between Brilliant Corners and the federal government. Assistance Listing (AL) numbers are included as indicated by pass-through grantors. Brilliant Corners did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

BRILLIANT CORNERS
(A California Nonprofit Public Benefit Corporation)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? X Yes _____ No

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? X Yes _____ No

Identification of major programs: Name of Federal Program or Cluster

AL 93.521 Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infections Program Cooperative Agreements Building Epidemiology.

AL 21.019 Coronavirus Relief Fund

AL 16.034 Coronavirus Emergency Supplemental Funding Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

None noted.

BRILLIANT CORNERS
(A California Nonprofit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

Section III – Federal Awards Findings and Questioned Costs

Reference Number: 2021-001
Federal Program Title: CRF; Building Epidemiology; CESF
Federal Assistance Listing Number: ALs 21.019; 93.521; 16.034
Federal Agency: U.S. Dept of Health and Human Services
Pass-Through Entity: Los Angeles County Department of Health Services
Federal Award Number and Year: H-705430 Fiscal Year 2021
Name of Department: Department of Public Health
Category of Finding: Cash Management

Criteria

As required by 2 CFR §200.305(b)(8) a non-federal entity must maintain advance payments of federal awards in interest-bearing accounts.

Condition

Brilliant Corners did not deposit advance payments of federal funds into interest-bearing accounts.

Cause

Brilliant Corners inadvertently omitted this procedure.

Effect

Failure to deposit into interest-bearing accounts could increase the risk that funds have not been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Questioned Costs

Questioned costs were not identified.

Context

Brilliant Corners deposits advance payment of federal awards in non-interest bearing accounts. This could lead to failure to comply with remittance procedures for any additional interest (above \$500 per year) earned on Federal advance payments deposited in interest-bearing accounts that must be remitted annually to the Department of Health and Human Services Payment Management System (PMS).

The sample tested was not a statistically valid sample.

Recommendation

We recommend that Brilliant Corners establish written procedures to properly account for and deposit advance payments of federal awards in interest-bearing accounts to comply with 2 CFR §200.305(b)(8).

Views of Responsible Officials and Planned Corrective Action

1. Person responsible: Cris Nava, Finance Director
2. Corrective action plan: The Organization agrees with the finding. Brilliant Corners will establish written procedures to properly account for and receive federally advanced funds into separate interest-bearing accounts.



CORRECTIVE ACTION PLAN

September 21, 2022

Cognizant or Oversight Agencies for Audit:

Department of Health and Human Services
Department of Justice
Department of the Treasury

Brilliant Corners respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Lindquist, von Husen & Joyce LLP
301 Howard Street, Suite 850
San Francisco, CA 94105

Audit period: July 1, 2020 through June 30, 2021

The findings from the 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Federal Award Programs Audits

Significant Deficiency

Reference Number:	2021-001
Federal Program Title:	CRF; Building Epidemiology; CESF
Federal Assistance Listing Number:	ALs 21.019; 93.521; 16.034
Federal Agency:	U.S. Dept of Health and Human Services
Pass-Through Entity:	Los Angeles County Department of Health
Federal Award Number and Year:	H-705430 Fiscal Year 2021
Name of Department:	Department of Public Health
Category of Finding:	Cash Management

Criteria

As required by 2 CFR §200.305(b)(8) a non-federal entity must maintain advance payments of federal awards in interest-bearing accounts.

Condition

Brilliant Corners did not deposit advance payments of federal funds into interest-bearing accounts.

Cause

Brilliant Corners inadvertently omitted this procedure.



Effect

Failure to deposit into interest-bearing accounts could increase the risk that funds have not been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Questioned Costs

Questioned costs were not identified.

Context

Brilliant Corners deposits advance payment of federal awards in non-interest bearing accounts. This could lead to failure to comply with remittance procedures for any additional interest (above \$500 per year) earned on Federal advance payments deposited in interest-bearing accounts that must be remitted annually to the Department of Health and Human Services Payment Management System (PMS).

The sample tested was not a statistically valid sample.

Recommendation

We recommend that Brilliant Corners establish written procedures to properly account for and deposit advance payments of federal awards in interest-bearing accounts to comply with 2 CFR §200.305(b)(8).

Views of Responsible Officials and Planned Corrective Action

1. Person responsible: Cris Nava, Finance Director
2. Corrective action plan: The Organization agrees with the finding. Brilliant Corners will establish written procedures to properly account for and receive federally advanced funds into separate interest-bearing accounts.

Anticipated completion date for the corrective action: January 2023.

If the Cognizant or Oversight Agency for Audit has questions regarding this plan, please contact Cris Nava at cnav@brilliantcorners.org or (415) 618-0012.

Sincerely,

A handwritten signature in black ink, appearing to be "C Nava", written in a cursive style.

Cristobal Nava
Director of Finance
Brilliant Corners