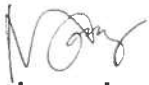


Date: December 15, 2022
 To: Build Hope, Inc Board of Directors
 From: Marlene Garza, Treasurer 
SUBJECT: 2021 Audited Financial Statements

This memo briefly summarizes the key 2021 financial outcomes for Build HOPE, Inc. (BHI) as reported in the 2021 Basic Financial Statements and Independent Auditor's Reports.

AUDITOR OPINION

The financial activity of KPI was audited by Berman Hopkins Wright & LaHam, CPAs & Associates (Berman Hopkins) according to *Government Auditing Standards* issued by the Comptroller of the United States. Berman Hopkins was given access to all BHI financial records without restriction. Based on this review, Berman Hopkins has opined that BHI's financial statements are fairly presented in all material respects and has not identified any findings for concern. This opinion was issued June 30, 2022.

2021 REVENUE AND EXPENSES

Revenue: In 2020, BHI played a critical role in COVID-19 emergency response, which is reflected in donations received that year. In 2021, revenue returned to more typical activity. Donations of almost \$70,000 included \$10,000 from the Price Philanthropies Foundations for scholarship, \$25,000 from the California Community Foundation for meals, and \$25,000 from Kaiser Permanente without restriction.

	2021	2020
Revenues		
Program revenues - operating contributions:		
Donations	\$ 69,707	\$ 480,576
Grants	4,456	-
Other government grants	10,982	15,000
Other income	-	295
Total program revenues	85,145	495,871
General revenues:		
Transfers from the Housing Authority	194,212	167,901
Total revenues	279,357	663,772

In addition to these donations, other revenue included the transfer of \$194,000 from LA LOMOD, for total revenue of almost \$280,000.

Expenses: In 2020, BHI expended \$592,000 on various activities as compared to \$225,000 in 2021. Of the 2021 expenses, the majority of expenses, \$142,000, was dedicated to Resident Services, including:

	2021	2020
Broadband services	\$ 90,289	\$ 63,082
Resident stipend	-	450
Supportive services	25,825	456,342
Telecomm services and maintenance	20,153	19,874
Youth scholarship awards	5,500	20,000
Total Tenant Services	\$ 141,767	\$ 559,748

2021 NET POSITION

As a result of this activity, BHI's Net Position at 2021 year-end was \$180,000, an increase of \$54,000.

BUILD HOPE, INC.
**(A Component Unit of the Housing Authority of the
City of Los Angeles)**

**Basic Financial Statements and
Independent Auditor's Reports**

**For the Years Ended
December 31, 2021 and 2020**

Table of Contents

	<i>Page(s)</i>
Independent Auditor's Report	1
Basic Financial Statements:	
Statements of Net Position and Governmental Fund Balance Sheets	5
Statements of Activities and Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance	6
Notes to Basic Financial Statements	7
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>	13

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Build Hope, Inc.
Los Angeles, California

Report on the Audit of the Basic Financial Statements

Opinion

We have audited the accompanying basic financial statements of the general fund of Build Hope, Inc. ("Build Hope"), a component unit of the Housing Authority of the City of Los Angeles (the "Housing Authority"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the basic financial statements, which collectively comprise Build Hope's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Build Hope, as of December 31, 2021 and 2020, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of Build Hope, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Basic Financial Statements

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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Build Hope's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Basic Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Build Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Build Hope's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of Build Hope's 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 Build Hope's 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 Build Hope's internal control over financial reporting and compliance.

June 30, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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BUILD HOPE, INC.**(A Component Unit of the Housing Authority of the City of Los Angeles)**

Statements of Net Position and Governmental Fund Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash - Unrestricted	\$ 96,439	\$ 31,465
Cash - Restricted	284,051	109,570
Prepaid expenses	5,325	4,400
Total assets	<u>\$ 385,815</u>	<u>\$ 145,435</u>
Liabilities		
Accounts payable	\$ 10,115	\$ 11,217
Accrued liabilities	50,029	8,563
Unearned revenue	145,544	-
Total liabilities	<u>205,688</u>	<u>19,780</u>
Fund balance/Net position		
Restricted for:		
Scholarship	14,500	10,000
Digital literacy	10,700	10,700
Workforce development	2,628	2,628
San Fernando Gardens	4,400	9,748
Jordan Downs	4,200	1,500
William Mead	4,578	4,578
Other	93,045	63,130
Unrestricted/Unassigned	46,076	23,371
Total fund balance/net position	<u>180,127</u>	<u>125,655</u>
Total liabilities and fund balance/net position	<u>\$ 385,815</u>	<u>\$ 145,435</u>

See Accompanying Notes to Basic Financial Statements.

BUILD HOPE, INC.**(A Component Unit of the Housing Authority of the City of Los Angeles)**

Statements of Activities and Governmental Fund Statements of

Revenues, Expenditures and Changes in Fund Balance

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues - operating contributions:		
Donations	\$ 69,707	\$ 480,576
Grants	4,456	-
Other government grants	10,982	15,000
Other income	-	295
Total program revenues	<u>85,145</u>	<u>495,871</u>
General revenues:		
Transfers from the Housing Authority	<u>194,212</u>	<u>167,901</u>
Total revenues	<u>279,357</u>	<u>663,772</u>
Expenditures/expenses		
Administrative salaries and benefits	3,103	-
Administrative and general expenses	80,015	31,983
Tenant services	<u>141,767</u>	<u>559,748</u>
Total expenditures/expenses	<u>224,885</u>	<u>591,731</u>
Excess of revenues over expenditures/expenses	<u>54,472</u>	<u>72,041</u>
Change in fund balance/net position	54,472	72,041
Fund balance/net position, beginning of year	<u>125,655</u>	<u>53,614</u>
Fund balance/net position, end of year	<u>\$ 180,127</u>	<u>\$ 125,655</u>

See Accompanying Notes to Basic Financial Statements.

BUILD HOPE, INC.

(A Component Unit of the Housing Authority of the City of Los Angeles)

Notes to Basic Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Build Hope, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the organization are described below.

(a) Organization

Build Hope, Inc. was founded on October 17, 2002 as a California non-profit public benefit corporation to improve the quality of life of low income families, children and seniors by providing increased educational, artistic, cultural and technical opportunities and other benefits to low income families, children and seniors in public housing programs provided by the Housing Authority of the City of Los Angeles (Housing Authority). On May 28, 2020 the Board of Commissioners approved the name change, the amended and restated Article of Incorporation, and the fifth restated and amended Bylaws. The certificate of Restated Articles of Incorporation was filed, and the Secretary of State approved the name change to Build Hope, Inc. on September 17, 2020. Build Hope, Inc. is a component unit of the Housing Authority since the Housing Authority appoints a voting majority of the governing body, and the Housing Authority's Board of Commissioners must approve all amendments to the Articles of Build Hope, Inc. In addition, there is a financial benefit or burden relationship, and the Housing Authority has operational responsibility for the organization.

The accompanying financial statements present only the net position/fund balance and changes in net position/fund balance of Build Hope, Inc. These financial statements are not intended to present the financial position and the changes in financial position or cash flows of the Housing Authority.

(b) Measurement Focus and Basis of Accounting

Government-wide Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of Build Hope, Inc. are included on the statements of net position. The statements of activities present a comparison of the direct expenses and program revenues for Build Hope, Inc.'s governmental activities.

BUILD HOPE, INC.

(A Component Unit of the Housing Authority of the City of Los Angeles)

Notes to Basic Financial Statements (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Measurement Focus and Basis of Accounting (Continued)

Government-wide Financial Statements (Continued)

Program revenues include private donations. General revenues are all revenues that do not qualify as program revenues and include revenues provided by the Housing Authority. Net position represents the resources that Build Hope, Inc. has available for use in providing services.

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of Build Hope, Inc.'s general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current assets. All operations of Build Hope, Inc. are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 60 days after year-end. Revenues susceptible to accrual include grant revenues and revenues provided by the Housing Authority. Expenditures are recognized in the accounting period in which the fund liability is incurred.

The government-wide and fund financial statements are presented in a single statement as there are no reconciling items between the modified accrual basis of accounting and accrual basis of accounting.

(c) Cash

Cash maintained in the checking account is classified as cash. Restricted cash is specified by donors for a specific purpose. Unrestricted cash is for general operating use.

(d) Components of Fund Balance/Net Position

Fund balance/net position comprises the various net earnings from operating income, nonoperating revenues and expenditures/expenses.

BUILD HOPE, INC.

(A Component Unit of the Housing Authority of the City of Los Angeles)

Notes to Basic Financial Statements (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Components of Fund Balance/Net Position (Continued)

Fund Balance is classified in the following components:

Restricted Fund Balance – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the conditions of the account.

Unassigned Fund Balance – Includes amounts that are not assigned to other funds and do not meet the criteria for being classified as restricted in the General Fund.

Net position is classified in the following components:

Restricted – This component of net position consists of constraints imposed by donors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of resources of Build Hope, Inc. that can be used for any purpose.

(e) Policy Regarding Use of Restricted and Unrestricted Resources

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, Build Hope, Inc. will utilize restricted resources first, and then unrestricted resources as needed.

(f) Donations

Donations, including unconditional promises to give, are recorded as made. All donations are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when contributions are substantially met. Unconditional promises to give are reported at the present value of their net realizable value applicable to the years in which the promises are to be received.

BUILD HOPE, INC.**(A Component Unit of the Housing Authority of the City of Los Angeles)**

Notes to Basic Financial Statements (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Donations (Continued)**

The following donations were received from various donors for the years ended December 31, 2021 and 2020 as listed below:

	<u>2021</u>	<u>2020</u>
Purpose		
Scholarships	\$ 10,000	\$ 10,000
Tenant supportive services		
Public housing events	9,600	6,500
Public housing senior rent donation	-	89,322
Meals for public housing tenants	25,000	346,614
Worksource center van purchase	-	27,500
Other	25,107	640
Total Donations	<u>\$ 69,707</u>	<u>\$ 480,576</u>

In 2021 the \$10,000 donation for scholarships was provide by the Price Philanthropies Foundation, the \$25,000 donation for meals for public housing residents was from the California Community Foundation, and \$25,000 in other donations was from Kaiser Permanente and is unrestricted. The total donations for years ended December 31, 2021 and 2020 were \$69,707 and \$480,576, respectively.

(g) Transfers from the Housing Authority

The amount reported as general revenues represents transfers from the Housing Authority to Build Hope, Inc. to support the operation of the entity. The total transfers from the Housing Authority for the years ended December 31, 2021 and 2020 were \$194,212 and \$167,901, respectively.

(h) Administrative and General Expenses

Administrative and general expenses include audit fees, office supplies, general liability insurance and miscellaneous administrative expenses. The total administrative and general expenses incurred for the years ended December 31, 2021 and 2020 were \$80,015 and \$31,983, respectively.

	<u>2021</u>	<u>2020</u>
Auditing	\$ 13,000	\$ 11,432
Insurance	6,207	6,056
Office expenses	3,835	1,971
Other administrative	56,973	12,524
Total	<u>\$ 80,015</u>	<u>\$ 31,983</u>

BUILD HOPE, INC.**(A Component Unit of the Housing Authority of the City of Los Angeles)**

Notes to Basic Financial Statements (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(i) Tenant Services Expenses**

Tenant Services represents costs incurred for services directly related to meeting resident needs and supporting a service-enriched environment. The total tenant services expenses incurred for the years ended December 31, 2021 and 2020 were \$141,767 and \$559,748, respectively.

	<u>2021</u>	<u>2020</u>
Broadband services	\$ 90,289	\$ 63,082
Resident stipend	-	450
Supportive services	25,825	456,342
Telecomm services and maintenance	20,153	19,874
Youth scholarship awards	5,500	20,000
Total Tenant Services	<u>\$ 141,767</u>	<u>\$ 559,748</u>

(j) Income Taxes

Build Hope, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701d of the California Revenue and Taxation Code. Therefore, no provision is made for federal and state income taxes.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH

Cash as of December 31, 2021 and 2020 is classified in the accompanying statements of net position/balance sheets as follows:

	<u>2021</u>	<u>2020</u>
Cash - Unrestricted	\$ 96,439	\$ 31,465
Cash - Restricted	284,051	109,570
Total Cash	<u>\$ 380,490</u>	<u>\$ 141,035</u>

BUILD HOPE, INC.**(A Component Unit of the Housing Authority of the City of Los Angeles)**

Notes to Basic Financial Statements (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE 2 – CASH (Continued)**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Build Hope, Inc. follows the parameters established by the Housing Authority's Investment Policy. In addition, Build Hope, Inc. maintains its cash accounts with other Housing Authority's accounts at high credit quality financial institutions. The California Government Code and the Housing Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Build Hope, Inc.'s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of December 31, 2021 and 2020, Build Hope, Inc. was not exposed to custodial credit risk.

NOTE 3 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2022, the date that the basic financial statements were available to be issued and noted no additional significant items to be disclosed.

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

Board of Directors
Build Hope, Inc.
Los Angeles, California

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 combined financial statements of the Build Hope, Inc. (“Build Hope”), a component unit of the Housing Authority of the City of Los Angeles (the “Housing Authority”), as of and for the year ended December 31, 2021, and the related notes to the basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Build Hope’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Build Hope’s internal control. Accordingly, we do not express an opinion on the effectiveness of Build Hope’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 combined 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Build Hope's basic 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 basic 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 Build Hope's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Build Hope's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 30, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP