



**THE BROTHER BENNO FOUNDATION, INC.**

**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT**

**As of and For**

**THE YEAR ENDED JUNE 30, 2025**

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**MILLER CPA GROUP, P.C.**  
— AN AUDITING AND CONSULTING FIRM —

**THE BROTHER BENNO FOUNDATION, INC.**  
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**For the Year Ended June 30, 2025**

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AN AUDITING AND CONSULTING FIRM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of The Brother Benno Foundation, Inc.

### ***Opinion***

We have audited the accompanying financial statements of The Brother Benno Foundation, Inc. (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brother Benno Foundation, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Brother Benno Foundation, Inc. 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Brother Benno Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 The Brother Benno Foundation, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Brother Benno Foundation, Inc.'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.

Miller CPA Group, P.C.

Carlsbad, California  
December 5, 2025

**THE BROTHER BENNO FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2025**

	<b>2025</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 2,243,654
Accounts receivable	2,732
Contribution receivable	128,187
Grant receivables	79,745
Other receivables	1,959
Investments, short term	1,254,749
Inventory	87,768
Prepaid expenses and other assets	43,857
<b>Total Current Assets</b>	<b>3,842,651</b>
<b>Non-current Assets</b>	
Property and equipment, net of accumulated depreciation	3,770,831
Investments, long term	59,147
Investments, permanently restricted by donor endowment	503,000
Right-of-use asset, operating lease, net of accumulated amortization	236,304
<b>Total Assets</b>	<b>\$ 8,411,933</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 265,495
Deferred revenue	6,850
Operating lease obligation, current portion	148,535
<b>Total Current Liabilities</b>	<b>420,880</b>
<b>Non-current Liabilities</b>	
Operating lease obligation, net of current portion	87,769
<b>Total Liabilities</b>	<b>508,649</b>
<b>Commitments and Contingencies</b>	
<b>Net Assets</b>	
Without donor restrictions	6,958,432
With donor restrictions	944,852
<b>Total Net Assets</b>	<b>7,903,284</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,411,933</b>

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

**THE BROTHER BENNO FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025**

	<b>2025</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
<b>Support and Revenue</b>			
Contributions and grants	\$ 3,353,843	421,471	\$ 3,775,314
Contributed nonfinancial assets	4,192,135	-	4,192,135
Government grants	-	10,000	10,000
Special events less direct expenses of \$44,785	319,751	-	319,751
Thrift shop revenue	879,339	-	879,339
Rental income	134,037	-	134,037
Interest income	544	-	544
Investment income	78,646	27,856	106,502
Loss on disposal of fixed assets	(50,047)	-	(50,047)
Miscellaneous income	59,267	-	59,267
Net assets released from restrictions	361,891	(361,891)	-
<b>Total Support and Revenue</b>	<b>9,329,406</b>	<b>97,436</b>	<b>9,426,842</b>
<b>Expenses</b>			
Program services			
Poor & Homeless Services	4,371,499	-	4,371,499
Case Management	792,524	-	792,524
Recovery Program	325,768	-	325,768
Thrift Shop	1,405,753	-	1,405,753
	6,895,544	-	6,895,544
Supporting services			
Management and general	1,275,062	-	1,275,062
<b>Total Expenses</b>	<b>8,170,606</b>	<b>-</b>	<b>8,170,606</b>
<b>Change in Net Assets</b>	<b>1,158,800</b>	<b>97,436</b>	<b>1,256,236</b>
<b>Net Assets, Beginning</b>	<b>5,797,393</b>	<b>847,416</b>	<b>6,644,809</b>
<b>Prior Period Adjustment</b>	<b>2,239</b>	<b>-</b>	<b>2,239</b>
<b>Net Assets, Beginning as Restated</b>	<b>5,799,632</b>	<b>847,416</b>	<b>6,647,048</b>
<b>Net Assets, Ending</b>	<b>\$ 6,958,432</b>	<b>\$ 944,852</b>	<b>\$ 7,903,284</b>

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

**THE BROTHER BENNO FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2025

	<b>Program Services</b>					<b>Total</b>
	<b>Poor &amp; Homeless Services</b>	<b>Case Management</b>	<b>Recovery Program</b>	<b>Thrift Shop</b>	<b>Management and General</b>	
Grants and assistance	\$ 1,355	\$ 538,041	\$ 1,425	\$ -	\$ -	\$ 540,821
Direct program expenses	57,254	13,454	40,356	8,324	-	119,388
Charitable In-kind	3,587,636	-	1,960	602,026	513	4,192,135
Salaries and wages	374,067	145,929	123,856	385,142	387,689	1,416,683
Payroll taxes	125,485	57,778	33,573	133,055	134,495	484,386
Employee benefits	22,624	8,826	7,491	23,293	22,592	84,826
Professional fees	-	-	-	-	180,232	180,232
Advertising	-	-	-	393	20	413
Office expenses	88	-	-	24,965	109,581	134,634
Information technology	-	-	-	-	18,223	18,223
Occupancy	538	-	52,575	204,773	147,001	404,887
Travel	58	1,352	-	215	1,223	2,848
Depreciation	44,325	-	56,684	4,252	129,648	234,909
Insurance	18,550	-	-	3,974	47,621	70,145
Repairs and maintenance	-	-	6,879	92	37,979	44,950
Equipment rental	7,334	-	-	-	11,494	18,828
Supplies	69,581	101	969	5,034	12,689	88,374
Auto expenses	61,644	26,023	-	8,222	2,128	98,017
Miscellaneous	960	1,020	-	1,993	31,934	35,907
<b>Total Expenses</b>	<b>\$ 4,371,499</b>	<b>\$ 792,524</b>	<b>\$ 325,768</b>	<b>\$ 1,405,753</b>	<b>\$ 1,275,062</b>	<b>\$ 8,170,606</b>

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

**THE BROTHER BENNO FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2025**

	<b>2025</b>
<b>Cash Flows From Operating Activities</b>	
<b>Change in net assets</b>	\$ 1,256,236
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	234,909
Loss on disposal of fixed assets	50,047
Amortization, right-of-use asset - operating	172,698
Contributed securities	(14,297)
Proceeds from sale of contributed securities	13,339
Loss on sale of contributed securities	958
Realized and unrealized gains on investments	22,363
Donated resale inventory	(27,391)
Changes in operating assets and liabilities	
Accounts receivable	(2,732)
Contribution receivable	(10,437)
Grant receivables	193,340
Other receivables	17,380
Prepaid expenses and other assets	(3,659)
Accounts payable and accrued expenses	(132,188)
Deferred revenue	(10,441)
Operating lease obligations	(174,936)
<b>Net Cash Provided by Operating Activities</b>	<b>1,585,189</b>
<b>Cash Flows From Investing Activities</b>	
Purchases of property and equipment	(193,391)
Proceeds from sales of investments	400,000
Purchases of investments	(86,177)
<b>Net Cash Used by Investing Activities</b>	<b>120,432</b>
<b>Net Change in Cash</b>	1,705,621
<b>Cash, Beginning</b>	<b>538,033</b>
<b>Cash, Ending</b>	<b>\$ 2,243,654</b>

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

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 1. ORGANIZATION**

The Brother Benno Foundation, Inc. (the Foundation) was organized as a California nonprofit public benefit corporation in 1983 to provide assistance to the poor and needy in North San Diego County through congregate feeding, distribution of food, clothing, and offering temporary shelter, counseling, training, and support services to persons in substance-abuse programs. The Foundation is supported through donor contributions in addition to private and government grants.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Not-for-Profit Organizations (the Guide).

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. the Foundation's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and investment income. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

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

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurement to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurement for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The standard describes a three-tier hierarchy of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Due to the short-term nature of cash, accounts receivable, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and short-term, highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contribution and Pledge Receivables

Contribution and pledge receivables represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at the statement of financial position date. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, pledges are recorded net of an allowance.

An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior giving history, type of contribution, and collection risk. Based on its prior experience with donors and grantors, management expects the contributions and grants receivable to be fully collectible. Accordingly, no allowance was considered necessary as of June 30, 2025.

Conditional promises to give are recognized when the conditions (e.g., barriers) on which they depend are substantially met.

Grants Receivables

Grants receivables consist primarily of amounts due from private and governmental agencies. All such receivables are stated at the amount management expects to collect.

Investments

The Foundation accounts for investments in accordance with FASB ASC 958-320, Accounting for Certain Investments Held By Not-for-Profit Organizations. Investments are carried at fair market value in the statement of financial position. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in net assets without donor restriction unless restricted by donor or law. Investment return on net assets with donor restriction is reported as an increase in net assets without donor restriction if the asset restriction expires in the reporting period in which the income is recognized. All other restricted investment returns are reported as an increase in net assets with donor restriction, depending on the nature of the restriction.

Endowments

The Foundation records endowments in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. FASB accounting standards require additional disclosures about an organization's endowment funds (both donor-restricted and board designated endowment funds), whether or not the organization is subject to UPMIFA. The standard also requires classifying the portion of a donor-restricted endowment that is not classified as restricted in perpetuity as subject to time restriction until appropriated for expenditure.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Resale Shop Inventory

The resale shop inventory consists of items that have been donated by individuals in the community. Because many of the donations are used items, the value of donations is not readily determinable until such items are sold. Sales on donated items are recorded at the point of sale. Actual subsequent month sales of donated items are used to estimate the fair value of unsold inventory.

Property and Equipment

The Foundation capitalizes property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance, repairs, and minor renewals are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statement of activities for the period.

Leases

The Foundation determines if an arrangement contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation's right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the Foundation's obligation to make lease payments arising from the leases. The lease commencement date is when the asset is available for use and in possession of the Foundation. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Foundation recognizes payments for certain leases as expense when incurred including short-term leases with a lease term of twelve months or less and leases with future lease payments that are not considered material to the financial statements. These leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases (continued)

Finance lease assets (previously referred to as a capital lease before the adoption of ASU 2016-02) are depreciated on a straight-line basis over the lease term and are reported net on the statement of financial position. Interest expense associated with finance leases is recorded based on the incremental borrowing rate. The Foundation does not have any finance lease assets.

Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

Revenue Recognition

*Revenue from Contracts with Customers*

The Foundation recognizes revenue in accordance with ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606). Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Foundation generally measures revenue based on the amount of consideration the Foundation expects to be entitled for the transfer of goods to a customer, then recognizes this revenue when the Foundation satisfies its performance obligations.

The Foundation evaluates its revenue contracts with customers based on the five-step model under Topic 606: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to separate performance obligations; and (v) recognize revenue when (or as) each performance obligation is satisfied.

The Foundation has determined that thrift shop sales represent exchange transactions that must be recognized under ASC 606. The Foundation recognizes thrift shop sales at a point in time when the sale occurs and there is a transfer of goods to the customer. The Foundation has no further performance obligations related to sales and there are no additional services required by the Foundation.

*Program Revenue*

Program revenue comprises rental income revenue from graduates of the recovery support program living in graduate transitional housing. Rental income is recognized in the month earned.

*Special Events*

Special event revenues received are not recognized until the revenue is earned, which is at the time of the event or when the services are provided, and the Foundation does not believe it is required to provide additional goods or services to fulfill its related performance obligation. The recognition of revenue is conditional on the event taking place, as this is the point in time when the performance obligation of hosting the event occurs. The Foundation records special event revenue equal to contribution revenue less the cost of direct benefits to donors which is included in special event revenue on the statement of activities and changes in net assets.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition (continued)

*Government Grants and Assistance*

The Foundation receives direct government grants and pass-through funding from various non-profit organizations that are subrecipients of state funded and federal funding sources. As the beneficiary of the Foundation's programs receive the benefit, these transactions are determined not to be exchange transactions.

*Contributions and Support*

The Foundation recognizes revenue from contributions, including grants, in accordance with ASU 2018-08, Not-For-Profit Entities (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In accordance with Topic 958, the Foundation evaluates whether a transfer of assets is (i) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (ii) a contribution.

If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under Topic 606, discussed above. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (i) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised; and (ii) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are received. Unconditional promises are recognized at the estimated present value of future cash flows, discounted at a risk adjusted rate. Conditional promises to give are recognized when the conditions are met. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior giving history, type of contribution, collection risk, and nature of fund-raising activity.

Contributed revenue may include gifts of cash or promises to give. Contributions and grants are recognized as revenues in the period received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions and grants are not recognized until they become unconditional, that is, at the time when the conditions are substantially met. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition (continued)

*Contributed Nonfinancial Assets*

Contributed nonfinancial assets (in-kind) are recorded as support in the statement of activities. Such contributions are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Foundation's policy is to use contributed nonfinancial assets for programmatic or other purposes unless the assets have no utility consistent with the Foundation's mission. In those instances, the assets would be monetized. (See additional disclosures in Note 8)

*Contributed Services*

The Foundation utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Foundation with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services that do not meet the criteria for recognition as a contribution are not reflected in the financial statements.

Functional Expenses

It is the policy of the Foundation to ensure all expenses incurred are consistently and appropriately designated to their functional expense categories (program services and management) to allow for an accurate representation of the true program costs of the Foundation.

Functional expenses are allocated as follows:

*Direct Expense*

Direct expenses relate to one classification and can be directly charged as incurred.

*Shared Direct Expense*

Shared direct expenses are those that are incurred in support of program work and can be allocated. Examples of shared direct expenses include occupancy, information technology, office expenses, insurance, etc.

*Indirect Expense*

Indirect expenses are only those expenses that are administrative in function.

*Allocation Basis – Payroll*

The method of allocating costs for payroll is by the use of time studies. Employees document how time was being spent over a time period to determine, on average, where the employee is spending their time, whether it be program, management or fundraising.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Expenses

Expense Allocation Process

- Program: Costs that result in the Foundation fulfilling its mission.
- Management: Costs necessary for the operations of the Foundation that are not identifiable with a specific program or fundraising.

This allocation process achieves a complete distribution of expenses to program areas and provides the Foundation with an accurate understanding of true program costs.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any unrelated business income for the year ended June 30, 2025 and, therefore, no provision for income taxes has been made.

The Foundation follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Foundation believes that it has taken no significant uncertain tax positions for the year ended June 30, 2025. Management believes the Foundation is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to July 31, 2021.

Advertising

The Foundation expenses the cost of advertising as incurred. Advertising expense for the year ended June 30, 2025 was \$413.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Recent Accounting Pronouncements

The Foundation has evaluated all recently issued accounting pronouncements through the date of the independent auditors' report. Other than those disclosed above, management has determined that none are applicable to the financial statements or would have a material impact on the financial reporting or disclosures.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Foundation manages financial assets to be available for general expenditures, liabilities, and other obligations as they come due. Financial assets available within one year as of June 30, 2025:

Cash		\$ 2,243,654
Investments		1,816,896
Total financial assets		4,060,550
Less amounts not available to be used within one year:		
Restricted by donor with purpose restrictions		382,706
Restricted by donor with time restrictions held in endowment funds		59,147
Portion of donor-restricted endowment to be retained in perpetuity		503,000
		944,853
Financial assets available to meet general expenditures over the next twelve months		\$ 3,115,697

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Foundation has various sources of liquidity at its disposal, including cash and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Foundation throughout the year. As a result, management is aware of the cyclical nature of the Foundation’s cash flow related to the Foundation’s various funding sources and is therefore able to manage the cash available to meet current liquidity needs.

To help manage unanticipated liquidity needs, the Foundation can liquidate investments without donor restrictions totaling approximately \$1,250,000 at any time.

**NOTE 4. CONCENTRATION OF CREDIT RISK**

Cash

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash. The Foundation maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor, respectively. As of June 30, 2025, balances exceeded the FDIC limit of \$250,000 by \$948,322.

Risks and Uncertainties

The Foundation is invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 5. FAIR VALUE MEASUREMENTS**

The Foundation's investments consist of brokered certificates of deposit (CD) maturing within one to two years from June 30, 2025 and are stated at fair value based on quoted prices in active markets (all Level 1 measurements). The CDs are held by Royal Bank of Canada and Edwards Jones and insured by the FDIC.

The following table represents the financial instruments carried at fair value as of June 30, 2025:

<u>Asset Category</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 562,147	\$ 562,147	\$ -
Investments, current			
Short-term bond	<u>1,211,249</u>	<u>1,254,749</u>	<u>(43,500)</u>
	<u>\$ 1,773,396</u>	<u>\$ 1,816,896</u>	<u>\$ (43,500)</u>

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 2025:

Buildings and leasehold improvements	\$ 3,556,425
Equipment, furniture and fixtures	365,453
Automobiles	339,521
Other	<u>10,382</u>
Gross assets	4,271,781
Less: accumulated depreciation	<u>(2,193,286)</u>
	2,078,495
Construction in progress	315,577
Land	<u>1,376,759</u>
 Total property and equipment, net	 <u>\$ 3,770,831</u>

Depreciation expense for the year ended June 30, 2025 was \$234,909.

**NOTE 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following as of June 30, 2025:

Accounts payable	\$ 122,313
Accrued payroll expenses	86,793
Accrued expenses	47,525
Sales tax payable	6,820
Other payables	<u>2,044</u>
 Total accounts payable and accrued expenses	 <u>\$ 265,495</u>

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 8. CONTRIBUTED NONFINANCIAL ASSETS**

Revenues from contributions of nonfinancial assets recognized within the statement of activities were as follows for the year ended June 30, 2025:

Nonfinancial Asset	Value	Usage in programs/ activities	Donor imposed restrictions	Fair value techniques and inputs
Professional Services	\$ 1,960	Recovery	None	Estimates based on prices of identical or similar services (Level 3)
Gifts	513	Special Events	None	Estimates based on prices of identical or similar products (Level 3)
Food	3,587,636	Poor and homeless	None	Estimate value per pound based on cost studies (Level 3)
Clothing, household and other	602,026	Poor and homeless	None	Estimated fair market value (Level 3)
<b>Total</b>	<b>\$ 4,192,135</b>			

All gifts are recognized in accordance with donor restrictions, when applicable. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The Foundation did not sell contributed nonfinancial assets and utilized them in program use.

During the fiscal year ended June 30, 2025, the Foundation received approximately 1.79 million pounds of donated food products from local restaurants, grocery stores, and big-box retailers. These donations were provided by approximately 20 local donors, with three donors contributing approximately 70% of the total pounds received.

The donated food is recognized in the financial statements as both public support and a corresponding expense, measured at an estimated average fair value of \$2.00 per pound. This valuation is based on studies conducted by Feeding America, as reported in their audited financial statements for the fiscal year ended June 30, 2024. The estimated average fair value per pound for that year was \$1.97.

Feeding America’s annual valuation study includes a review of 31 food product categories using wholesale price data from national wholesaler catalogs. The average value per pound may vary from year to year depending on the mix of donated products and changes in wholesale prices. Feeding America reviews and analyzes the results of the study to ensure accuracy and to understand the factors contributing to valuation changes from year to year.

**NOTE 9. OPERATING LEASE**

The Foundation leases space for its thrift shop and administrative office space under operating lease agreements expiring on various dates through January 2027. Base monthly rental payments are \$16,230. The lease agreements do not contain any material residual value guarantees.

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 9. OPERATING LEASE (continued)**

The Foundation has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services). Therefore, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

The Foundation determines if an arrangement is or contains a lease at contract inception. The Foundation recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Foundation determines the discount rate, the lease term, and the lease payments. When the discount rate implicit in a lease is not readily determinable, the Foundation calculates the lease liability using the risk-free rate commensurate with the term of the lease.

The following summarizes the operating and finance right-of-use assets as of June 30, 2025:

Operating lease, right-of-use asset	\$	725,925
Accumulated amortization		<u>(489,621)</u>
	\$	<u>236,304</u>

The future minimum payments required under operating leases are as follows as of June 30, 2025:

<u>Year Ending June 30,</u>		
2026	\$	157,014
2027		<u>88,126</u>
Total lease payments		245,140
Less amount representing imputed interest		<u>(8,836)</u>
Present value of lease liability	\$	<u>236,304</u>

Right-of-use operating lease cost was \$172,903 for the year ended June 30, 2025 and is included in occupancy expenses in the statement of functional expenses.

Supplemental statement of financial position information related to leases is as follows for the year ended June 30, 2025:

Weighted average remaining lease term – operating lease	1.92 years
Weighted average discount rate – operating lease	2.94%

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 10. NET ASSETS**

Net assets with donor restrictions consist of the following as of June 30, 2025:

Purpose restricted:		
Center Operations	\$	4,493
Supportive Services		106,935
Recovery		31,779
Other programs		239,499
Time restricted:		
Available for appropriation from endowment funds		59,147
Permanent endowments:		
Corpus value		<u>503,000</u>
Total net assets with donor restrictions	\$	<u><u>944,853</u></u>

Net assets released from net assets with donor restrictions as of June 30, 2025:

Purpose restricted	\$	<u><u>361,891</u></u>
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**NOTE 11. ENDOWMENT**

The Foundation's endowment contains donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has identified a donor-imposed requirement to preserve the fair value of the original donation as of the date of the donations. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner that is consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

**THE BROTHER BENNO FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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**NOTE 11. ENDOWMENT (continued)**

Endowment composition consists of the following as of June 30, 2025:

Donor-restricted endowment funds	\$ 562,147
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Changes in endowment net assets consist of the following as of June 30, 2025:

Endowment net assets, beginning of year	\$ 534,290
Investment income	<u>27,857</u>
Endowment net assets, end of year	<u>\$ 562,147</u>

The following reflects the Foundation's endowment net asset composition by fund type as of June 30, 2025:

Original donor-restricted gift amounts required to be maintained in perpetuity:

Total original gift amounts	\$ 503,000
Portion of perpetual endowment funds subject to a time restriction under UPMIFA without purpose restriction	<u>59,147</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 562,147</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, a deficiency of this nature is reported as unrestricted net assets. There were no such deficiencies as of June 30, 2025.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowment. In order to meet this objective, the endowment investment portfolio is structured to achieve a compounded annual return commensurate with the portfolio's market-related index. The market-related index is made up of broad indices that are representative of the asset classes in which the portfolio is invested and is weighted in the same percentages as the portfolio weightings of these asset classes.

**NOTE 12. SPLIT-INTEREST GIFTS**

The Foundation is a beneficiary of a split-interest irrevocable charitable remainder trust which was created in 1993. Upon termination of the trust, the Foundation will receive 33.33% of the assets remaining in the trust. The trust fund is held by others and the present value of the estimated future amount to be received from the trust is not estimable therefore the investment has not been recorded.

**THE BROTHER BENNO FOUNDATION, INC.**  
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**NOTE 13. CONTINGENCIES**

From time to time, the Foundation is subject to various litigation as a result of its ongoing business activities. Management believes that the outcome of any such litigation will not have a material adverse effect on the Foundation's statement of financial position, results of operations, or liquidity.

**NOTE 14. PRIOR PERIOD ADJUSTMENT**

During the current year, the Foundation conducted a review of its fixed asset records and identified certain assets that should have not been included in the depreciation schedule . As a result, the Foundation adjusted fixed assets, the associated accumulated depreciation and asset balances as of the beginning of the current year. The adjustment has been recorded as a prior period adjustment to beginning net assets without donor restrictions. The effect of the adjustment increased beginning net assets without donor restrictions by \$2,239. This correction had no impact on current year operating results or total net assets as previously reported in the current year.

**NOTE 15. SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through December 5, 2025, the date which the financial statements were available to be issued.