



FINANCIAL STATEMENTS

December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East Bay Permanent Real Estate Cooperative, Inc.  
Oakland, California

We have audited the accompanying financial statements of East Bay Permanent Real Estate Cooperative, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, owners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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***

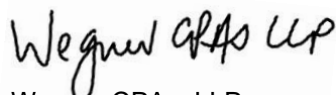
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of East Bay Permanent Real Estate Cooperative, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wegner CPAs, LLP  
Madison, Wisconsin  
February 15, 2021

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**BALANCE SHEETS**  
December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 365,735	\$ 327,309
Prepaid expenses	300	1,101
Total current assets	366,035	328,410
Property and equipment, net	1,374,203	-
<b>OTHER ASSETS</b>		
Deferred taxes	35,000	23,000
<b>Total assets</b>	<u>\$ 1,775,238</u>	<u>\$ 351,410</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,305	\$ 2,493
Accrued expenses	13,854	2,997
Current portion of long-term debt	18,636	17,441
Refundable grant advance	100,000	100,000
Total current liabilities	135,795	122,931
Long-term debt less current portion	88,923	107,559
Total liabilities	224,718	230,490
<b>OWNERS' EQUITY</b>		
Investor owner shares	268,984	200,300
Additional paid in capital	1,350,000	-
Accumulated deficit	(68,464)	(79,380)
Total owners' equity	1,550,520	120,920
<b>Total liabilities and owners' equity</b>	<u>\$ 1,775,238</u>	<u>\$ 351,410</u>

See accompanying notes.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**STATEMENTS OF INCOME**  
Years Ended December 31, 2020 and 2019

	2020	2019
REVENUE		
Membership dues	\$ 8,010	\$ 5,430
OPERATING EXPENSES		
Salaries and wages	146,567	67,754
Professional services	19,405	910
Donations	18,677	-
Contractors	12,156	15,379
Taxes and licenses	10,121	629
Occupancy	7,824	7,200
Insurance	4,625	297
Office supplies	4,343	3,006
Bank fees	872	609
Advertising	540	3,285
Event and conferences	387	11,808
Miscellaneous	857	335
Total operating expenses	226,374	111,212
Net loss from operations	(218,364)	(105,782)
OTHER INCOME (EXPENSES)		
Grant income	196,027	-
Paycheck Protection Program income	14,027	-
Donation income	13,023	14,888
Interest income	1,817	2,711
Other income	536	1,109
Interest expense	(7,350)	(6,850)
Total other income (expenses)	218,080	11,858
Net loss before income taxes	(284)	(93,924)
Provision for income taxes	11,200	22,200
<b>Net income (loss)</b>	<b>\$ 10,916</b>	<b>\$ (71,724)</b>

See accompanying notes.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**STATEMENTS OF OWNERS' EQUITY**  
Years Ended December 31, 2020 and 2019

	Investor Owner Stock	Additional Paid In Capital	Accumulated Deficit	Total
<b>Balance December 31, 2018</b>	\$ 11,200	\$ -	\$ (7,656)	\$ 3,544
Stock issued	189,100	-	-	189,100
Net loss	-	-	(71,724)	(71,724)
<b>Balance December 31, 2019</b>	200,300	-	(79,380)	120,920
Stock issued	68,684	-	-	68,684
Contributions	-	1,350,000	-	1,350,000
Net income	-	-	10,916	10,916
<b>Balance December 31, 2020</b>	<u>\$ 268,984</u>	<u>\$ 1,350,000</u>	<u>\$ (68,464)</u>	<u>\$ 1,550,520</u>

See accompanying notes.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 10,916	\$ (71,724)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Deferred taxes	(12,000)	(23,000)
(Increase) decrease in assets		
Prepaid expenses	801	(501)
Increase (decrease) in liabilities		
Accounts payable	812	(9,641)
Accrued expenses	10,857	908
Refundable grant advance	-	100,000
<b>Net cash flows from operating activities</b>	<b>11,386</b>	<b>(3,958)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(24,203)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	25,000
Payments on long-term debt	(17,441)	-
Proceeds from issuance of stock	68,684	189,100
<b>Net cash flows from financing activities</b>	<b>51,243</b>	<b>214,100</b>
Net change in cash	38,426	210,142
Cash at beginning of year	327,309	117,167
<b>Cash at end of year</b>	<b>\$ 365,735</b>	<b>\$ 327,309</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 7,350	\$ 13,700
Cash paid for income taxes	800	1,959

See accompanying notes.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

East Bay Permanent Real Estate Cooperative, Inc. (Cooperative) is a multi-stakeholder cooperative that creates pathways for residents of Oakland and surrounding communities to organize, finance, acquire, and co-steward land and housing. The Cooperative seeks to transform the housing system to build collective wealth amongst historically disenfranchised communities, while empowering residents through democratic governance.

**Buildings and Improvements**

Purchases of buildings and improvements are recorded at cost. Depreciation is provided using the straight-line over the estimated useful lives of the assets.

**Revenue Recognition**

Membership dues are recognized during the year in which the dues are received. Membership dues are primarily used to fund the operations of the Cooperative and provide little of tangible value to the donors. Grant revenue is recognized in the year the performance obligations are fulfilled. Donation income is recognized in the year it is received.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimate and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Income Taxes**

The Cooperative is taxed on non-patronage earnings and any patronage earnings not paid or allocated to the members. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes. Deferred taxes are recognized for differences between basis of assets and liabilities for financial statement and income tax purposes.

**Advertising**

Advertising costs are expensed as incurred.

**Date of Management's Review**

Management has evaluated subsequent events through February 15, 2021, the date which the financial statements were available to be issued.

The ongoing COVID-19 pandemic that escalated in March 2020 could have an adverse effect on the Cooperative's future revenues and workforce. However, the financial impact and duration cannot be reasonably estimated at this time.



**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**NOTE 2—CONCENTRATION OF CREDIT RISK**

The Cooperative maintains cash balances at one financial institution located in Oakland. The accounts at this institution are insured by the National Credit Union Administration up to \$250,000. At December 31, 2020 and 2019, the Cooperative's uninsured cash balances at this institution totaled approximately \$106,000 and \$74,000.

**NOTE 3—PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land	\$ 405,000	\$ -
Buildings and improvements	969,203	-
Property and equipment	1,374,203	-
Less accumulated depreciation	-	-
Property and equipment, net	<u>\$ 1,374,203</u>	<u>\$ -</u>

The buildings and improvements acquired in 2020 were put into service in January 2021.

**NOTE 4—LONG-TERM DEBT**

Long-term debt at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Note payable to Force for Good Fund with interest at a fixed rate of 6.85%. Note calls for annual payments of \$24,291 including principal and interest. Matures in December 2024.	\$ 82,559	\$ 100,000
Note payable to a member with interest at a fixed rate of 2%. Note calls for annual interest only payments until maturity. Matures in March 2025.	25,000	25,000
Long-term debt	107,559	125,000
Current portion of long-term debt	(18,636)	(17,441)
Long-term debt less current portion	<u>\$ 88,923</u>	<u>\$ 107,559</u>

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4—LONG-TERM DEBT (continued)**

Future minimum principal payments consist of the following:

2021	\$ 18,636
2022	19,912
2023	21,276
2024	22,735
2025	<u>25,000</u>
Long-term debt	<u><u>\$ 107,559</u></u>

**NOTE 5—PAYCHECK PROTECTION PROGRAM AWARD**

In April 2020, the Cooperative applied for a Paycheck Protection Program (PPP) loan as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) implemented by the United States Small Business Administration (SBA) to help cover payroll costs, rent, and utilities during the COVID-19 outbreak. The Cooperative received a 1% interest loan from this program, repayable over 24 months, in the amount of \$14,027. If the Cooperative is able to meet certain criteria set forth by the CARES Act, the loan may qualify for partial or full forgiveness as long as the loan is used keep employees and pay eligible costs during the eligible period after receiving the loan. At December 31, 2020, based on the provisions of the loan, the Cooperative expects to conditionally receive complete forgiveness. As such, \$14,027 of revenue was recorded to remove the associated liability. The Cooperative intends to apply for forgiveness in 2021.

The Cooperative must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Cooperative's good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

**NOTE 6—OWNERS' EQUITY**

The Cooperative offers a multi-tiered ownership structure. Each category of ownership entitles the owner to difference rights and responsibilities. Owners may become owners through multiple categories of ownership and will bear the rights and responsibilities of each category of ownership. Multiple ownership categories do not entitle an owner to more than a single vote.

An individual who lives in or is rooted in the East Bay area may become a Community Owner. Community owners pay yearly membership dues which are used to fund the Cooperative's operations. Community Owners do not hold equity in the Cooperative.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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NOTE 6—OWNERS' EQUITY (continued)

Investor Owners purchase shares that consist of owners' investments in the Cooperative. Investors are required to purchase one share for \$1,000. Shares can be purchased in a lump sum payment or with an initial payment of \$100 and a good faith commitment to pay the remaining \$900 within five years, with payments made at least annually. Investor Owners agree to hold their shares for a minimum of five years. Investors may purchase additional shares subject to securities law. Purchase of additional shares does not entitle an Investor Owner to additional votes. Shares are refundable should a member decide to leave the Cooperative, subject to approval by the directors. At December 31, 2020 and 2019, 314 and 227 shares were issued and outstanding.

Resident Owners are residents of properties which the Cooperative manages. Resident Owners earn equity and patronage dividends from their rental payments.

Staff Owners are employees of the Cooperative. Staff Owners must work for the Cooperative for a minimum of 500 hours and for twelve months. Staff Ownership must be approved by a minimum of two-thirds vote by other Staff Owners.

At December 31, 2020 and 2019, all of the Cooperative's stock recorded on its balance sheet was comprised of Investor Owner shares.

NOTE 7—CONTRIBUTION OF PROPERTY

In May 2020 a residential property valued at \$1,350,000 was contributed to the Cooperative from an owner to be used as cooperative housing. The contribution of this property was recorded as additional paid in capital on the balance sheets. The Cooperative began receiving rental income from residents of this property in January 2021.

NOTE 8—INCOME TAXES

The provision for income taxes for 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Current federal income tax expense	\$ -	\$ -
Current state income tax expense	(800)	(800)
Deferred tax benefit	<u>12,000</u>	<u>23,000</u>
Provision for income taxes	<u>\$ 11,200</u>	<u>\$ 22,200</u>

Deferred taxes at December 31, 2020 and 2019 stemmed from net operating loss carryforwards, which totaled approximately \$129,000 for federal purposes and \$107,000 for state purposes at December 31, 2020. The federal carryforwards last indefinitely. The state carryforwards begin to expire in 2039.

**EAST BAY PERMANENT REAL ESTATE COOPERATIVE, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 9—OPERATING LEASE

The Cooperative leases office space under a month-to-month arrangement requiring monthly payments of \$300. Total rent expense for 2020 and 2019 was \$7,200.