



**AUDITED FINANCIAL STATEMENTS  
AND COMPLIANCE REPORTS**

**HOMEWARD BOUND OF MARIN, INC.**

**June 30, 2016**

# HOMeward BOUND OF MARIN, INC.

June 30, 2016

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors,  
Homeward Bound of Marin, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Homeward Bound of Marin, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

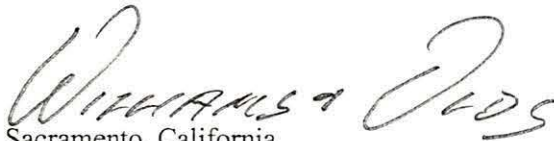
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeward Bound of Marin, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016, on our consideration of Homeward Bound of Marin, Inc.'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 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 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 Homeward Bound of Marin, Inc.'s internal control over financial reporting and compliance.



Sacramento, California  
October 5, 2016

# HOMeward BOUND OF MARIN, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,644,595	\$ 1,792,995
Investments - Note C	306,274	-
Grants receivable - Note B	236,613	443,381
Accounts receivable	156,774	57,621
Property and equipment, net - Note D	14,475,500	12,525,927
Prepaid expenses and deposits	<u>122,800</u>	<u>133,816</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,942,556</u></b>	<b><u>\$ 14,953,740</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 110,450	\$ 134,410
Accrued expenses	320,810	263,589
Deferred revenue	288,809	91,820
Notes payable - Note E	<u>3,724,771</u>	<u>2,945,210</u>
<b>TOTAL LIABILITIES</b>	<b>4,444,840</b>	<b>3,435,029</b>
<b>COMMITMENTS - Note G</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		
Unrestricted	12,344,912	9,953,404
Temporarily restricted - Note F	<u>152,804</u>	<u>1,565,307</u>
	<u>12,497,716</u>	<u>11,518,711</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,942,556</u></b>	<b><u>\$ 14,953,740</u></b>

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	June 30, 2016			June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Government grants	\$ 4,067,972	\$ -	\$ 4,067,972	\$ 2,555,300	\$ 297,613	\$ 2,852,913
Contributions	1,140,948	335,711	1,476,659	1,419,790	112,898	1,532,688
Social enterprises	985,663	-	985,663	862,898	-	862,898
Client fees	916,200	-	916,200	914,481	-	914,481
Foundation and organization grants	558,698	100,000	658,698	430,879	110,000	540,879
In-kind contributions - Note B	105,192	-	105,192	120,953	-	120,953
Interest income - Note C	8,316	-	8,316	149	-	149
Other income	41,532	-	41,532	3,396	-	3,396
<i>Net assets released from restrictions</i>	<u>1,848,214</u>	<u>(1,848,214)</u>	<u>-</u>	<u>739,039</u>	<u>(739,039)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	9,672,735	(1,412,503)	8,260,232	7,046,885	(218,528)	6,828,357
<b>EXPENSES</b>						
Program services						
Adult services	3,109,042	-	3,109,042	2,521,700	-	2,521,700
Mental health services	1,225,957	-	1,225,957	1,103,066	-	1,103,066
Family services	825,650	-	825,650	910,743	-	910,743
Workforce training and social enterprises	1,385,159	-	1,385,159	1,239,223	-	1,239,223
Total program services	<u>6,545,808</u>	<u>-</u>	<u>6,545,808</u>	<u>5,774,732</u>	<u>-</u>	<u>5,774,732</u>
Supporting services						
General and administrative	491,698	-	491,698	641,954	-	641,954
Fundraising	243,721	-	243,721	278,741	-	278,741
Total supporting services	<u>735,419</u>	<u>-</u>	<u>735,419</u>	<u>920,695</u>	<u>-</u>	<u>920,695</u>
<b>TOTAL EXPENSES</b>	<u>7,281,227</u>	<u>-</u>	<u>7,281,227</u>	<u>6,695,427</u>	<u>-</u>	<u>6,695,427</u>
<b>CHANGE IN NET ASSETS</b>	2,391,508	(1,412,503)	979,005	351,458	(218,528)	132,930
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>9,953,404</u>	<u>1,565,307</u>	<u>11,518,711</u>	<u>9,601,946</u>	<u>1,783,835</u>	<u>11,385,781</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 12,344,912</u>	<u>\$ 152,804</u>	<u>\$ 12,497,716</u>	<u>\$ 9,953,404</u>	<u>\$ 1,565,307</u>	<u>\$ 11,518,711</u>

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services					Supporting Services			
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Total	General and Administrative	Fundraising	Total	Total
Salaries	\$ 1,251,987	\$ 444,022	\$ 310,498	\$ 773,769	\$ 2,780,276	\$ 257,478	\$ 111,832	\$ 369,310	\$ 3,149,586
Payroll taxes	92,046	32,662	23,507	57,724	205,939	19,738	7,134	26,872	232,811
Employee benefits	270,048	85,441	61,770	117,676	534,935	44,526	19,957	64,483	599,418
Total salaries and related costs	1,614,081	562,125	395,775	949,169	3,521,150	321,742	138,923	460,665	3,981,815
HUD lease expenses	235,125	266,853	242,538	-	744,516	-	-	-	744,516
Food and household supplies	330,604	81,976	4,401	278,882	695,863	1,037	431	1,468	697,331
Occupancy	296,520	190,053	39,685	38,867	565,125	20,145	-	20,145	585,270
Depreciation	349,029	17,104	14,250	7,479	387,862	7,753	264	8,017	395,879
Office and operating expense	94,621	27,850	18,514	42,857	183,842	69,303	14,861	84,164	268,006
Program expense	118,541	23,105	40,205	25,069	206,920	1,229	278	1,507	208,427
Outside services	6,582	636	23,109	10,065	40,392	37,979	63,945	101,924	142,316
Repairs and maintenance	32,851	23,119	9,251	16,524	81,745	3,233	-	3,233	84,978
Write-off of uncollectible grants receivable	-	27,753	29,131	-	56,884	-	-	-	56,884
Staff related costs	9,790	5,383	6,897	3,232	25,302	27,020	917	27,937	53,239
Fundraising expense	-	-	-	12,780	12,780	22	24,099	24,121	36,901
Interest expense	19,869	-	1,894	-	21,763	-	-	-	21,763
Miscellaneous	1,429	-	-	235	1,664	2,235	3	2,238	3,902
	<u>\$ 3,109,042</u>	<u>\$ 1,225,957</u>	<u>\$ 825,650</u>	<u>\$ 1,385,159</u>	<u>\$ 6,545,808</u>	<u>\$ 491,698</u>	<u>\$ 243,721</u>	<u>\$ 735,419</u>	<u>\$ 7,281,227</u>

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Program Services					Supporting Services			
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Total	General and Administrative	Fundraising	Total	Total
Salaries	\$ 1,011,264	\$ 419,384	\$ 337,546	\$ 671,821	\$ 2,440,015	\$ 384,179	\$ 124,486	\$ 508,665	\$ 2,948,680
Payroll taxes	77,741	31,358	26,067	52,665	187,831	30,850	8,396	39,246	227,077
Employee benefits	227,232	65,031	48,548	103,739	444,550	46,692	23,173	69,865	514,415
Total salaries and related costs	1,316,237	515,773	412,161	828,225	3,072,396	461,721	156,055	617,776	3,690,172
HUD lease expenses	-	242,905	298,689	-	541,594	-	-	-	541,594
Food and household supplies	320,480	78,366	3,952	275,289	678,087	816	259	1,075	679,162
Occupancy	253,528	148,669	41,528	23,109	466,834	16,788	-	16,788	483,622
Depreciation	355,570	17,573	14,660	3,972	391,775	3,271	-	3,271	395,046
Office and operating expense	95,003	29,402	35,827	44,521	204,753	70,790	16,118	86,908	291,661
Program expense	100,609	33,281	58,763	22,055	214,708	10	92	102	214,810
Outside services	4,818	2,478	13,940	17,376	38,612	53,088	48,175	101,263	139,875
Repairs and maintenance	49,192	27,416	8,954	12,339	97,901	3,973	-	3,973	101,874
Write-off of uncollectible grants receivable	-	-	-	-	-	-	-	-	-
Staff related costs	10,856	6,929	7,814	6,856	32,455	14,777	3,475	18,252	50,707
Fundraising expense	-	-	5,892	1,215	7,107	550	55,040	55,590	62,697
Interest expense	13,513	-	8,536	-	22,049	-	-	-	22,049
Miscellaneous	1,894	274	27	4,266	6,461	16,170	(473)	15,697	22,158
	<u>\$ 2,521,700</u>	<u>\$ 1,103,066</u>	<u>\$ 910,743</u>	<u>\$ 1,239,223</u>	<u>\$ 5,774,732</u>	<u>\$ 641,954</u>	<u>\$ 278,741</u>	<u>\$ 920,695</u>	<u>\$ 6,695,427</u>

See accompanying notes to the financial statements.



# HOMEWARD BOUND OF MARIN, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 979,005	\$ 132,930
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	395,879	395,046
Unrealized gain on investment	(8,023)	-
<i>(Increase) decrease in operating assets:</i>		
Grants receivable	206,768	162,218
Accounts receivable	(99,153)	14,013
Prepaid expenses and deposits	11,016	(42,283)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	(23,960)	(10,904)
Accrued expenses	57,221	(35,812)
Deferred revenue	196,989	68,521
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,715,742</b>	<b>683,729</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of investments	(298,251)	-
Purchases of property and equipment	(150,892)	(26,025)
Cash paid for construction in progress	(2,194,560)	(659,039)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,643,703)</b>	<b>(685,064)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(20,439)	(20,080)
Proceeds from notes payable	800,000	405,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>779,561</b>	<b>384,920</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(148,400)</b>	<b>383,585</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,792,995</b>	<b>1,409,410</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 1,644,595</b>	<b>\$ 1,792,995</b>

**SUPPLEMENTAL INFORMATION:**

During the years ended June 30, 2016 and 2015, \$21,763 and \$22,049, respectively, was paid for interest. No amounts were paid for income taxes.

See accompanying notes to the financial statements.

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### NOTE A - ORGANIZATION

Homeward Bound of Marin, Inc. (HBM) is a non-profit corporation organized in 1974 to provide housing, housing counseling and referral, crisis management and related social services to persons in need, and to promote and develop both temporary and long-term supportive housing resources for such persons. HBM is Marin County's chief provider of shelter and residential services for homeless families and individuals, serving approximately 1,400 people per year in 14 inter-related residential programs.

HBM's mission is to open doors to safety, dignity, hope, and independence coupled with a vision that "everyone deserves a place to call home."

Major sources of funding include grants from Federal, State, and local governments; foundation grants; and contributions.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, HBM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2016 and 2015, HBM's net assets consisted only of unrestricted and temporarily restricted net assets.

Fair Value Measurements: HBM follows FASB ASC 820-10, *Fair Value Measurements*. ASC 820-10 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of certain assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value, whereby level 1 uses quoted prices and active markets for identical assets or liabilities when determining fair market value; level 2 uses non active quoted prices for similar assets and liabilities that can be corroborated with market data; and level 3 uses unobservable information with little or no market data. HBM utilizes the active market approach (level 1) to measure fair value for its financial assets and liabilities.

Revenue Recognition: HBM accounts for contributions in accordance with the recommendations of the Accounting Standards Codification. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents: Cash and cash equivalents consist of cash instruments with original maturities of three months or less.

Grants and Contracts: Grants receivable represent expenditures for which reimbursement has been requested but not yet received. Grant revenue is recognized when services are performed and related reimbursable expenses are incurred, in accordance with the terms of applicable grant awards. HBM considers grants and contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Accounts Receivable: No allowance for doubtful accounts is considered necessary since management considers all accounts collectible.

Property and Equipment: Property and equipment in excess of \$1,000 is stated at cost if purchased or at fair market value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Unemployment Reserve: In accordance with provisions of the California Unemployment Insurance Code concerning non-profit organizations, HBM has elected to reimburse the cost of unemployment benefits paid by the State in lieu of making contributions normally required of tax rate employers. HBM participates in the Joint Agencies Trust to self-insure for unemployment insurance. The trust manages and administers the account; however, all funds kept on account belong to HBM. The balances in the account at June 30, 2016 and 2015 totaled \$66,968 and \$65,282, respectively.

In-kind Contributions: In-kind contributions are recognized as public support and as a corresponding asset or expense at the estimated fair value on the date donated. Such donations are not recognized if there is an uncertainty about the existence of value or stipulations about ownership of assets. Donated services are not recognized in the financial statements unless the services either create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, HBM recorded the following in-kind contributions:

	<u>2016</u>	<u>2015</u>
Bus vouchers	\$ 102,246	\$ 120,050
Gift cards	<u>2,946</u>	<u>903</u>
	\$ <u>105,192</u>	\$ <u>120,953</u>

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes: HBM is exempt from federal and state income taxes under IRC Section 501(c)(3) and California Revenue and Tax Code 23701d.

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires HBM to report information regarding its exposure to various tax positions taken by HBM. HBM has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that HBM has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to HBM are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses: HBM allocates indirect expenses among programs and administrative services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

Reclassifications: Certain prior year amounts have been reclassified for comparative purposes.

### NOTE C - INVESTMENTS

Investments consist of mutual funds, are stated at fair value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows, at June 30:

<u>2016</u>			<u>2015</u>		
<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 299,680	\$ 306,274	\$ 6,594	\$ -	\$ -	\$ -

Net investment return is comprised of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 293	\$ 149
Net realized (loss) gain	-	-
Net unrealized (loss) gain	<u>8,023</u>	<u>-</u>
Total	\$ <u>8,316</u>	\$ <u>149</u>

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

### NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 13,068,733	\$ 12,953,766
Construction in progress	3,656,752	1,462,192
Land	1,152,939	1,152,939
Leasehold improvements	418,049	418,049
Furniture and equipment	429,106	393,181
Artwork	122,025	122,025
Vehicles	<u>64,265</u>	<u>64,265</u>
	18,911,869	16,566,417
Less: accumulated depreciation	<u>4,436,369</u>	<u>4,040,490</u>
	\$ <u>14,475,500</u>	\$ <u>12,525,927</u>

### NOTE E – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Note payable, Umpqua Bank, guaranteed by Federal Home Loan Bank (FHLB) Affordable Housing Program, secured by a deed of trust for Next Key Center. Forgiveness of loan amount on March 1, 2024, contingent upon compliance with certain laws and regulations.	\$ 1,000,000	\$ 1,000,000
Note payable, Emergency Housing & Assistance Program (EHAP), secured by a deed of trust for property at N. Hamilton Parkway, Novato, California. Interest is accrued at 3% per annum. No payments are due unless the property ceases to be operated as an emergency shelter or transitional housing. Forgiveness of principal and deferred interest will be in 2023.	1,000,000	1,000,000
Note payable to First Republic Bank, for Next Key Center, monthly payment of \$3,608 including interest at 4% per annum. Collateralized by buildings, final maturity is November, 2034.	475,646	492,260
Note payable, Marin Workforce Housing Trust, secured by a deed of trust for property at Nave Drive, Novato, California. For construction of affordable housing for very low and low income households. Zero interest, due August 11, 2069.	405,000	405,000

# HOMEWARD BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

### NOTE E – NOTES PAYABLE – Continued

	<u>2016</u>	<u>2015</u>
Construction loan, Marin Community Foundation, secured by a deed of trust for property at Nave Drive, Novato, California. Interest is accrued at 4% per annum on any unpaid principal balance. Interest only payments with a balloon payment of all outstanding interest and principal due June 30, 2017.	400,000	-
Note payable, City of Novato, secured by a deed of trust for property at Nave Drive, Novato, California. For construction of affordable housing for extremely low income households which include a student under the age of 18. Zero interest, due March 9, 2071.	400,000	-
Note payable, Marin Housing Authority, secured by a deed of trust for property at Mission Avenue, San Rafael, California. For property improvement through the Marin County Residential Rehabilitation Loan Program. Simple interest is accrued at 3% per annum. The note is payable upon sale or transfer of the property.	25,000	25,000
Note payable, City of Novato, part of a deferred fee agreement. Annual payments of \$3,825 commenced January, 2001 and will end July, 2020. The note is non-interest bearing.	<u>19,125</u>	<u>22,950</u>
Total long-term debt	<u>\$ 3,724,771</u>	<u>\$ 2,945,210</u>

Future annual principal maturities for fiscal years after June 30, 2016 are as follows: 2017 - \$421,643; 2018 - \$22,369; 2019 - \$23,125; 2020 - \$23,911; 2021 - \$24,729 and thereafter - \$3,208,994.

### NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent unexpended grants and contributions restricted for the following purposes or for the passage of time at June 30:

	<u>2016</u>	<u>2015</u>
Oma Village	\$ 100,000	\$ 1,046,101
Program-restricted grants	48,804	515,206
Pledges receivable – time restricted	<u>4,000</u>	<u>4,000</u>
	<u>\$ 152,804</u>	<u>\$ 1,565,307</u>

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016

### **NOTE F – TEMPORARILY RESTRICTED NET ASSETS - Continued**

HBM is currently developing a 14-unit, multi-family housing development in Novato, CA known as Oma Village. These units will provide permanent, supportive housing for families transitioning out of homelessness, and will be reserved for families meeting the extremely low income requirements as set by the California Department of Housing and Community Development. All grants and contributions received by HBM restricted by the donor/grantor for use in the development and construction of Oma Village are recorded as temporarily restricted revenue in the year received. These temporarily restricted revenues are released from restriction as project costs are incurred. The property is currently anticipated to be placed into service in October of 2016.

### **NOTE G - COMMITMENTS AND CONTINGENCIES**

Commitments: HBM leases space under the terms of operating leases to operate its programs. Certain leases are on a month-to-month basis while others are for longer periods. Future minimum lease payments under leases with initial terms of more than one year are as follows at June 30, 2016: 2017 - \$260,652; 2018 - \$266,132; 2019 - \$270,711; 2020 - \$276,332; 2021 - \$282,408 and thereafter \$1,495,182. Rent expense under these leases for the year ended June 30, 2016 amounted to \$1,004,807, of which \$744,516 was covered by HUD funds. Rent expense under these leases for the year ended June 30, 2015 amounted to \$760,908, of which \$541,594 was covered by HUD funds.

Contingencies: HBM has received numerous Community Development Block Grants (CDBG) for the acquisition and improvement of land and buildings. Together with CDBG, the County of Marin may record a lien on properties which have been purchased or improved with the CDBG funds. The amount of each lien is the original percentage that corresponds to the percentage of value that CDBG contributed at the time the CDBG grant is entered into. In the event HBM should sell the property or change the use of the premises for non-eligible purposes, the County could enforce the liens and would be entitled to its percentage of the proceeds from any sale, conveyance, encumbrance, grant, or lease, less closing costs of the property at that time. At June 30, 2016 and 2015, the following liens existed:

- 64 percent of the value of 430 Mission Avenue
- 3.3 percent of the value of 430 Mission Avenue
- 17.1 percent of the value of 190 Mill Street
- 31 percent of the value of 190 Mill Street
- 8.2 percent of the value of 1385 North Hamilton Parkway -The Next Key
- 4.5 percent of the value of 430 Mission Avenue
- 27.4 percent of 1399 North Hamilton Parkway – New Beginnings Center (consolidated)
- 2.0 percent of 5394 Nave Drive

### **NOTE H - CONCENTRATION OF CREDIT AND MARKET RISK**

Concentration of Grants: Approximately 52% and 45%, respectively, of the funding for HBM's programs for the years ended June 30, 2016 and 2015 was provided from grants through the U.S. Department of Housing and Urban Development and the County of Marin.

# **HOMeward BOUND OF MARIN, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

**June 30, 2016**

### **NOTE H - CONCENTRATION OF CREDIT AND MARKET RISK – Continued**

HBM receives a significant portion of its revenue from various government agencies for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material. However, if a significant reduction in funding from these government agencies occurred, HBM's ability to maintain and operate its programs would be impaired.

Concentration of Credit Risk: HBM maintains its cash in bank accounts which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Accounts at each financial institution are insured by the FDIC up to \$250,000. Uninsured deposits as of June 30, 2016 and 2015, totaled \$641,448 and \$625,647, respectively. HBM has not experienced losses in any of these accounts and management believes it is not exposed to any significant credit risk related to these accounts.

### **NOTE I – RETIREMENT PLAN**

On May 1, 2015 HBM adopted a 403(b) retirement plan whereby participating employees can make tax-deferred contributions up to the maximum annual amounts allowed under the Internal Revenue Code. Matching contributions to the plan are made at the discretion of HBM's Board of Directors and are based on a percentage of salary subject to a maximum limit allowable per year under the Internal Revenue Code. HBM may also make a discretionary contribution to eligible employees. Employees become fully vested in any employer contributions after three years. Total contributions made by HBM for the years ended June 30, 2016 and 2015 amounted to \$7,130 and \$0, respectively.

### **NOTE J – SUBSEQUENT EVENTS**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 5, 2016 the date on which the financial statements were available to be issued.



## **COMPLIANCE REPORTS**

# HOMeward BOUND OF MARIN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>MAJOR PROGRAMS</u></b>		
<b>Loan Guarantee - Federal Home Loan Bank</b> The Next Key Transitional Housing	99.000	\$ 1,000,000
<b>U.S. Department of Housing and Urban Development</b> Passed through Marin County		
Home Investment Partnerships Program - Oma Village	14.239	636,654
Community Development Block Grant - Oma Village	14.218	<u>334,899</u>
<b>TOTAL MAJOR PROGRAMS</b>		<u>1,971,553</u>
<b><u>NON-MAJOR PROGRAMS</u></b>		
<b>U.S. Department of Housing and Urban Development</b> Supportive Housing Program	14.235	959,929
<b>U.S. Department of Housing and Urban Development</b> Federal Emergency Solutions Grant	14.231	165,000
<b>U.S. Department of Veterans Affairs</b> Grant and per diem program	64.024	<u>202,939</u>
<b>TOTAL NON-MAJOR PROGRAMS</b>		<u>1,327,868</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 3,299,421</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

# **HOMeward BOUND OF MARIN, INC.**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2016**

### **NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the Federal activity of Homeward Bound of Marin, Inc. and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Homeward Bound of Marin, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Homeward Bound of Marin, Inc.

**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**

**To the Board of Directors of  
Homeward Bound of Marin, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Homeward Bound of Marin, Inc. (HBM), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HBM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HBM's internal control. Accordingly, we do not express an opinion on the effectiveness of HBM'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 financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether HBM's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Sacramento, California

October 5, 2016



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

**To the Board of Directors of  
Homeward Bound of Marin, Inc.**

**Report on Compliance for Each Major Federal Program**

We have audited Homeward Bound of Marin Inc.’s (HBM) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Homeward Bound of Marin Inc.’s major federal programs for the year ended June 30, 2016. HBM’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

**Auditor’s Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, HBM complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

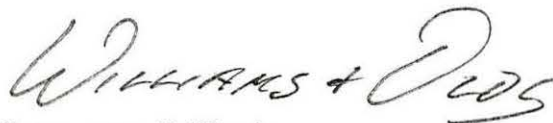
## Report on Internal Control Over Compliance

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

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

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

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



Sacramento, California  
October 5, 2016

# HOMEWARD BOUND OF MARIN, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report: Unmodified

Internal control over financial reporting:

Material weakness identified? \_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weakness? \_\_\_ yes    X none reported

Noncompliance material to financial statements  
noted? \_\_\_ yes    X no

#### Federal Award

Internal control over major programs:

Material weakness identified? \_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weakness? \_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR section 200.516(a) \_\_\_yes    Xno

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
99.000	FHLB Loan Guarantee: The Next Key Transitional Housing
14.239	Home Investment Partnerships Program
14.218	Community Development Block Grant

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

Auditee qualified as low-risk auditee? X yes    \_\_\_no



**HOMeward BOUND OF MARIN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued**

**For the Year Ended June 30, 2016**

**CURRENT YEAR FINDINGS**

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

No prior year audit findings.