



**AUDITED FINANCIAL STATEMENTS**  
**HOMEWARD BOUND OF MARIN, INC.**  
**June 30, 2020 and 2019**

# HOMeward BOUND OF MARIN, INC.

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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. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Williams & Olds". The signature is written in a cursive, flowing style.

Sacramento, California  
December 2, 2020

# HOMeward BOUND OF MARIN, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,258,860	\$ 1,331,936
Investments	1,281,311	-
Grants receivable	501,425	721,601
Accounts receivable	35,563	29,612
Prepaid rents	123,852	126,237
Prepaid expenses and deposits	212,484	211,175
Property and equipment, net	<u>16,830,478</u>	<u>16,757,493</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>25,243,973</u></b>	<b>\$ <u>19,178,054</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 112,847	\$ 181,319
Accrued expenses	553,476	343,358
Deferred revenue	7,293	2,818
Notes payable	<u>4,064,358</u>	<u>3,056,750</u>
<b>TOTAL LIABILITIES</b>	<b>4,737,974</b>	<b>3,584,245</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		
Without donor restrictions	15,227,872	14,321,492
With donor restrictions	<u>5,278,127</u>	<u>1,272,317</u>
	<u>20,505,999</u>	<u>15,593,809</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>25,243,973</u></b>	<b>\$ <u>19,178,054</u></b>

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 4,596,536	\$ 368,755	\$ 4,965,291
Foundation grants	1,747,000	259,500	2,006,500
Contributions	2,174,569	3,576,475	5,751,044
Client fees	1,150,214	-	1,150,214
Social enterprises	634,422	-	634,422
In-kind contributions	77,563	-	77,563
Investment income, net	57,546	-	57,546
<i>Net assets released from restrictions</i>	198,920	(198,920)	-
<b>TOTAL SUPPORT AND REVENUE</b>	10,636,770	4,005,810	14,642,580
<b>EXPENSES</b>			
Program services			
Adult services	4,507,454	-	4,507,454
Mental health services	1,546,942	-	1,546,942
Family services	1,594,109	-	1,594,109
Workforce training and social enterprises	1,073,311	-	1,073,311
Permanent housing	172,205	-	172,205
Total program services	8,894,021	-	8,894,021
Supporting services			
General and administrative	551,578	-	551,578
Fundraising	284,791	-	284,791
Total supporting services	836,369	-	836,369
<b>TOTAL EXPENSES</b>	9,730,390	-	9,730,390
<b>CHANGE IN NET ASSETS</b>	906,380	4,005,810	4,912,190
<b>NET ASSETS AT BEGINNING OF YEAR</b>	14,321,492	1,272,317	15,593,809
<b>NET ASSETS AT END OF YEAR</b>	\$ 15,227,872	\$ 5,278,127	\$ 20,505,999

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 4,911,876	\$ 120,739	\$ 5,032,615
Foundation grants	629,000	340,000	969,000
Contributions	1,391,780	14,750	1,406,530
Client fees	1,144,253	-	1,144,253
Social enterprises	740,611	-	740,611
In-kind contributions	98,048	-	98,048
Investment income, net	6,927	-	6,927
<i>Net assets released from restrictions</i>	1,056,031	(1,056,031)	-
<b>TOTAL SUPPORT AND REVENUE</b>	9,978,526	(580,542)	9,397,984
<b>EXPENSES</b>			
Program services			
Adult services	3,963,831	-	3,963,831
Mental health services	1,413,674	-	1,413,674
Family services	1,456,780	-	1,456,780
Workforce training and social enterprises	857,687	-	857,687
Total program services	7,691,972	-	7,691,972
Supporting services			
General and administrative	393,233	-	393,233
Fundraising	208,825	-	208,825
Total supporting services	602,058	-	602,058
<b>TOTAL EXPENSES</b>	8,294,030	-	8,294,030
<b>CHANGE IN NET ASSETS</b>	1,684,496	(580,542)	1,103,954
<b>NET ASSETS AT BEGINNING OF YEAR</b>	12,636,996	1,852,859	14,489,855
<b>NET ASSETS AT END OF YEAR</b>	\$ 14,321,492	\$ 1,272,317	\$ 15,593,809

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services					Supporting Services				Total
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Housing Projects	Total	General and Administrative	Fundraising	Total	
Salaries	\$ 1,893,465	\$ 607,712	\$ 589,840	\$ 536,429	160,805	\$ 3,788,251	\$ 110,278	\$ 116,239	\$ 226,517	\$ 4,014,768
Payroll taxes	138,097	45,038	43,105	40,311	11,400	277,951	8,376	16,724	25,100	303,051
Employee benefits	241,348	96,064	85,213	77,992	-	500,617	33,936	30,380	64,316	564,933
Salaries and related costs	2,272,910	748,814	718,158	654,732	172,205	4,566,819	152,590	163,343	315,933	4,882,752
HUD lease expenses	493,880	367,116	326,622	-	-	1,187,618	-	-	-	1,187,618
Food and household supplies	487,354	83,711	30,019	258,598	-	859,682	21,139	1,410	22,549	882,231
Occupancy	378,582	233,441	73,065	26,512	-	711,600	36,137	368	36,505	748,105
Depreciation	419,599	18,547	246,451	14,874	-	699,471	6,577	3,257	9,834	709,305
Office and operating expense	114,742	13,998	62,484	13,857	-	205,081	128,306	17,985	146,291	351,372
Program supplies and vouchers	108,027	26,912	44,113	73,830	-	252,882	3,657	1,609	5,266	258,148
Outside services	13,157	6,754	24,543	6,645	-	51,099	82,976	84,210	167,186	218,285
Interest expense	14,932	-	30,236	-	-	45,168	52,298	-	52,298	97,466
Staff related costs	18,224	4,921	6,764	6,218	-	36,127	44,268	2,797	47,065	83,192
Repairs and maintenance	186,047	42,728	31,654	18,026	-	278,455	23,630	70	23,700	302,155
Marketing and website	-	-	-	19	-	19	-	9,742	9,742	9,761
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 4,507,454</u>	<u>\$ 1,546,942</u>	<u>\$ 1,594,109</u>	<u>\$ 1,073,311</u>	<u>172,205</u>	<u>\$ 8,894,021</u>	<u>\$ 551,578</u>	<u>\$ 284,791</u>	<u>\$ 836,369</u>	<u>\$ 9,730,390</u>

See accompanying notes to the financial statements.



# HOMEWARD BOUND OF MARIN, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services				Supporting Services				
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Total	General and Administrative	Fundraising	Total	Total
Salaries and related costs	1,984,758	651,219	606,992	482,862	3,725,831	58,629	116,998	175,627	3,901,458
HUD lease expenses	466,561	340,800	349,598	-	1,156,959	-	-	-	1,156,959
Food and household supplies	443,563	75,945	28,220	271,214	818,942	18,115	527	18,642	837,584
Occupancy	351,318	225,791	77,663	6,379	661,151	28,571	-	28,571	689,722
Depreciation	342,679	16,649	251,874	5,748	616,950	10,559	832	11,391	628,341
Office and operating expense	72,845	14,292	39,010	14,434	140,581	47,317	20,658	67,975	208,556
Program supplies and vouchers	113,713	24,658	33,948	55,335	227,654	-	609	609	228,263
Outside services	34,455	3,463	17,180	1,275	56,373	108,235	49,995	158,230	214,603
Interest expense	16,812	-	26,817	-	43,629	49,448	-	49,448	93,077
Staff related costs	21,720	5,684	5,884	6,709	39,997	43,065	3,735	46,800	86,797
Repairs and maintenance	115,407	55,173	19,594	12,692	202,866	19,934	257	20,191	223,057
Marketing and website	-	-	-	1,039	1,039	6,600	15,214	21,814	22,853
Miscellaneous	-	-	-	-	-	2,760	-	2,760	2,760
	<u>\$ 3,963,831</u>	<u>\$ 1,413,674</u>	<u>\$ 1,456,780</u>	<u>\$ 857,687</u>	<u>\$ 7,691,972</u>	<u>\$ 393,233</u>	<u>\$ 208,825</u>	<u>\$ 602,058</u>	<u>\$ 8,294,030</u>

See accompanying notes to the financial statements.

# HOMEWARD BOUND OF MARIN, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,912,190	\$ 1,103,954
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	709,305	628,341
Donated securities	(1,193,357)	-
Unrealized and realized gains on investment	(39,490)	(6,220)
Accretion of discount on notes payable	52,298	49,448
<i>Changes in operating assets and liabilities:</i>		
Grants receivable	220,177	(309,148)
Accounts receivable	(5,951)	45,697
Prepaid rents	2,385	(11,270)
Prepaid expenses and deposits	(1,309)	21,523
Accounts payable	(68,472)	98,962
Accrued expenses	210,118	(20,795)
Deferred revenue	4,475	(6,955)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,802,369</b>	<b>1,593,537</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	3,979,536	107,245
Purchases of investments	(4,028,000)	(99,612)
Purchases of property and equipment	(80,906)	(147,049)
Cash paid for construction in progress	(701,385)	(1,458,353)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(830,755)</b>	<b>(1,597,769)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(39,390)	(36,572)
Proceeds from notes payable	994,700	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>955,310</b>	<b>(36,572)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>4,926,924</b>	<b>(40,804)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,331,936</b>	<b>1,372,740</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 6,258,860</b>	<b>\$ 1,331,936</b>
<b><u>SUPPLEMENTAL INFORMATION:</u></b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 45,168	\$ 43,629

See accompanying notes to the financial statements.

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### **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 of HBM have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require HBM. to report information regarding its financial position and activities according to the following net asset classifications:

**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 organization. These net assets may be used at the discretion of HBM's management and the board of directors.

**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 HBM or by the passage of time. Other donor restrictions are 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 statements of activities.

**Measure of Operations:** The statements 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 HBM's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities during the years ended June 30, 2020 and 2019.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of cash instruments with maturities of three months or less at the time of purchase.

**Accounts Receivable:** Accounts receivable that represent unconditional promises to give are recognized as revenue when the promise is received. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year and writes off to the change in net assets all balances that are considered uncollectible.

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

**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 5-40 years for buildings, 5-25 years for leasehold improvements, 3-20 years for furniture and equipment, 20 years for artwork, and 7 years for vehicles. Expenditures for maintenance and repairs are charged to expense as incurred.

**Contributions and Foundation Grants:** Contributions and foundation grants are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some contributions and foundation grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Assets received with donor-imposed conditions are reported as “Refundable Advances” in the Statement of Financial Position until the conditions have been substantially met.

Contributions and foundation grants received 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. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 restriction and reported in the Statement of Activities as net assets released from restrictions.

**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.

**Social Enterprises:** HBM provides a job-training program for low-income students from the community as well as HBM residents to prepare individuals for jobs in the culinary industry. Revenues are earned from contracts with local agencies for services provided by students and sales of dog biscuits, chocolate truffles, and jams and salsas produced by students.

**Client Fees:** Client fees include monthly rental amounts from residents in supportive housing as well as fees for supportive services not paid for by grant funds.

**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. HBM received \$77,563 and \$98,048 of transit vouchers during the years ended June 30, 2020 and 2019, respectively.

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

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

**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 financial statements.

**Functional Expenses:** The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes and benefits	Time and effort
Food and household supplies	Estimated average cost of a prepared meal

**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.

**Fair Value:** HBM follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same; to estimate the price at which an orderly transaction to sell the asset or to transfer the liabilities would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 uses unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 uses inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 uses unobservable information with little or no market data.

# HOMEWARD BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

HBM utilizes the active market approach (Level 1) to measure fair value for its financial assets, which consist of cash in checking and savings accounts. The carrying value of HBM's nonfinancial assets and liabilities approximates fair value.

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

New Accounting Pronouncement: In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. HBM has implemented the provisions of ASU 2018-08 effective July 1, 2019 applicable to both contributions received and contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

### **NOTE C - PROPERTY AND EQUIPMENT, NET**

Property and equipment consists of the following at June 30:

	<u>2020</u>		<u>2019</u>
Buildings	\$ 20,240,077	\$	19,547,808
Land	1,152,939		1,152,939
Leasehold improvements	1,540,140		1,534,950
Furniture and equipment	511,127		444,520
Artwork	122,025		122,025
Vehicles	64,265		64,265
	<u>23,630,573</u>		<u>22,866,507</u>
Less: accumulated depreciation	6,800,095		6,109,014
	<u>\$ 16,830,478</u>	\$	<u>16,757,493</u>

For the years ended June 30, 2020 and 2019, depreciation expense totaled \$ 709,305 and \$ 628,341, respectively.

### **NOTE D - NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<u>2020</u>		<u>2019</u>
Note payable, Emergency Housing & Assistance Program (EHAP), secured by a deed of trust for property at N. Hamilton Parkway, Novato, California. Bears interest 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 2020.		\$	1,000,000
		\$	1,000,000

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE D – NOTES PAYABLE - Continued

	<u>2020</u>	<u>2019</u>
Note payable to First Republic Bank, for Oma Village, 84 monthly payments of \$3,698 including interest at 3.95% per annum through April 2024. 35 monthly payments of \$3,580 including interest at 3.55%, one final principal and interest payment of \$500,811 on April 12, 2027. Collateralized by buildings.	\$ 646,949	\$ 666,451
Note payable to First Republic Bank, for Next Key Center, monthly payment of \$3,040 including interest at 4% per annum. Collateralized by buildings, final maturity is November, 2034.	397,216	417,104
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, 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	400,000
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
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. Bears interest at 3% per annum. The note is payable upon sale or transfer of the property.	25,000	25,000

# HOMEWARD BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE D – NOTES PAYABLE - Continued

	2020	2019
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.		
Total principal balance	15,300	15,300
Less: unamortized debt discount	3,889,645	3,928,855
	(819,807)	(872,105)
	\$ 3,069,658	\$ 3,056,750

### SBA Loan

On April 15, 2020, HBM received a U.S. Small Business Administration Loan (the “SBA Loan”) from CRF Small Business Loan Company, LLC, pursuant to the Paycheck Protection Program (the “PPP”) established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), in the amount of \$994,700. The application for these funds required HBM in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of HBM. This certification further required HBM to take into account current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business.

Future annual principal maturities are as follows:

Year ending June 30		
2021	\$	1,483,862
2022		607,339
2023		43,100
2024		44,942
2025		1,047,535
Thereafter		837,580
	\$	4,064,358



# HOMEWARD BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE E – NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30:

	2020	2019
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
Contingently forgivable non-interest bearing notes	\$ 819,807	\$ 872,105
King street project	-	111,690
Mill street project	4,237,436	138,207
HUD parcel triangle project	214,113	114,113
Miscellaneous program restricted grants	6,771	36,202
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<b>5,278,127</b>	<b>1,272,317</b>
Total net assets with donor restrictions	\$ 5,278,127	\$ 1,272,317

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

	2020	2019
<b>Purpose Restrictions Accomplished:</b>		
Contingently forgivable non-interest bearing notes	\$ 52,298	\$ 49,448
King street project	111,690	512,351
Mill street project	-	99,032
HUD parcel triangle project	-	85,887
Miscellaneous program restricted grants	34,932	234,313
	<b>198,920</b>	<b>981,031</b>
<b>Time Restrictions Expired:</b>		
Pledges receivable – time restricted	-	75,000
	-	75,000
Total net assets with donor restrictions	\$ 198,920	\$ 1,056,031

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE E – NET ASSETS - Continued**

As noted in Note D to the financial statements, the Organization is obligated under the terms of three non-interest bearing notes, one with Umpqua Bank, guaranteed by Federal Home Loan Bank, one with City of Novato, and one with Marin Workforce Housing Trust. The difference between the present value of these notes and their face value was recorded by the Organization as donor restricted contributions in the year the notes were executed. The contributions are released from restrictions over the life of the notes with the accretion of the discounts as the notes mature.

**Umpqua Bank Non-Interest Bearing Note:** The non-interest bearing note payable to Umpqua Bank, guaranteed by Federal Home Loan Bank (FHLB) Affordable Housing Program, has a face value of \$1,000,000. The discount on the loan is an imputed interest rate of 6%. Principal payments have been deferred for 16 years and will be forgiven on March 1, 2024, provided the Organization complies with the Affordable Housing Program (AHP) agreement. At the time this debt is forgiven, the Organization will recognize the carrying value of the debt as a contribution. During the years ended June 30, 2020 and 2019, management believes it has complied with the terms and conditions of the AHP agreement.

**City of Novato Non-Interest Bearing Note:** The non-interest bearing note payable to City of Novato has a face value of \$400,000. The discount on the loan is an imputed interest rate of 3%. Principal payments have been deferred for 55 years, provided the Organization complies with the Affordable Housing agreement and restrict the rental on the units to extremely low income households which include a student under the age of 18. The note is payable in full upon maturity of the loan on March 9, 2071. During the years ended June 30, 2020 and 2019, management believes it has complied with the terms and conditions of the Affordable Housing agreement.

**Marin Workforce Housing Trust Non-Interest Bearing Note:** The non-interest bearing note payable to Marin Workforce Housing Trust has a face value of \$405,000. The discount on the loan is an imputed interest rate of 4%. Principal payments have been deferred for 55 years, provided the Organization complies with note agreement and restrict the rental on the units to very low and low income households. The note is payable in full upon maturity of the loan on August 11, 2069. During the years ended June 30, 2020 and 2019, management believes it has complied with the terms and conditions of the note agreement.

### **NOTE F - COMMITMENTS AND CONTINGENCIES**

**Operating Lease 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:

<u>Year ending June 30</u>	
2021	\$ 349,226
2022	353,313
2023	359,110
2024	365,397
2025	293,868
Thereafter	<u>492,488</u>
	\$ <u>2,213,402</u>

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE F - COMMITMENTS AND CONTINGENCIES**

Rent expense for the years ended June 30, 2020 and 2019 amounted to \$1,187,617 and \$1,156,959, respectively.

**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, 2020 and 2019 totaled \$68,163 and \$63,638, respectively.

**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, 2020 and 2019, 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 G - CONCENTRATION OF CREDIT AND MARKET RISK**

**Concentration of Grants:** Approximately 33% and 44%, respectively, of the funding for HBM's programs for the years ended June 30, 2020 and 2019 was provided from grants through the U.S. Department of Housing and Urban Development and the County of Marin.

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, 2020 and 2019, totaled \$5,118,493 and \$840,209, 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.

# HOMeward BOUND OF MARIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE H – 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, 2020 and 2019 amounted to \$59,746 and \$19,394, respectively.

### NOTE I – AVAILABILITY AND LIQUIDITY

The following represents HBM's financial assets at June 30, 2020 and 2019:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,258,860	\$ 1,331,936
Investments	1,281,311	
Grants receivable	501,425	721,601
Accounts receivable	<u>35,563</u>	<u>29,612</u>
Total financial assets	8,077,159	2,083,149
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	5,278,128	1,272,317
Deferred revenue	<u>7,293</u>	<u>2,818</u>
	<u>5,285,421</u>	<u>1,275,135</u>
Financial assets available to meet general expenditures within one year	\$ <u>2,791,738</u>	\$ <u>808,014</u>

HBM's goal is generally to maintain financial assets to meet one and a half months of operating expenses.

### NOTE J – SUBSEQUENT EVENTS

In preparing the financial statements, HBM has evaluated subsequent events and transactions that occurred after the balance sheet date through December 2, 2020, the date that the financial statements were available to be issued. Management has evaluated the impact of the COVID-19 pandemic in the industry and has concluded that the virus could have a minimal negative effect on HBM's financial position and results of its operations. No adjustments have been made to these financial statements as a result of the analysis.