



**AUDITED FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS**

HOMEWARD BOUND OF MARIN, INC.

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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.

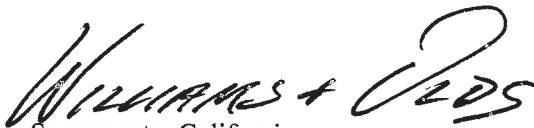
Other Matters

Other Information

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 November 9, 2021, 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 the effectiveness of Homeward Bound of Marin, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homeward Bound of Marin, Inc.'s internal control over financial reporting and compliance.



Sacramento, California

November 9, 2021

HOMeward BOUND OF MARIN, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 9,043,406	\$ 6,258,860
Investments	-	1,281,311
Grants receivable	791,590	501,425
Accounts receivable	110,833	35,563
Prepaid rents	113,303	123,852
Prepaid expenses and deposits	212,760	212,484
Property and equipment, net	<u>21,231,225</u>	<u>16,830,478</u>
TOTAL ASSETS	\$ <u>31,503,117</u>	\$ <u>25,243,973</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 746,041	\$ 112,847
Accrued expenses	600,823	553,476
Contract liabilities	4,346	7,293
Notes payable	<u>2,105,839</u>	<u>4,064,358</u>
TOTAL LIABILITIES	3,457,049	4,737,974
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without donor restrictions	16,277,800	15,227,872
With donor restrictions	<u>11,768,268</u>	<u>5,278,127</u>
TOTAL NET ASSETS	<u>28,046,068</u>	<u>20,505,999</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>31,503,117</u>	\$ <u>25,243,973</u>

See accompanying notes to the financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 5,594,691	\$ 5,025,405	\$ 10,620,096
Foundation grants	970,500	576,000	1,546,500
Contributions	1,898,629	950,819	2,849,448
Client fees	1,076,995	-	1,076,995
Social enterprises	416,141	-	416,141
In-kind contributions	33,500	-	33,500
Investment income, net	8,439	-	8,439
<i>Net assets released from restrictions</i>	62,083	(62,083)	-
TOTAL SUPPORT AND REVENUE	10,060,978	6,490,141	16,551,119
EXPENSES			
Program services			
Adult services	4,741,786	-	4,741,786
Mental health services	1,451,705	-	1,451,705
Family services	1,585,641	-	1,585,641
Workforce training and social enterprises	1,603,261	-	1,603,261
Permanent housing	336,171	-	336,171
Total program services	9,718,564	-	9,718,564
Supporting services			
General and administrative	901,927	-	901,927
Fundraising	385,259	-	385,259
Total supporting services	1,287,186	-	1,287,186
TOTAL EXPENSES	11,005,750	-	11,005,750
CHANGE IN NET ASSETS FROM OPERATIONS	(944,772)	6,490,141	5,545,369
NON-OPERATING ACTIVITIES:			
Forgiveness of SBA loan	994,700	-	994,700
Forgiveness of EHAP note payable	1,000,000	-	1,000,000
TOTAL NON-OPERATING ACTIVITIES	1,994,700	-	1,994,700
CHANGE IN NET ASSETS	1,049,928	6,490,141	7,540,069
NET ASSETS AT BEGINNING OF YEAR	15,227,872	5,278,127	20,505,999
NET ASSETS AT END OF YEAR	\$ 16,277,800	\$ 11,768,268	\$ 28,046,068

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
SUPPORT AND REVENUE			
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)	-
TOTAL SUPPORT AND REVENUE	10,636,770	4,005,810	14,642,580
EXPENSES			
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
TOTAL EXPENSES	9,730,390	-	9,730,390
CHANGE IN NET ASSETS	906,380	4,005,810	4,912,190
NET ASSETS AT BEGINNING OF YEAR	14,321,492	1,272,317	15,593,809
NET ASSETS AT END OF YEAR	\$ 15,227,872	\$ 5,278,127	\$ 20,505,999

See accompanying notes to the financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services						Supporting Services			
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises		Housing Projects	Total	General and Administrative	Fundraising	Total
				Enterprises	Social					
Salaries and related costs	2,205,085	668,445	751,407	1,090,920	336,171	5,052,028	363,546	266,209	629,755	5,681,783
HUD lease expenses	511,653	373,247	324,425	-	-	1,209,325	-	-	-	1,209,325
Food and household supplies	12,954	12,882	1,427	254,576	-	281,839	1,044	650	1,694	283,533
Occupancy	632,807	251,487	81,343	30,144	-	995,781	61,356	-	61,356	1,057,137
Depreciation	594,278	19,751	244,401	20,409	-	878,839	6,713	4,729	11,442	890,281
Office and operating expense	95,403	12,239	49,278	22,341	-	179,261	100,216	9,691	109,907	289,168
Program supplies and vouchers	71,315	26,339	42,533	126,339	-	266,526	2,752	3,038	5,790	272,316
Outside services	14,613	3,447	15,776	2,305	-	36,141	101,635	54,081	155,716	191,857
Interest expense	57,509	8,028	35,587	8,652	-	109,776	1,841	2,041	3,882	113,658
Staff related costs	14,885	5,544	5,493	5,712	-	31,634	50,953	1,653	52,606	84,240
Repairs and maintenance	531,284	70,296	33,971	31,414	-	666,965	210,256	378	210,634	877,599
Marketing and website	-	-	-	10,449	-	10,449	1,615	42,789	44,404	54,853
	<u>\$ 4,741,786</u>	<u>\$ 1,451,705</u>	<u>\$ 1,585,641</u>	<u>\$ 1,603,261</u>	<u>\$ 336,171</u>	<u>\$ 9,718,564</u>	<u>\$ 901,927</u>	<u>\$ 385,259</u>	<u>\$ 1,287,186</u>	<u>\$ 11,005,750</u>

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			
	Adult Services	Mental Health Services	Family Services	Workforce		Housing Projects	Total	General and Administrative	Fundraising	Total
				Training and Social Enterprises	Total					
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
	<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.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,540,069	\$ 4,912,190
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	890,281	709,305
Donated securities	(124,695)	(1,193,357)
Unrealized and realized gains on investment	456	(39,490)
Accretion of discount on notes payable	55,313	52,298
Forgiveness of SBA loan	(994,700)	-
Forgiveness of EHAP note payable	(1,000,000)	-
<i>Changes in operating assets and liabilities:</i>		
Grants receivable	(290,165)	220,177
Accounts receivable	(75,270)	(5,951)
Prepaid rents	10,549	2,385
Prepaid expenses and deposits	(276)	(1,309)
Accounts payable	633,194	(68,472)
Accrued expenses	47,347	210,118
Contract liabilities	(2,947)	4,475
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,689,156	4,802,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,405,550	3,979,536
Purchases of investments	-	(4,028,000)
Purchases of property and equipment	(107,395)	(80,906)
Cash paid for construction in progress	(5,183,633)	(701,385)
NET CASH USED IN INVESTING ACTIVITIES	(3,885,478)	(830,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(19,132)	(39,390)
Proceeds from notes payable	-	994,700
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(19,132)	955,310
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,784,546	4,926,924
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,258,860	1,331,936
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,043,406	\$ 6,258,860
<u>SUPPLEMENTAL INFORMATION:</u>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 58,345	\$ 45,168

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 1,000 people per year in 18 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."

Homeward Bound's residential and training programs serve various needs of the community, including:

- Family Center – provides emergency shelter for homeless families with a focus on residents developing plans for stable housing. Services provided include counseling, support for employment and housing search, food assistance, tutoring and help with credit repair or other financial goals.
- Mill Street Center – provides year-round emergency shelter for homeless adults and provides additional support services.
- Voyager Carmel Center – provides shelter for homeless adults struggling with mental illness; 10 rooms reserved from shelter services and 26 rooms for long-term supportive housing. Services include 24-hour staff, community activities, counseling, job training and assistance accessing other needed services.
- New Beginnings Center – combines shelter for single homeless adults with job training and work experience opportunities. Residents are expected to engage in developing plans for stable housing. Twelve beds are set aside for veterans in partnership with U.S. Department of Veterans Affairs.
- Next Key Center – provide employment enhancement housing for single homeless adults completing longer-term education or job-training programs.
- Fourth Street Housing – provides permanent housing for 20 single adults exiting homelessness. Support services include assistance with referrals to provide partners to address specific needs, help with food assistance and furnishings.
- King Street Senior Housing – group home providing permanent affordable housing for 12 formerly homeless seniors.
- Oma Village – provides permanent supportive housing for 14 families transitioning out of homelessness.
- Housing at Last, Family Place and Palm Court – provides 93 beds of permanent apartment housing for single adults and families offering subsidized rents in partnership with the U.S. Department of Housing and Urban Development.
- Transition to Wellness – nurse-supervised medical respite for people without housing to recuperate following acute hospitalization.
- Fresh Starts Culinary Academy – award-winning job training program preparing low-income and homeless individuals for successful culinary careers.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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.

Property and Equipment: During the year-ended June 30, 2021 and 2020, property and equipment in excess of \$1,500 and \$1,000, respectively, 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.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Revenue Recognition: Revenue is measured based on the amount of consideration specified in a contract with a customer. Revenue is recognized when earned and as our performance obligations under the terms of the contract are satisfied which generally occurs when the services are provided.

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.

Contract Assets and Liabilities - When billing occurs subsequent to revenue recognition, resulting in unbilled revenue, a contract asset ensues and is presented under the caption “Contract assets” in the Statements of Financial Position. This represents unbilled revenues which arise when revenue has been earned but the amount will not be billed until a later date. When advances or deposits from customers or funders are received, resulting in deferred revenue, a contract liability ensues and is presented under the caption “Contract Liabilities” in the Statements of Financial Position. This represents deferred revenue when the Society has billed a customer or funder in excess of revenue recognized to date or when payments are received in advance.

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 \$33,500 and \$77,563 of transit vouchers during the years ended June 30, 2021 and 2020, respectively.

Fair Value Measurements: HBM applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a fair value hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2:* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3:* Unobservable inputs reflecting the reporting entity's own assumptions, which require the most judgment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are appropriate and consistent within the industry, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Investments: HBM carries investments in marketable securities and debt securities at their fair values in the Statement of Financial Position. Purchases and sales of securities are reflected on a trade-date basis. Unrealized and realized gains and losses are included in the accompanying Statement of Activities. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Investment income and gains restricted by a donor are reported as increases or decreases in net assets with or without donor restrictions depending on the nature of the restrictions.

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.

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.

Advertising: Advertising costs in the amount of \$54,853 and \$9,761 for the years ended June 30, 2021 and 2020, respectively, were expensed as incurred. These expenses are recorded in their respective functional categories.

Functional Allocation of Costs: 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.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

New Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which provides guidance on revenue recognition and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. The standard’s core principle is that a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These judgments may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. HBM adopted ASU 2014-09 effective July 1, 2020 using the full retrospective transition method. This adoption did not have a significant impact on the financial statements. HBM analyzed the revenue streams and concluded there was no change to the timing and pattern of revenue recognition for these revenue streams under the new guidance. As such, adoption of the standard did not result in a change to the revenue recognition policies, require recognition of a cumulative adjustment or have a material impact on the financial statements.

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.

HOMEWARD BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no significant changes in the methodologies used during the years ended June 30, 2021 and 2020.

Certificates of deposit: Estimated at cost plus accrued interest which approximates fair value.

The following table summarizes the investments at June 30, 2020 based on the inputs used to value them:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,281,311	\$ -	\$ 1,281,311
Total investments	\$ -	\$ 1,281,311	\$ -	\$ 1,281,311

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 19,040,380	\$ 19,028,530
Construction in progress		
Mill Street	6,076,335	998,878
HUD Parcel	230,862	212,669
Land	1,152,939	1,152,939
Leasehold improvements	1,632,086	1,540,140
Furniture and equipment	602,710	511,127
Artwork	122,025	122,025
Vehicles	64,265	64,265
	28,921,602	23,630,573
Less: accumulated depreciation	7,690,377	6,800,095
	\$ 21,231,225	\$ 16,830,478

For the years ended June 30, 2021 and 2020, depreciation expense totaled \$890,281 and \$709,305, respectively.

HOMEWARD BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE

Notes payable consist of the following at June 30:

	2021	2020
<p>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 was received on July 28, 2020.</p>	\$ -	\$ 1,000,000
<p>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.</p>	628,144	646,949
<p>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.</p>	396,889	397,216
<p>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.</p>	1,000,000	1,000,000
<p>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.</p>	400,000	400,000
<p>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.</p>	405,000	405,000

HOMEWARD BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE – Continued

<p>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.</p>	25,000	25,000
<p>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.</p>	<u>15,300</u>	<u>15,300</u>
<p>Total principal balance</p>	2,870,333	3,889,645
<p>Less: unamortized debt discount</p>	<u>(764,494)</u>	<u>(819,807)</u>
	<u>\$ 2,105,839</u>	<u>\$ 3,069,658</u>

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. On January 12, 2021, the PPP loan forgiveness was approved and the full amount was forgiven and is included in Non-Operating Activities in the Statements of Activities.

Future annual principal maturities are as follows:

Year ending June 30	
2022	\$ 44,627
2023	30,517
2024	31,842
2025	1,033,896
2026	35,175
Thereafter	<u>929,782</u>
	<u>\$ 2,105,839</u>

HOMEWARD BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – NET ASSETS

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

	2021	2020
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Contingently forgivable non-interest bearing notes	\$ 764,494	\$ 819,807
Mill street project	10,789,661	4,237,436
HUD parcel triangle project	214,113	214,113
Miscellaneous program restricted grants	-	6,771
Total Subject to the Passage of Time or Expenditure for Specified Purpose	11,768,268	5,278,127
Total net assets with donor restrictions	\$ 11,768,268	\$ 5,278,127

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:

	2021	2020
Purpose Restrictions Accomplished:		
Contingently forgivable non-interest bearing notes	\$ 55,312	\$ 52,298
King street project	-	111,690
Miscellaneous program restricted grants	6,771	34,932
Total restrictions released	\$ 62,083	\$ 198,920

As noted in Note E 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, 2021 and 2020, management believes it has complied with the terms and conditions of the AHP agreement.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – NET ASSETS – Continued

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, 2021 and 2020, 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, 2021 and 2020, management believes it has complied with the terms and conditions of the note agreement.

NOTE G – 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:

Year ending June 30	
2022	\$ 353,445
2023	359,242
2024	365,529
2025	295,152
2026	166,165
Thereafter	<u>327,607</u>
	\$ <u>1,867,140</u>

Rent expense for the years ended June 30, 2021 and 2020 amounted to \$1,209,325 and \$1,187,617, 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, 2021 and 2020 totaled \$63,059 and \$68,163, respectively.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G – COMMITMENTS AND CONTINGENCIES – Continued

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, 2021 and 2020, 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 53% and 33%, respectively, of the funding for HBM's programs for the years ended June 30, 2021 and 2020 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, 2021 and 2020, totaled \$8,416,138 and \$5,118,493, 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, 2021 and 2020 amounted to \$75,440 and \$59,746, respectively.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J – AVAILABILITY AND LIQUIDITY

The following represents HBM's financial assets at June 30, 2021 and 2020:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,043,406	\$ 6,258,860
Investments	-	1,281,311
Grants receivable	791,590	501,425
Accounts receivable	110,833	35,563
Total financial assets	<u>9,945,829</u>	<u>8,077,159</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	5,691,933	5,278,128
Contract liabilities	4,346	7,293
	<u>5,696,279</u>	<u>5,285,421</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,249,550</u>	<u>\$ 2,791,738</u>

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

NOTE K – SUBSEQUENT EVENTS

In preparing the financial statements, HBM has evaluated subsequent events and transactions that occurred after the balance sheet date through November 9, 2021, the date that 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, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Total Federal Expenditures
Loan Guarantee - Federal Home Loan Bank The Next Key Transitional Housing	99.000	\$ 1,000,000
U.S. Department of Housing and Urban Development Continuum of Care Program	14.267	1,573,769
U.S. Department of Veterans Affairs Grant and per diem program	64.024	157,933
Federal Emergency Management Agency Emergency Food and Shelter National Board Program	97.024	<u>36,600</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>2,768,302</u></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, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Homeward Bound of Marin, Inc. under programs of the federal government for the year ended June 30, 2021. 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Homeward Bound of Marin, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 November 9, 2021.

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) as a basis for designing 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.

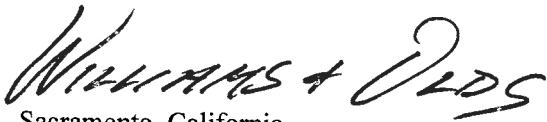
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
November 9, 2021

**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 HBM's major federal programs for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 types of 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, 2021.


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
November 9, 2021

HOMeward BOUND OF MARIN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report:

Unmodified

Internal control over financial reporting:

Material weakness identified?

yes no

Significant deficiency(ies) identified

not considered to be material weakness?

yes none reported

Noncompliance material to financial statements
noted?

yes no

Federal Award

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiency(ies) identified

not considered to be material weakness?

yes 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 no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

99.000

FHLB Loan Guarantee: The Next Key Transitional Housing
Continuum of Care Program

14.267

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

HOMeward BOUND OF MARIN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

CURRENT YEAR FINDINGS

Section II - Financial Statement Findings

Finding 2021-001

Preparation of Financial Statements, Preparation of Schedule of Expenditures of Federal Awards and Material Audit Adjustments Material Weakness

Criteria and Condition: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements and schedule of expenditures of federal awards (SEFA) that are materially correct and include all required disclosures. The Organization does not have an internal control system designed to provide for the preparation of the full financial statements and schedule of expenditures of federal awards being audited. We proposed audit adjustments and reclassifications that would not have been identified as a result of the Organization's existing internal controls. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and the SEFA.

Cause and Effect: The Organization has limited staff to prepare full disclosure financial statements and the SEFA. There is a reasonable possibility that the Organization would not be able to draft the financial statements and accompanying notes to the financial statements and schedule of expenditures of federal awards that are correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Organization is aware of this condition for financial reporting purposes. Management and the board of directors should continually be aware of the financial accounting and reporting of the Organization and changes in the accounting and reporting requirements.

View of Responsible Officials: The Organization agrees with the finding. Due to the size of the accounting staff, auditor assistance with preparation of the financial statements will continue to be utilized. Management and the board of directors reviews and approves all audit adjustments and takes full responsibility for the financial statements, accompanying notes to the financial statements and the SEFA.

HOMeward BOUND OF MARIN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs

None noted.

HOMeward BOUND OF MARIN, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2021

Finding 2020-001

Preparation of Financial Statements, Preparation of Schedule of Expenditures of Federal Awards and Material Audit Adjustments Material Weakness

Criteria and Condition: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements and schedule of expenditures of federal awards (SEFA) that are materially correct and include all required disclosures. The Organization does not have an internal control system designed to provide for the preparation of the full financial statements and schedule of expenditures of federal awards being audited. We proposed audit adjustments and reclassifications that would not have been identified as a result of the Organization's existing internal controls. In addition, the Organization proposed material adjustments and reclassifications throughout fieldwork. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and the SEFA.

Cause and Effect: The Organization has limited staff to prepare full disclosure financial statements and the SEFA. There is a reasonable possibility that the Organization would not be able to draft the financial statements and accompanying notes to the financial statements and schedule of expenditures of federal awards that are correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Organization is aware of this condition for financial reporting purposes. Management and the board of directors should continually be aware of the financial accounting and reporting of the Organization and changes in the accounting and reporting requirements.

View of Responsible Officials: The Organization agrees with the finding. Due to the size of the accounting staff, auditor assistance with preparation of the financial statements will continue to be utilized. Management and the board of directors reviews and approves all audit adjustments and takes full responsibility for the financial statements, accompanying notes to the financial statements and the SEFA.

Current Status: The Organization still has limited accounting staff and auditor assistance is necessary to prepare the full financial statements and schedule of expenditures. In addition, we proposed significant adjustments and reclassifications that were not identified due to the Organization's lack of controls. Similar findings were noted in the 2021 audit.