



**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
HOMEWARD BOUND OF MARIN, INC.
June 30, 2022 and 2021**

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 Audit of the Financial Statements

Opinion

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, 2022, and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeward Bound of Marin, Inc. as of June 30, 2022, and 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeward Bound of Marin, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

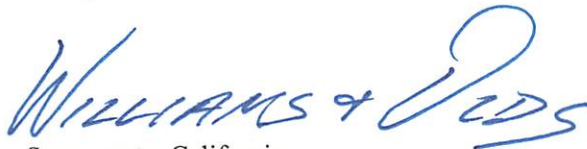
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Homeward Bound of Marin, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Homeward Bound of Marin, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Sacramento, California
November 29, 2022

HOMeward BOUND OF MARIN, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,863,165	\$ 9,043,406
Investments	7,380,544	-
Grants receivable	724,898	791,590
Accounts receivable	103,535	110,833
Prepaid rents	109,560	113,303
Prepaid expenses and deposits	219,020	212,760
Property and equipment, net	<u>33,561,513</u>	<u>21,231,225</u>
TOTAL ASSETS	\$ <u>46,962,235</u>	\$ <u>31,503,117</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,532,340	\$ 746,041
Accrued expenses	611,815	600,823
Contract liabilities	5,131	4,346
Notes payable	<u>6,318,711</u>	<u>2,105,839</u>
TOTAL LIABILITIES	9,467,997	3,457,049
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without donor restrictions	14,061,196	16,277,800
With donor restrictions	<u>23,433,042</u>	<u>11,768,268</u>
TOTAL NET ASSETS	<u>37,494,238</u>	<u>28,046,068</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>46,962,235</u>	\$ <u>31,503,117</u>

See accompanying notes to the financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Government grants	\$ 3,095,367	\$ 9,235,672	\$ 12,331,039
Contributions	3,297,282	1,474,610	4,771,892
Foundation grants	1,117,445	1,013,000	2,130,445
Client fees	1,067,372	-	1,067,372
Social enterprises	428,309	-	428,309
In-kind contributions	57,756	-	57,756
Investment income, net	(7,594)	-	(7,594)
<i>Net assets released from restrictions</i>	58,508	(58,508)	-
TOTAL SUPPORT AND REVENUE	9,114,445	11,664,774	20,779,219
EXPENSES			
Program services			
Adult services	4,690,108	-	4,690,108
Workforce training and social enterprises	1,846,840	-	1,846,840
Family services	1,789,917	-	1,789,917
Mental health services	1,494,824	-	1,494,824
Permanent housing	362,231	-	362,231
Total program services	10,183,920	-	10,183,920
Supporting services			
General and administrative	768,578	-	768,578
Fundraising	393,851	-	393,851
Total supporting services	1,162,429	-	1,162,429
TOTAL EXPENSES	11,346,349	-	11,346,349
CHANGE IN NET ASSETS FROM OPERATIONS	(2,231,904)	11,664,774	9,432,870
NON-OPERATING ACTIVITIES:			
Forgiveness of City of Novato note payable	15,300	-	15,300
TOTAL NON-OPERATING ACTIVITIES	15,300	-	15,300
CHANGE IN NET ASSETS	(2,216,604)	11,664,774	9,448,170
NET ASSETS AT BEGINNING OF YEAR	16,277,800	11,768,268	28,046,068
NET ASSETS AT END OF YEAR	\$ 14,061,196	\$ 23,433,042	\$ 37,494,238

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
Contributions	1,898,629	950,819	2,849,448
Foundation grants	970,500	576,000	1,546,500
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
Workforce training and social enterprises	1,603,261	-	1,603,261
Family services	1,585,641	-	1,585,641
Mental health services	1,451,705	-	1,451,705
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 FUNCTIONAL EXPENSES

For the Years Ended June 30, 2022 and June 30, 2021

	June 30, 2022			Total
	Program Services	General and Administrative	Fundraising	
Salaries and related costs	5,399,382	414,729	243,817	6,057,928
HUD lease expenses	1,237,022	-	-	1,237,022
Occupancy	901,397	76,388	-	977,785
Repairs and maintenance	773,246	36,461	158	809,865
Depreciation	706,660	8,966	8,087	723,713
Food and household supplies	463,793	1,039	1,272	466,104
Office and operating expense	233,404	108,428	12,261	354,093
Program supplies and vouchers	260,605	2,653	5,136	268,394
Outside services	35,200	54,133	54,187	143,520
Interest expense	121,457	948	1,051	123,456
Staff related costs	41,348	64,833	4,278	110,459
Marketing and website	10,406	-	63,604	74,010
	<u>\$ 10,183,920</u>	<u>\$ 768,578</u>	<u>\$ 393,851</u>	<u>\$ 11,346,349</u>

	June 30, 2021			Total
	Program Services	General and Administrative	Fundraising	
Salaries and related costs	5,052,028	363,546	266,209	5,681,783
HUD lease expenses	1,209,325	-	-	1,209,325
Occupancy	995,781	61,356	-	1,057,137
Repairs and maintenance	666,965	210,256	378	877,599
Depreciation	878,839	6,713	4,729	890,281
Food and household supplies	281,839	1,044	650	283,533
Office and operating expense	179,261	100,216	9,691	289,168
Program supplies and vouchers	266,526	2,752	3,038	272,316
Outside services	36,141	101,635	54,081	191,857
Interest expense	109,776	1,841	2,041	113,658
Staff related costs	31,634	50,953	1,653	84,240
Marketing and website	10,449	1,615	42,789	54,853
	<u>\$ 9,718,564</u>	<u>\$ 901,927</u>	<u>\$ 385,259</u>	<u>\$ 11,005,750</u>

See accompanying notes to the financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,448,170	\$ 7,540,069
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	723,713	890,281
Donated securities	-	(124,695)
Unrealized and realized gains on investment	9,916	456
Accretion of discount on notes payable	58,508	55,313
Forgiveness of SBA loan	-	(994,700)
Forgiveness of EHAP note payable	-	(1,000,000)
Forgiveness of City of Novato note payable	(15,300)	-
<i>Changes in operating assets and liabilities:</i>		
Grants receivable	66,692	(290,165)
Accounts receivable	7,298	(75,270)
Prepaid rents	3,743	10,549
Prepaid expenses and deposits	(6,260)	(276)
Accounts payable	1,786,299	633,194
Accrued expenses	10,992	47,347
Contract liabilities	785	(2,947)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,094,556	6,689,156
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,091,824	1,405,550
Purchases of investments	(8,482,284)	-
Purchases of property and equipment	(2,024,001)	(107,395)
Cash paid for construction in progress	(11,030,000)	(5,183,633)
NET CASH USED IN INVESTING ACTIVITIES	(20,444,461)	(3,885,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(29,202)	(19,132)
Proceeds from notes payable	4,198,866	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	4,169,664	(19,132)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,180,241)	2,784,546
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,043,406	6,258,860
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,863,165	\$ 9,043,406
<u>SUPPLEMENTAL INFORMATION:</u>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 64,948	\$ 58,345

See accompanying notes to the financial statements.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

Homeward Bound of Marin, Inc. (HBM) is a non-profit corporation founded in 1974 to provide housing, support for housing applications and referrals, case management and related support services to families and individuals experiencing homelessness, and to promote and develop both temporary and long-term supportive housing options. HBM is Marin County's chief provider of shelter and residential services for people grappling with lack of housing, serving approximately 1,000 people per year in 18 inter-related programs.

HBM's mission is "opening doors to safety, dignity, hope, and independence" coupled with a vision that "everyone deserves a place to call home." During the year ended June 30, 2022, 88% of families and 77% of adults who exited their programs moved to stable housing options.

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

- Family Center - emergency shelter for nine homeless families with a focus on helping residents develop plans for stable housing. Services include counseling, support for employment and housing search, food assistance, referrals to other community services, and help with credit repair or other financial goals.
- Jonathan's Place - Mill St. new building and name change to Jonathan's Place. Jonathan's Place Shelter provides year-round emergency shelter for homeless adults, with meals, housing-focused counseling, and additional support services. Jonathan's Place Housing provides permanent supportive housing for 32 adults exiting chronic homelessness.
- Voyager Carmel Center - shelter and supportive housing for homeless adults struggling with mental illness, with 10 rooms reserved for shelter services and 26 rooms for long-term supportive housing. Services include 24-hour staff, community activities, counseling, and support to access other needed services.
- New Beginnings Center - shelter for 80 single homeless adults with access to job training and work experience opportunities. The housing-focused services include case management, meals, support for job and housing search, and referral to other services. Twelve beds are set aside for veterans in partnership with the U.S. Department of Veterans Affairs.
- Next Key Center - employment enhancement housing for single homeless adults completing longer-term education or job-training programs.
- Fourth Street Center - permanent supportive housing for 20 single adults transitioning out of homelessness. Support services include assistance with referrals to community services as needed, meal support, case management and counseling.
- King Street Senior Housing - permanent supportive housing for 12 formerly homeless seniors. This communal living program includes a computer lab, exercise room, and meal support as well as case management as needed.
- Family Place, Families First and Nuestra Casa - permanent supportive housing for 30 families transitioning out of homelessness who occupy independent housing with rents subsidized by federal housing vouchers. Services include counseling and case management as needed.
- Oma Village - permanent supportive housing for 14 families transitioning out of homelessness.
- Housing at Last, Family Place and Palm Court - permanent supportive housing for single adults and families who occupy independent housing with rents subsidized by federal housing vouchers. Services include counseling and case management as needed.
- Transition to Wellness - nurse-supervised medical respite program for people without housing who are exiting acute hospital care. Services include meals, case management and support for housing search as well as referral to other community services as needed.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – ORGANIZATION - Continued

- Fresh Starts Culinary Academy - award-winning job training program preparing low-income and homeless individuals for successful culinary careers. This 10-week training is certified by the American Culinary Federation.
- Casa Buena - permanent supportive housing for 18 adults exiting chronic homelessness. Support services include nightly meals, counseling, and case management.

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 report 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 years ended June 30, 2022 and 2021, 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.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Contributions of Non-Financial Assets: 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

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

specialized skills that would be purchased if they were not donated. HBM received \$57,756 and \$33,500 of transit vouchers during the years ended June 30, 2022 and 2021, 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.

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 \$74,010 and \$54,853 for the years ended June 30, 2022 and 2021, respectively, were expensed as incurred. These expenses are recorded in their respective functional categories.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. The time and effort method is used to allocate salaries, payroll taxes and benefits. The estimated average cost of a prepared meal is the method of allocating food and household supplies. Such allocations are determined by management on an equitable basis.

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.

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, 2022 and 2021.

The following table summarizes the investments at June 30, 2022 based on the inputs used to value them:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Treasury Bills	\$ <u>7,380,544</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,380,544</u>
Total investments	\$ <u>7,380,544</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,380,544</u>

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 20,230,614	\$ 19,040,380
Construction in progress		
Mill Street	16,781,536	6,076,335
HUD Parcel	555,663	230,862
Land	1,152,939	1,152,939
Leasehold improvements	1,632,086	1,632,086
Furniture and equipment	772,544	602,710
Artwork	122,025	122,025
Vehicles	64,265	64,265
	<u>41,311,672</u>	<u>28,921,602</u>
Less: accumulated depreciation	<u>7,750,159</u>	<u>7,690,377</u>
	\$ <u>33,561,513</u>	\$ <u>21,231,225</u>

For the years ended June 30, 2022, and 2021, depreciation expense totaled \$723,713 and \$890,281, respectively.

HOMEWARD BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE

Notes payable consist of the following at June 30:

	2022	2021
Note payable, Bank of Marin, secured by a deed of trust at Marin County, State of California. For construction of affordable housing for homeless and extremely low-income households. Interest rate at 3.75%, due February 15, 2023.	\$ 4,198,866	\$ -
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.	608,573	628,144
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.	387,258	396,889
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-income households. Zero interest, due August 11, 2069.	405,000	405,000

HOMEWARD BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE E – NOTES PAYABLE – Continued

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

Note payable, City of Novato, part of a deferred fee agreement. Annual payments of \$3,825 commenced January, 2001 and the unpaid principal was forgiven. The note is non-interest bearing.

 - 15,300

Total principal balance

7,024,697 2,870,333

Less: unamortized debt discount

(705,986) (764,494)

\$ 6,318,711 \$ 2,105,839

Future annual principal maturities are as follows:

Year ending June 30

2023	\$	4,229,383
2024		31,842
2025		1,033,896
2026		35,175
2027		533,301
Thereafter		<u>455,114</u>
	\$	<u>6,318,711</u>

HOMEWARD BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – NET ASSETS

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

	2022	2021
Subject to the Passage of Time or Expenditure for Specified Purpose:		
Contingently forgivable non-interest bearing notes	\$ 705,986	\$ 764,494
Mill street project	18,168,454	10,789,661
HUD parcel triangle project	4,558,602	214,113
Total Subject to the Passage of Time or Expenditure for Specified Purpose	23,433,042	11,768,268
Total net assets with donor restrictions	\$ 23,433,042	\$ 11,768,268

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:

	2022	2021
Purpose Restrictions Accomplished:		
Contingently forgivable non-interest bearing notes	\$ 58,508	\$ 55,312
Miscellaneous program restricted grants	-	6,771
Total restrictions released	\$ 58,508	\$ 62,083

As discussed in Note E to the financial statements, HBM 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 HBM 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 HBM complies with the Affordable Housing Program (AHP) agreement. At the time this debt is forgiven, HBM will recognize the carrying value of the debt as a contribution. During the years ended June 30, 2022 and 2021, management believes it has complied with the terms and conditions of the AHP agreement.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE 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 HBM 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, 2022 and 2021, 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 HBM 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, 2022 and 2021, 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:

<u>Year ending June 30</u>	
2023	\$ 371,718
2024	367,005
2025	296,628
2026	167,641
2027	100,174
Thereafter	<u>227,607</u>
	\$ <u>1,530,773</u>

Rent expense for the years ended June 30, 2022, and 2021 amounted to \$1,237,022 and \$1,209,325, 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, 2022 and 2021 totaled \$64,546 and \$63,059, respectively.

HOMeward BOUND OF MARIN, INC.

NOTES TO THE 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, 2022 and 2021, 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 54% and 53%, respectively, of the funding for HBM's programs for the years ended June 30, 2022 and 2021 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, 2022 and 2021, totaled \$6,392,763 and \$8,416,138, 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

HBM has 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, 2022 and 2021 amounted to \$102,177 and \$75,440, respectively.

HOMEWARD BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE J – PROGRAM SERVICES

The following represents HBM’s program services for the years ended June 30, 2022 and 2021:

	For the year ended June 30, 2022					
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Housing Projects	Total Program Services
Salaries	\$ 1,838,476	\$ 585,258	\$ 714,382	\$ 993,678	\$ 337,808	\$ 4,469,602
Payroll taxes	146,801	46,852	55,999	74,198	-	323,850
Employee benefits	299,951	86,592	94,822	124,565	-	605,930
Salaries and related costs	2,285,228	718,702	865,203	1,192,441	337,808	5,399,382
HUD lease expenses	522,655	381,874	332,493	-	-	1,237,022
Occupancy	553,720	253,013	80,063	14,601	-	901,397
Repairs and maintenance	595,335	50,828	72,035	55,048	-	773,246
Depreciation	413,963	21,233	247,315	24,149	-	706,660
Food and household supplies	4,712	16,169	1,493	441,419	-	463,793
Program supplies and vouchers	115,712	21,522	59,100	64,271	-	260,605
Office and operating expense	121,151	18,007	64,842	29,404	-	233,404
Interest expense	43,662	4,133	44,785	4,454	24,423	121,457
Staff related costs	25,047	5,493	7,227	3,581	-	41,348
Outside services	8,923	3,850	15,361	7,066	-	35,200
Marketing and website	-	-	-	10,406	-	10,406
	\$ 4,690,108	\$ 1,494,824	\$ 1,789,917	\$ 1,846,840	\$ 362,231	\$ 10,183,920

	For the year ended June 30, 2021					
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Housing Projects	Total Program Services
Salaries	\$ 1,816,516	\$ 550,183	\$ 622,936	\$ 900,755	\$ 273,139	\$ 4,163,529
Payroll taxes	139,447	42,595	48,146	64,762	18,772	313,722
Employee benefits	249,122	75,667	80,325	125,403	44,260	574,777
Salaries and related costs	2,205,085	668,445	751,407	1,090,920	336,171	5,052,028
HUD lease expenses	511,653	373,247	324,425	-	-	1,209,325
Occupancy	632,807	251,487	81,343	30,144	-	995,781
Repairs and maintenance	531,284	70,296	33,971	31,414	-	666,965
Depreciation	594,278	19,751	244,401	20,409	-	878,839
Food and household supplies	12,954	12,882	1,427	254,576	-	281,839
Program supplies and vouchers	71,315	26,339	42,533	126,339	-	266,526
Office and operating expense	95,403	12,239	49,278	22,341	-	179,261
Interest expense	57,509	8,028	35,587	8,652	-	109,776
Staff related costs	14,885	5,544	5,493	5,712	-	31,634
Outside services	14,613	3,447	15,776	2,305	-	36,141
Marketing and website	-	-	-	10,449	-	10,449
	\$ 4,741,786	\$ 1,451,705	\$ 1,585,641	\$ 1,603,261	\$ 336,171	\$ 9,718,564

HOMeward BOUND OF MARIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE K – AVAILABILITY AND LIQUIDITY

The following represents HBM's financial assets at June 30, 2022 and 2021:

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,863,165	\$ 9,043,406
Investments	7,380,544	-
Grants receivable	724,898	791,590
Accounts receivable	<u>103,535</u>	<u>110,833</u>
Total financial assets	13,072,142	9,945,829
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	5,235,672	5,691,933
Contract liabilities	<u>5,131</u>	<u>4,346</u>
	<u>5,240,803</u>	<u>5,696,279</u>
Financial assets available to meet general expenditures within one year	\$ <u>7,831,339</u>	\$ <u>4,249,550</u>

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

NOTE L – SUBSEQUENT EVENTS

In preparing the financial statements, HBM has evaluated subsequent events and transactions that occurred after the balance sheet date through November 29, 2022, the date that the financial statements were available to be issued.