



**HOMeward BOUND OF MARIN, INC.**

**AUDITED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023 AND 2022**

**HOMeward BOUND OF MARIN, INC.**

**TABLE OF CONTENTS**

**INDEPENDENT AUDITOR’S REPORT**..... 1

**FINANCIAL STATEMENTS**

    Statements of Financial Position.....3

    Statements of Activities .....4

    Statements of Functional Expenses.....6

    Statements of Cash Flows.....7

    Notes to Financial Statements..... 8

**COMPLIANCE REPORTS**

    Schedule of Expenditures of Federal Awards..... 23

    Notes to Schedule of Expenditures of Federal Awards ..... 24

    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*..... 25

    Independent Auditor’s Report on Compliance for Each Major Program and on  
        Internal Control over Compliance Required by the Uniform Guidance.....27

    Schedule of Findings and Questioned Costs..... 29

**INDEPENDENT AUDITOR'S REPORT**

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

***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, 2023, and 2022 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, 2023, and 2022 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

***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 and Government 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.

WILLIAMS  
& OLDS

In performing an audit in accordance with generally accepted auditing standards and *Government 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.

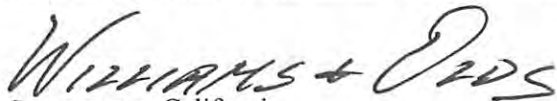
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary 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 and state awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 schedule of expenditures of federal awards 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 28, 2023, 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 solely 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 28, 2023

**HOMEWARD BOUND OF MARIN, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,018,876	\$ 4,863,165
Investments	5,142,610	7,380,544
Grants receivable	1,897,263	724,898
Accounts receivable	17,916	103,535
Prepaid rents	116,816	109,560
Prepaid expenses and deposits	227,496	219,020
Operating lease right-of-use-assets	2,250,610	-
Property and equipment, net	37,390,442	33,561,513
<b>TOTAL ASSETS</b>	<b>\$ 54,062,029</b>	<b>\$ 46,962,235</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 176,796	\$ 2,532,340
Accrued expenses	729,586	611,815
Contract liabilities	2,677	5,131
Operating lease liability	2,306,988	-
Notes payable	6,018,258	6,318,711
<b>TOTAL LIABILITIES</b>	<b>9,234,305</b>	<b>9,467,997</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>NET ASSETS</b>		
Without donor restrictions	35,847,536	14,061,196
With donor restrictions	8,980,188	23,433,042
<b>TOTAL NET ASSETS</b>	<b>44,827,724</b>	<b>37,494,238</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 54,062,029</b>	<b>\$ 46,962,235</b>

See accompanying notes to the financial statements.

**HOMEWARD BOUND OF MARIN, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Government grants	\$ 11,047,707	\$ 1,092,354	\$ 12,140,061
Contributions	1,443,014	1,609,677	3,052,691
Foundation grants	1,056,788	1,668,974	2,725,762
Client fees	1,603,881	-	1,603,881
Social enterprises	786,985	-	786,985
In-kind contributions	431,367	-	431,367
Investment income, net	195,219	-	195,219
<i>Net assets released from restrictions</i>	<u>18,823,859</u>	<u>(18,823,859)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>35,388,820</b>	<b>(14,452,854)</b>	<b>20,935,966</b>
<b>EXPENSES</b>			
Program services			
Adult services	6,730,815	-	6,730,815
Mental health services	1,712,203	-	1,712,203
Family services	2,012,211	-	2,012,211
Workforce training and social enterprises	<u>2,465,208</u>	<u>-</u>	<u>2,465,208</u>
Total program services	12,920,437	-	12,920,437
Supporting services			
General and administrative	1,595,062	-	1,595,062
Fundraising	<u>781,636</u>	<u>-</u>	<u>781,636</u>
Total supporting services	<u>2,376,698</u>	<u>-</u>	<u>2,376,698</u>
<b>TOTAL EXPENSES</b>	<u>15,297,135</u>	<u>-</u>	<u>15,297,135</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>20,091,685</b>	<b>(14,452,854)</b>	<b>5,638,831</b>
<b>NON-OPERATING ACTIVITIES:</b>			
Employee retention credit	<u>1,694,655</u>	<u>-</u>	<u>1,694,655</u>
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>1,694,655</u>	<u>-</u>	<u>1,694,655</u>
<b>CHANGE IN NET ASSETS</b>	<b>21,786,340</b>	<b>(14,452,854)</b>	<b>7,333,486</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>14,061,196</u>	<u>23,433,042</u>	<u>37,494,238</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 35,847,536</u>	<u>\$ 8,980,188</u>	<u>\$ 44,827,724</u>

See accompanying notes to the financial statements.

**HOMEWARD BOUND OF MARIN, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
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>	<u>58,508</u>	<u>(58,508)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>9,114,445</b>	<b>11,664,774</b>	<b>20,779,219</b>
<b>EXPENSES</b>			
Program services			
Adult services	4,690,108	-	4,690,108
Mental health services	1,494,824	-	1,494,824
Family services	1,789,917	-	1,789,917
Workforce training and social enterprises	1,846,840	-	1,846,840
Permanent housing	<u>362,231</u>	<u>-</u>	<u>362,231</u>
Total program services	10,183,920	-	10,183,920
Supporting services			
General and administrative	768,578	-	768,578
Fundraising	<u>393,851</u>	<u>-</u>	<u>393,851</u>
Total supporting services	<u>1,162,429</u>	<u>-</u>	<u>1,162,429</u>
<b>TOTAL EXPENSES</b>	<b>11,346,349</b>	<b>-</b>	<b>11,346,349</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(2,231,904)</b>	<b>11,664,774</b>	<b>9,432,870</b>
<b>NON-OPERATING ACTIVITIES:</b>			
Forgiveness of City of Novato note payable	<u>15,300</u>	<u>-</u>	<u>15,300</u>
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>15,300</b>	<b>-</b>	<b>15,300</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,216,604)</b>	<b>11,664,774</b>	<b>9,448,170</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>16,277,800</b>	<b>11,768,268</b>	<b>28,046,068</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>14,061,196</u></b>	<b>\$ <u>23,433,042</u></b>	<b>\$ <u>37,494,238</u></b>

See accompanying notes to the financial statements.

**HOMEWARD BOUND OF MARIN, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEARS ENDED JUNE 30, 2023 AND JUNE 30, 2022**

<b>June 30, 2023</b>				
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries	\$ 5,639,597	\$ 457,233	474,301	\$ 6,571,131
Payroll taxes	430,142	39,966	36,431	506,539
Employee benefits	723,063	195,407	35,826	954,296
<b>Total Salaries and related costs</b>	<b>6,792,802</b>	<b>692,606</b>	<b>546,558</b>	<b>8,031,966</b>
HUD lease expenses	1,301,714	-	-	1,301,714
Depreciation	1,103,974	14,281	7,112	1,125,367
Repairs and maintenance	1,041,045	53,294	63	1,094,402
Occupancy	1,023,126	122,695	-	1,145,821
Program supplies and vouchers	754,879	2,934	22,076	779,889
Food and household supplies	487,073	1,389	55,888	544,350
Outside services	35,608	367,871	57,640	461,119
Office and operating expense	296,377	126,404	19,289	442,070
Staff related costs	36,779	129,278	5,354	171,411
Marketing and website	19,908	1,508	64,607	86,023
Interest expense	27,152	82,802	3,049	113,003
	<b>\$ 12,920,437</b>	<b>\$ 1,595,062</b>	<b>\$ 781,636</b>	<b>\$ 15,297,135</b>

<b>June 30, 2022</b>				
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries	\$ 4,469,602	\$ 225,097	195,124	\$ 4,889,823
Payroll taxes	323,850	22,578	18,124	364,552
Employee benefits	605,930	167,054	30,569	803,553
<b>Total Salaries and related costs</b>	<b>5,399,382</b>	<b>414,729</b>	<b>243,817</b>	<b>6,057,928</b>
HUD lease expenses	1,237,022	-	-	1,237,022
Depreciation	706,660	8,966	8,087	723,713
Repairs and maintenance	773,246	36,461	158	809,865
Occupancy	901,397	76,388	-	977,785
Program supplies and vouchers	260,605	2,653	5,136	268,394
Food and household supplies	463,793	1,039	1,272	466,104
Outside services	35,200	54,133	54,187	143,520
Office and operating expense	233,404	108,428	12,261	354,093
Staff related costs	41,348	64,833	4,278	110,459
Marketing and website	10,406	-	63,604	74,010
Interest expense	121,457	948	1,051	123,456
	<b>\$ 10,183,920</b>	<b>\$ 768,578</b>	<b>\$ 393,851</b>	<b>\$ 11,346,349</b>

See accompanying notes to the financial statements.



**HOMEWARD BOUND OF MARIN, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,333,486	\$ 9,448,170
<i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i>		
Depreciation	1,125,367	723,713
Unrealized and realized gains on investment	(127,439)	9,916
Accretion of discount on notes payable	61,889	58,508
Forgiveness of City of Novato note payable	-	(15,300)
<i>Changes in operating assets and liabilities:</i>		
Grants receivable	(1,172,365)	66,692
Accounts receivable	85,619	7,298
Prepaid rents	(7,256)	3,743
Prepaid expenses and deposits	(8,476)	(6,260)
Operating lease assets and liabilities	56,378	-
Accounts payable	(2,355,544)	1,786,299
Accrued expenses	117,771	10,992
Contract liabilities	(2,454)	785
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,106,976</b>	<b>12,094,556</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	9,476,601	1,091,824
Purchases of investments	(7,111,228)	(8,482,284)
Cash paid for property and equipment	(598,515)	(2,024,001)
Cash paid for construction in progress	(4,355,781)	(11,030,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,588,923)</b>	<b>(20,444,461)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(618,596)	(29,202)
Proceeds from notes payable	256,254	4,198,866
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(362,342)</b>	<b>4,169,664</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,155,711</b>	<b>(4,180,241)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,863,165</b>	<b>9,043,406</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 7,018,876</b>	<b>\$ 4,863,165</b>
<b><u>SUPPLEMENTAL INFORMATION:</u></b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 51,114	\$ 64,948

See accompanying notes to the financial statements.

## HOMEWARD BOUND OF MARIN, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

---

#### **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, 2023, 90% of families and 60% 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 participants open paths to 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 – emergency shelter for 38 homeless adults provides meals, housing-focused counseling and additional support services. The two upper floors provide permanent housing for 32 adults exiting chronic homelessness with services that include case management, meals and behavioral health support.

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 28 families transitioning out of homelessness who occupy independent housing with rents subsidized by federal housing vouchers. Services include counseling and case management as needed.

## HOMEWARD BOUND OF MARIN, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

---

#### **NOTE A – ORGANIZATION - Continued**

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 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.

Fresh Starts Culinary Academy – award-winning program offers 10-week employment training to prepare low-income and homeless individuals for successful culinary careers. Approved by the American Culinary Federation, the program includes transitional employment opportunities and job placement support.

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.

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

---

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

**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, 2023, property and equipment in excess of \$1,500 is stated at cost if purchased or at fair market value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of 5-40 years for buildings, 5-25 years for leasehold improvements, 3-20 years for furniture and equipment, 20 years for artwork, and 7 years for vehicles. Expenditures for maintenance and repairs are charged to expense as incurred.

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

Contributions and foundation grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

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

**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.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

---

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

*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.

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

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

---

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

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 \$86,024 and \$74,010 for the years ended June 30, 2023 and 2022, 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. 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.

Leases: HBM determines if an arrangement is or contains a lease at inception and capitalize all expenditures for lease in excess of \$143,000. Leases are included in right-of-use (ROU) assets and as lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. HBM does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recent Accounting Pronouncements: The adoption of new accounting guidance is not expected to have a material impact on the Organization's 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, 2023 and 2022.

The following table summarizes the investments at June 30, 2023 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	\$ 5,142,610	\$ -	\$ -	\$ 5,142,610
Total investments	\$ 5,142,610	\$ -	\$ -	\$ 5,142,610

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued**

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	\$ 7,380,544	\$ -	\$ -	\$ 7,380,544
Total investments	\$ 7,380,544	\$ -	\$ -	\$ 7,380,544

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 37,602,000	\$ 20,230,614
Construction in progress		
Mill Street	-	16,781,536
HUD Parcel	4,246,757	555,663
Land	1,152,939	1,152,939
Leasehold improvements	1,549,960	1,632,086
Furniture and equipment	1,436,076	772,544
Artwork	122,025	122,025
Vehicles	64,265	64,265
	46,174,022	41,311,672
Less: accumulated depreciation	(8,783,580)	(7,750,159)
	\$ 37,390,442	\$ 33,561,513

For the years ended June 30, 2023, and 2022, depreciation expense totaled \$1,125,367 and \$723,713, respectively.

**NOTE E - NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
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 6.125%, due November 15, 2023.	\$ 4,455,120	\$ 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. The note was paid off on November 21, 2022.	-	608,573

**HOMeward BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**NOTE E - NOTES PAYABLE – Continued**

	<u>2023</u>	<u>2022</u>
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.	377,235	387,258
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 the entire loan amount is expected on March 1, 2024, contingent upon compliance with certain laws and regulations. See Note F to this financial statement.	1,000,000	1,000,000
Note payable, City of Novato, secured by a deed of trust for property on 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. See Note F to this financial statement.	400,000	400,000
Note payable, Marin Workforce Housing Trust, secured by a deed of trust for property on Nave Drive, Novato, California. For construction of affordable housing for very low-income households. Zero interest, due August 11, 2069. See Note F to this financial statement.	405,000	405,000
Note payable, Marin Housing Authority, secured by a deed of trust for property on Mission Avenue, San Rafael, California. For property improvement through the Marin County Residential Rehabilitation Loan Program. The note Bears interest at 3% per annum and is payable upon sale or transfer of the property.	25,000	25,000
Total principal balance	6,662,355	7,024,697
Less: unamortized debt discount	<u>(644,097)</u>	<u>(705,986)</u>
Total notes payable	<u>\$ 6,018,258</u>	<u>\$ 6,318,711</u>



**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

---

**NOTE E - NOTES PAYABLE - Continued**

Future annual principal maturities are as follows:

<u>Year ending June 30</u>		
2024	\$	4,465,584
2025		10,885
2026		1,011,323
2027		11,779
2028		12,252
Thereafter		<u>1,150,532</u>
	\$	<u>6,662,355</u>

**NOTE F - NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
<b>Subject to the Passage of Time or Expenditure for Specified Purpose:</b>		
Contingently forgivable non-interest bearing notes	\$ 644,097	\$ 705,986
Mill street project	-	18,168,454
HUD parcel triangle project	<u>8,336,091</u>	<u>4,558,602</u>
<b>Total Subject to the Passage of Time or Expenditure for Specified Purpose</b>	<u>8,980,188</u>	<u>23,433,042</u>
 Total net assets with donor restrictions	 \$ <u>8,980,188</u>	 \$ <u>23,433,042</u>

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:

	<u>2023</u>	<u>2022</u>
<b>Purpose Restrictions Accomplished:</b>		
Contingently forgivable non-interest bearing notes	\$ 61,889	\$ 58,508
Mill Street project	<u>18,761,970</u>	<u>-</u>
Total restrictions released	<u>\$ 18,823,859</u>	<u>\$ 58,508</u>

## HOMEWARD BOUND OF MARIN, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

---

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

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, 2023 and 2022, management believes it has complied with the terms and conditions of the AHP agreement.

**City of Novato Non-Interest Bearing Note:** The non-interest bearing note payable to City of Novato has a face value of \$400,000. The discount on the loan is an imputed interest rate of 3%. Principal payments have been deferred for 55 years, provided HBM complies with the Affordable Housing agreement and restricts the rentals 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, 2023 and 2022, 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 rentals 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, 2023 and 2022, management believes it has complied with the terms and conditions of the note agreement.

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

**Operating Lease Commitments:** HBM leases office 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. For the fiscal year ended June 30, 2023 and 2022, rent expenses totaled \$1,714,327 and \$1,590,750, respectively. HBM has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. Lease right of use assets and liabilities are recognized in the financial statements based on the present value of future minimum lease payments over the expected lease term on the lease commencement date. The expected lease terms include options to extend or terminate the lease when it is reasonably certain HBM will exercise such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease terms.

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

---

**NOTE G - COMMITMENTS AND CONTINGENCIES – Continued**

Total right of use assets and lease liabilities as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Lease asset:		
Operating lease right of use assets	\$ <u>2,250,610</u>	\$ <u>-</u>
Lease liability:		
Operating lease liabilities	\$ <u>2,306,988</u>	\$ <u>-</u>

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term in years	20 years 5 months	-
Weighted-average discount rate	3.14%	-

The future minimum lease payments under noncancelable operating leases are as follows at June 30, 2023:

2024	\$ 360,956
2025	367,464
2026	239,886
2027	175,000
2028	113,611
Thereafter	<u>1,887,501</u>
Total lease payments	3,144,418
Less: present value discount	<u>(837,430)</u>
Total lease obligations	\$ <u>2,306,988</u>

HBM has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

**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, 2023 and 2022 totaled \$59,054 and \$64,546, respectively.

## HOMEWARD BOUND OF MARIN, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

---

#### **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, 2023 and 2022, 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 56% and 59%, respectively, of the funding for HBM's programs for the years ended June 30, 2023 and 2022 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 manages its deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by HBM to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, HBM has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members, governmental agencies, and foundations supportive of HBM's mission. Investments are made by diversified investment managers whose performance is monitored by HBM. Although the fair values of investments are subject to fluctuation on a year-to-year basis, HBM believes that the investment policies and guidelines are prudent for its long-term welfare.

## HOMEWARD BOUND OF MARIN, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

#### 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, 2023 and 2022 amounted to \$101,968 and \$102,177, respectively.

#### NOTE J - PROGRAM SERVICES

The following represents HBM's program services for the years ended June 30, 2023 and 2022:

	For the year ended June 30, 2023				
	Adult Services	Mental Health Services	Family Services	Workforce Training and Social Enterprises	Total Program Services
Salaries	\$ 2,791,623	\$ 670,844	\$ 823,199	\$ 1,353,931	\$ 5,639,597
Payroll taxes	210,451	51,487	62,856	105,348	430,142
Employee benefits	383,880	102,022	112,469	124,692	723,063
Total Salaries and related costs	3,385,954	824,353	998,524	1,583,971	6,792,802
HUD lease expenses	538,367	417,350	345,997	-	1,301,714
Depreciation	793,430	22,416	248,760	39,368	1,103,974
Repairs and maintenance	799,046	58,312	127,485	56,202	1,041,045
Occupancy	621,917	280,180	89,587	31,442	1,023,126
Program supplies and vouchers	377,286	56,376	90,301	230,916	754,879
Food and household supplies	8,768	13,586	6,418	458,301	487,073
Office and operating expense	166,709	30,874	67,208	31,586	296,377
Staff related costs	11,798	5,844	10,764	8,373	36,779
Outside services	13,363	2,912	16,555	2,778	35,608
Interest expense	14,177	-	10,612	2,363	27,152
Marketing and website	-	-	-	19,908	19,908
	<u>\$ 6,730,815</u>	<u>\$ 1,712,203</u>	<u>\$ 2,012,211</u>	<u>\$ 2,465,208</u>	<u>\$ 12,920,437</u>

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**NOTE J - PROGRAM SERVICES – Continued**

	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

**NOTE K - EMPLOYEE RETENTION CREDIT**

During the year ended June 30, 2023, HBM obtained refundable tax credits aggregating \$1,694,655 in accordance with the Employee Retention Credit (ERC) program, authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended by subsequent legislative changes.

In accordance with the ERC program, a company is eligible for an ERC if, due to the COVID-19 pandemic, there has been a significant decline in gross receipts in the current year as compared with 2019 gross receipts, or a full or partial shutdown based on a governmental order. The ERC is computed based on a percentage of qualified wages (including qualified health insurance expenses) incurred during the year, with a maximum annual credit per employee. Management determined HBM was eligible for the ERC and amended applicable tax returns.

These funds are contingently subject to audit by the Internal Revenue Service, the purpose of which is to ensure compliance with the conditions precedent to providing such funds. Management believes that any liability for reimbursement which may arise as the result of audits would not be material.

HBM accounted for the ERC as a grant using guidance analogous to a conditional contribution found in ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with ASC Subtopic 958-605, the ERC is recognized and recorded as income in the statement of activities as non-operating income.

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

**NOTE L - AVAILABILITY AND LIQUIDITY**

The following represents HBM's financial assets at June 30, 2023 and 2022:

Financial assets at year-end:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,018,876	\$ 4,863,165
Investments	5,142,610	7,380,544
Grants receivable	1,897,263	724,898
Accounts receivable	17,916	103,535
Total financial assets	<u>14,076,665</u>	<u>13,072,142</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	8,980,188	5,235,672
Contract liabilities	<u>2,677</u>	<u>5,131</u>
	<u>2,677</u>	<u>5,240,803</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,093,800</u>	<u>\$ 7,831,339</u>

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

**NOTE M - CONTRIBUTIONS OF NONFINANCIAL 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 specialized skills that would be purchased if they were not donated.

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Transit vouchers	\$ 97,000	\$ 54,500	\$ -	\$ -
Gift cards	1,845	3,256	-	-
Food	232,522	-	-	-
Furniture	100,000	-	-	-
	<u>\$ 431,367</u>	<u>\$ 57,756</u>	<u>\$ -</u>	<u>\$ -</u>

**HOMEWARD BOUND OF MARIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

---

**NOTE M - CONTRIBUTIONS OF NONFINANCIAL ASSETS – Continued**

Contributed transit vouchers, gift cards, food, and furniture are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Furniture was capitalized. Contributed transit vouchers, gift cards and food are used for program services. All contributions of nonfinancial assets received during the years ended June 30, 2023 and 2022 were unrestricted.

**NOTE N - SUBSEQUENT EVENTS**

In preparing the financial statements, HBM has evaluated subsequent events and transactions that occurred after the balance sheet date through November 28, 2023, 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, 2023**

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Total Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Direct Grant</i>			
Continuum of Care Program	14.267	N/A	* \$ 1,741,861
Total U.S. Department of Housing and Urban Development			<u>1,741,861</u>
<b><u>U.S. Department of Veterans Affairs</u></b>			
<i>Direct Grant</i>			
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	231,027
Total U.S. Department of Veterans Affairs			<u>231,027</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Foundation for California Community Colleges</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	59,516
Total U.S. Department of Agriculture			<u>59,516</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through United Way Bay Area</i>			
Emergency Food and Shelter Program (EFSP)	97.024	N/A	25,000
Total U.S. Department of Homeland Security			<u>25,000</u>
Total Federal Expenditures			\$ <u>2,057,404</u>

\* Tested as a major program

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, 2023**

---

**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, 2023. 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.

The following schedule provides a reconciliation between the government grant income reported on the Statement of Activities and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Total government grants from Statement of Activities	\$ 12,140,061
<i>Represented by:</i>	
Federal government grant	2,057,404
State government grant	1,173,597
County grant	8,308,449
City grant	<u>600,611</u>
Total government grant	<u>\$ 12,140,061</u>

**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.

**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***

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors and the Audit Committee 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, 2023, 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 28, 2023.

**Report on 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.

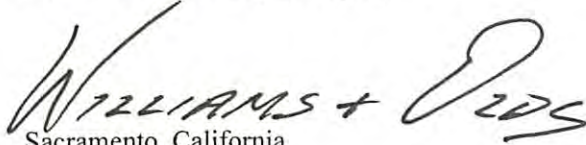
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

**Report on 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 28, 2023

COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Audit Committee of  
Homeward Bound of Marin, Inc.

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Homeward Bound of Marin Inc.'s (HBM) compliance with the types of compliance requirements identified as subject to audit in the May 2023 Edition of 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, 2023. HBM's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

*Basis for Opinion on Each Major Federal Program*

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 the May 2023 Edition of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HBM and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of HBM's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HBM's federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HBM's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher

than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HBM's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HBM's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HBM's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HBM's internal control over compliance. Accordingly, no such opinion is expressed.

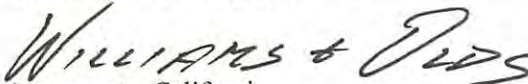
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 28, 2023

**HOMeward BOUND OF MARIN, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___yes	_X_no
Significant deficiency(ies) identified?	___yes	_X_none reported

Noncompliance material to financial statements noted?	___yes	_X_no
---	--------	-------

**Federal Award**

Internal control over major programs:

Material weakness(es) identified?	___yes	_X_no
Significant deficiency (ies) identified?	___yes	_X_none reported

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

Unmodified

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

	___yes	_X_no
--	--------	-------

Identification of major programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

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

\$750,000

Auditee qualified as low-risk auditee?

	_X_yes	___no
--	--------	-------



**HOMEWARD BOUND OF MARIN, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

**CURRENT YEAR FINDINGS**

Section II - Financial Statement Findings - None noted.

Section III - Federal Award Findings and Questioned Costs - None noted.

**HOMeward BOUND OF MARIN, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

**PRIOR YEAR FINDINGS**

Section II - Financial Statement Findings - None noted.

Section III - Federal Award Findings and Questioned Costs - None noted.