

HOMEWARD BOUND OF MARIN, INC.

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

JUNE 30, 2025 AND 2024

HOMEWARD BOUND OF MARIN, INC.

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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, 2025, and 2024 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, 2025, and 2024 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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.

Roger Beebout

Beebout, Williams and Olds CPAs
Carmichael, California
December 10, 2025

HOMEWARD BOUND OF MARIN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,084,924 | \$ 2,867,240 |
| Investments | 6,699,795 | 2,754,909 |
| Grants receivable | 920,697 | 1,312,767 |
| Accounts receivable | 84,517 | 8,127 |
| Prepaid expenses and deposits | 269,523 | 343,624 |
| Operating lease right-of-use-assets | 1,621,951 | 1,973,717 |
| Property and equipment, net | <u>66,774,841</u> | <u>53,226,710</u> |
| TOTAL ASSETS | <u><u>\$ 78,456,248</u></u> | <u><u>\$ 62,487,094</u></u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 507,819 | \$ 2,452,452 |
| Accrued expenses | 548,804 | 448,898 |
| Deferred revenues | 5,452 | 3,925 |
| Operating lease liability | 1,639,428 | 2,013,572 |
| Notes payable | <u>8,009,088</u> | <u>6,911,675</u> |
| TOTAL LIABILITIES | 10,710,591 | 11,830,522 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| NET ASSETS | | |
| Without donor restrictions | 64,644,687 | 34,397,680 |
| With donor restrictions | <u>3,100,970</u> | <u>16,258,892</u> |
| TOTAL NET ASSETS | <u><u>67,745,657</u></u> | <u><u>50,656,572</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 78,456,248</u></u> | <u><u>\$ 62,487,094</u></u> |

See accompanying notes to financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|------------------------------------|
| SUPPORT AND REVENUE | | | |
| Government grants | \$ 21,449,994 | \$ 400,000 | \$ 21,849,994 |
| Contributions | 5,331,950 | 90,000 | 5,421,950 |
| Foundation grants | 2,128,454 | 2,275,000 | 4,403,454 |
| Client fees | 2,740,176 | - | 2,740,176 |
| Social enterprises | 976,134 | - | 976,134 |
| In-kind contributions | 195,222 | - | 195,222 |
| Investment income, net | 287,087 | - | 287,087 |
| Management fee | 209,820 | - | 209,820 |
| <i>Net assets released from restrictions</i> | <u>15,922,922</u> | <u>(15,922,922)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | 49,241,759 | (13,157,922) | 36,083,837 |
| EXPENSES | | | |
| Program services | | | |
| Adult services | 10,717,158 | - | 10,717,158 |
| Family services | 2,200,365 | - | 2,200,365 |
| Workforce training and social enterprises | 3,412,252 | - | 3,412,252 |
| Permanent housing | <u>210,611</u> | <u>-</u> | <u>210,611</u> |
| Total program services | <u>16,540,386</u> | <u>-</u> | <u>16,540,386</u> |
| Supporting services | | | |
| General and administrative | 1,433,664 | - | 1,433,664 |
| Fundraising | <u>1,020,702</u> | <u>-</u> | <u>1,020,702</u> |
| Total supporting services | <u>2,454,366</u> | <u>-</u> | <u>2,454,366</u> |
| TOTAL EXPENSES | <u>18,994,752</u> | <u>-</u> | <u>18,994,752</u> |
| CHANGE IN NET ASSETS | 30,247,007 | (13,157,922) | 17,089,085 |
| NET ASSETS AT BEGINNING OF YEAR | <u>34,397,680</u> | <u>16,258,892</u> | <u>50,656,572</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 64,644,687</u></u> | <u><u>\$ 3,100,970</u></u> | <u><u>\$ 67,745,657</u></u> |

See accompanying notes to financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Government grants | \$ 7,040,026 | \$ 2,601,037 | \$ 9,641,063 |
| Contributions | 1,614,087 | 3,076,513 | 4,690,600 |
| Foundation grants | 1,132,980 | 1,296,700 | 2,429,680 |
| Client fees | 1,802,898 | - | 1,802,898 |
| Social enterprises | 813,827 | - | 813,827 |
| In-kind contributions | 998,781 | - | 998,781 |
| Investment income, net | 241,684 | - | 241,684 |
| Management fee | 483,336 | - | 483,336 |
| Other revenue | 19,248 | - | 19,248 |
| <i>Net assets released from restrictions</i> | 402,915 | (402,915) | - |
| TOTAL SUPPORT AND REVENUE | 14,549,782 | 6,571,335 | 21,121,117 |
| EXPENSES | | | |
| Program services | | | |
| Adult services | 7,917,256 | - | 7,917,256 |
| Mental health services | 1,888,666 | - | 1,888,666 |
| Family services | 2,004,348 | - | 2,004,348 |
| Workforce training and social enterprises | 3,154,526 | - | 3,154,526 |
| Permanent housing | 3,990 | - | 3,990 |
| Total program services | 14,968,786 | - | 14,968,786 |
| Supporting services | | | |
| General and administrative | 1,090,162 | - | 1,090,162 |
| Fundraising | 864,829 | - | 864,829 |
| Total supporting services | 1,954,991 | - | 1,954,991 |
| TOTAL EXPENSES | 16,923,777 | - | 16,923,777 |
| CHANGE IN NET ASSETS FROM OPERATIONS | (2,373,995) | 6,571,335 | 4,197,340 |
| NON-OPERATING ACTIVITIES: | | | |
| Forgiveness of City of Novato note payable | 1,000,000 | - | 1,000,000 |
| Employee retention credit | 631,508 | - | 631,508 |
| TOTAL NON-OPERATING ACTIVITIES | 1,631,508 | - | 1,631,508 |
| CHANGE IN NET ASSETS | (742,487) | 6,571,335 | 5,828,848 |
| NET ASSETS AT BEGINNING OF YEAR | | | |
| BEFORE RESTATEMENT | 35,847,536 | 8,980,188 | 44,827,724 |
| Prior period reclassification | (707,369) | 707,369 | - |
| Net assets, beginning as restated | 35,140,167 | 9,687,557 | 44,827,724 |
| NET ASSETS AT END OF YEAR | \$ 34,397,680 | \$ 16,258,892 | \$ 50,656,572 |

See accompanying notes to financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2025 AND JUNE 30, 2024

| 2025 | | | | |
|-------------------------------------|-----------------------------|---------------------------------------|---------------------|----------------------|
| | Program Services | Supporting Services | | Total |
| | | General and Administrative | Fundraising | |
| Salaries | \$ 6,976,618 | \$ 467,621 | \$ 604,339 | \$ 8,048,578 |
| Payroll taxes | 514,506 | 32,497 | 42,743 | 589,746 |
| Employee benefits | 1,166,786 | 172,951 | 60,780 | 1,400,517 |
| Total Salaries and related costs | 8,657,910 | 673,069 | 707,862 | 10,038,841 |
| HUD Continuum of Care lease expense | 1,372,680 | - | - | 1,372,680 |
| Food and household supplies | 838,280 | 44,715 | 39,000 | 921,995 |
| Occupancy | 1,224,345 | 34,538 | - | 1,258,883 |
| Depreciation | 1,843,244 | 21,004 | 3,173 | 1,867,421 |
| Office and operating expense | 492,464 | 201,922 | 21,344 | 715,730 |
| Program supplies and vouchers | 562,967 | 3,692 | 79,047 | 645,706 |
| Outside services | 42,993 | 211,164 | 62,383 | 316,540 |
| Interest expense | 28,600 | 8,651 | - | 37,251 |
| Staff related costs | 110,647 | 164,095 | 14,262 | 289,004 |
| Repairs and maintenance | 1,363,360 | 62,771 | 3 | 1,426,134 |
| Marketing and website | 2,896 | 8,043 | 93,628 | 104,567 |
| Miscellaneous expense | - | - | - | - |
| | <u>\$ 16,540,386</u> | <u>\$ 1,433,664</u> | <u>\$ 1,020,702</u> | <u>\$ 18,994,752</u> |
| 2024 | | | | |
| | Program Services | Supporting Services | | Total |
| | | General and Administrative | Fundraising | |
| Salaries | \$ 6,513,866 | \$ 491,595 | \$ 495,117 | \$ 7,500,578 |
| Payroll taxes | 474,124 | 35,861 | 35,470 | 545,455 |
| Employee benefits | 958,102 | 61,360 | 64,746 | 1,084,208 |
| Total Salaries and related costs | 7,946,092 | 588,816 | 595,333 | 9,130,241 |
| HUD Continuum of Care lease expense | 1,337,467 | - | - | 1,337,467 |
| Food and household supplies | 725,610 | 31,882 | 55,715 | 813,207 |
| Occupancy | 1,091,803 | 22,082 | - | 1,113,885 |
| Depreciation | 1,447,291 | 11,431 | 5,133 | 1,463,855 |
| Office and operating expense | 344,872 | 122,746 | 4,924 | 472,542 |
| Program supplies and vouchers | 587,902 | 9,007 | 11,959 | 608,868 |
| Outside services | 79,094 | 120,888 | 62,067 | 262,049 |
| Interest expense | 197,910 | - | - | 197,910 |
| Staff related costs | 75,839 | 149,552 | 16,600 | 241,991 |
| Repairs and maintenance | 1,125,971 | 25,087 | - | 1,151,058 |
| Marketing and website | 8,935 | 1,947 | 113,098 | 123,980 |
| Miscellaneous expense | - | 6,724 | - | 6,724 |
| | <u>\$ 14,968,786</u> | <u>\$ 1,090,162</u> | <u>\$ 864,829</u> | <u>\$ 16,923,777</u> |

See accompanying notes to financial statements.

HOMEWARD BOUND OF MARIN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | 2024 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 17,089,085 | \$ 5,828,848 |
| <i>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</i> | | |
| Depreciation | 1,867,419 | 1,463,855 |
| Unrealized and realized gains on investment | 2,971 | (48,825) |
| Donation of real estate property | - | (705,000) |
| Accretion of discount on notes payable | 5,659 | 5,468 |
| Bad debts | 52,134 | - |
| <i>Changes in operating assets and liabilities:</i> | | |
| Grants receivable | 392,070 | 584,496 |
| Accounts receivable | (128,524) | 9,789 |
| Prepaid rents | - | 813 |
| Prepaid expenses and deposits | 74,101 | (125) |
| Operating lease assets and liabilities | (22,378) | (16,523) |
| Accounts payable | (1,944,633) | 2,275,656 |
| Accrued expenses | 99,906 | (280,688) |
| Contract liabilities | 1,527 | 1,248 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 17,489,337 | 9,119,012 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 9,236,434 | 4,523,141 |
| Purchases of investments | (13,184,291) | (2,086,615) |
| Proceeds from sale of real estate property | - | 722,340 |
| Cash paid for property and equipment | (3,543,349) | (157,053) |
| Cash paid for construction in progress | (11,872,201) | (17,160,410) |
| NET CASH USED IN INVESTING ACTIVITIES | (19,363,407) | (14,158,597) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on notes payable | (9,909) | (5,465,508) |
| Proceeds from notes payable | 1,101,663 | 6,353,457 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 1,091,754 | 887,949 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (782,316) | (4,151,636) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,867,240 | 7,018,876 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 2,084,924 | \$ 2,867,240 |
| <u>SUPPLEMENTAL INFORMATION:</u> | | |
| Cash paid for income taxes | \$ - | \$ - |
| Cash paid for interest | \$ 31,592 | \$ 192,442 |

See accompanying notes to financial statements.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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, 2025, 89% of families and 63% 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, 2025 AND 2024

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, 2025 AND 2024

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, 2025, 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, 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, 2025 AND 2024

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 liability ensues and is presented under the caption “Deferred revenues” 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 has 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.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 \$61,571 and \$84,538 for the years ended June 30, 2025 and 2024, 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 lease 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.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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, 2025 and 2024.

The following table summarizes the investments at June 30, 2025 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>6,699,795</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>6,699,795</u> |
| Total investments | \$ <u>6,699,795</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>6,699,795</u> |

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS – Continued

The following table summarizes the investments at June 30, 2024 based on the inputs used to value them:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|---------------------|----------------|----------------|---------------------|
| Certificates of Deposit | \$ 2,236,441 | \$ - | \$ - | \$ 2,236,441 |
| US Treasury Bills | 493,230 | - | - | 493,230 |
| Mutual Funds | <u>25,238</u> | <u>-</u> | <u>-</u> | <u>25,238</u> |
| Total investments | <u>\$ 2,754,909</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,754,909</u> |

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------|----------------------|----------------------|
| Buildings | \$ 61,285,128 | \$ 37,672,411 |
| Construction in progress | | |
| HUD Parcel | 11,872,201 | 21,407,169 |
| Land | 1,152,939 | 1,152,939 |
| Leasehold improvements | 1,650,013 | 1,549,960 |
| Furniture and equipment | 2,743,126 | 1,505,376 |
| Artwork | 122,025 | 122,025 |
| Vehicles | <u>64,265</u> | <u>64,265</u> |
| | 78,889,697 | 63,474,145 |
| Less: accumulated depreciation | <u>(12,114,856)</u> | <u>(10,247,435)</u> |
| | <u>\$ 66,774,841</u> | <u>\$ 53,226,710</u> |

For the years ended June 30, 2025 and 2024, depreciation expenses totaled \$ 1,867,421 and \$1,463,855, respectively.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE E - NOTES PAYABLE

Notes payable consist of the following at June 30:

| | <u>2025</u> | <u>2024</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. | \$ 356,938 | \$ 366,847 |
| Note payable to 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 to 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 to 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 |
| Note payable to Department of Housing and Community Development, secured by a deed of trust on the for property on Mill Street, San Rafael California. This loan for No-Place-Like-Home project for development of rental housing real estate property. The note bears interest at 3% per annum and is payable at the maturity of the note, which is December 15, 2077. | 2,903,585 | 2,903,585 |
| Note payable to Department of Housing and Community Development, secured by a deed of trust on the for property on Mill Street, San Rafael California. This loan is for No-Place-Like- Home project for development of rental housing real estate property. The note bears interest at 3% per annum and is payable at the maturity of the note which is December 15, 2077. | 1,551,535 | 1,551,535 |

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE E - NOTES PAYABLE – Continued

Note payable to 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 7.00%, due February 26, 2026.

| | | |
|---------------------------------|---------------------|---------------------|
| | 3,000,000 | 1,898,337 |
| Total principal balance | <u>8,642,058</u> | <u>7,550,304</u> |
| Less: unamortized debt discount | <u>(632,970)</u> | <u>(638,629)</u> |
| Total notes payable | <u>\$ 8,009,088</u> | <u>\$ 6,911,675</u> |

Future annual principal maturities are as follows:

| Year ending June 30 | |
|---------------------|---------------------|
| 2026 | \$ 11,323 |
| 2027 | 11,779 |
| 2028 | 12,252 |
| 2029 | 12,745 |
| 2030 | 13,258 |
| Thereafter | <u>8,580,701</u> |
| | <u>\$ 8,642,058</u> |

NOTE F - NET ASSETS

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

| | 2025 | 2024 |
|--|---------------------|----------------------|
| Subject to the Passage of Time or Expenditure for Specified Purpose: | | |
| Contingently forgivable non-interest bearing notes | \$ 632,970 | \$ 638,629 |
| HUD parcel triangle project | - | 15,171,341 |
| Contributions subject to passage of time | <u>2,468,000</u> | <u>448,922</u> |
| Total Subject to the Passage of Time or Expenditure for Specified Purpose | <u>3,100,970</u> | <u>16,258,892</u> |
| Total net assets with donor restrictions | <u>\$ 3,100,970</u> | <u>\$ 16,258,892</u> |

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE F - NET ASSETS – Continued

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>2025</u> | <u>2024</u> |
|--|----------------------|-------------------|
| Restrictions Released: | | |
| Contingently forgivable non-interest bearing notes | \$ 5,659 | \$ 5,468 |
| Contributions subject to purpose restrictions | 15,171,342 | - |
| Contributions subject to passage of time | 745,922 | 397,447 |
| Total restrictions released | \$ <u>15,922,923</u> | \$ <u>402,915</u> |

As discussed in Note E to the financial statements, HBM is obligated under the terms of two non-interest bearing notes, 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.

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, 2025 and 2024, 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, 2025 and 2024, management believes it has complied with the terms and conditions of the note agreement.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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 years ended June 30, 2025 and 2024, rent expenses totaled \$1,758,386 and \$1,685,932, 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.

Total right of use assets and lease liabilities as of June 30, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---------------------|---------------------|
| Lease asset: | | |
| Operating lease right of use assets | \$ <u>1,621,951</u> | \$ <u>1,973,717</u> |
| Lease liability: | | |
| Operating lease liabilities | \$ <u>1,639,428</u> | \$ <u>2,013,572</u> |

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

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Weighted-average remaining lease term in years | 24 years 7 months | 19 years 5 months |
| Weighted-average discount rate | 3.13% | 3.14% |

The future minimum lease payments under noncancelable operating leases are as follows at June 30, 2025:

| | |
|------------------------------|---------------------|
| 2026 | 175,000 |
| 2027 | 175,000 |
| 2028 | 113,611 |
| 2029 | 75,000 |
| 2030 | 75,000 |
| Thereafter | <u>1,737,500</u> |
| Total lease payments | 2,351,111 |
| Less: present value discount | <u>(711,683)</u> |
| Total lease obligations | \$ <u>1,639,428</u> |

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE G - COMMITMENTS AND CONTINGENCIES – Continued

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, 2025 and 2024 totaled \$40,250 and \$25,575, respectively.

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

At June 30, 2025 and 2024, 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 61% and 46%, respectively, of the funding for HBM's programs for the years ended June 30, 2025 and 2024 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.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE H - CONCENTRATION OF CREDIT AND MARKET RISK – Continued

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.

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, 2025 and 2024 amounted to \$131,449 and \$89,314, respectively.

NOTE J - PROGRAM SERVICES

The following represents HBM's program services for the years ended June 30, 2025 and 2024:

| | For The Year Ended June 30, 2025 | | | | |
|-------------------------------------|----------------------------------|---------------------|--|---------------------|----------------------|
| | Adult Services | Family Services | Workforce Training and Social Enterprises | Housing Projects | Total |
| Salaries | \$ 3,879,423 | \$ 985,853 | \$ 1,932,354 | \$ 178,988 | \$ 6,976,618 |
| Payroll taxes | 285,837 | 73,137 | 141,826 | 13,706 | 514,506 |
| Employee benefits | 786,835 | 170,301 | 191,733 | 17,917 | 1,166,786 |
| Total Salaries and related costs | 4,952,095 | 1,229,291 | 2,265,913 | 210,611 | 8,657,910 |
| HUD Continuum of Care lease expense | 1,022,684 | 349,996 | - | - | 1,372,680 |
| Food and household supplies | 141,823 | 23,597 | 672,860 | - | 838,280 |
| Occupancy | 1,082,626 | 112,076 | 29,643 | - | 1,224,345 |
| Depreciation | 1,534,693 | 250,920 | 57,631 | - | 1,843,244 |
| Office and operating expense | 377,460 | 78,835 | 36,169 | - | 492,464 |
| Program supplies and vouchers | 282,747 | 80,709 | 199,511 | - | 562,967 |
| Outside services | 20,133 | 15,964 | 6,896 | - | 42,993 |
| Interest expense | 12,236 | 1,336 | 15,028 | - | 28,600 |
| Staff related costs | 69,970 | 9,183 | 31,494 | - | 110,647 |
| Repairs and maintenance | 1,220,691 | 48,458 | 94,211 | - | 1,363,360 |
| Marketing and website | - | - | 2,896 | - | 2,896 |
| | <u>\$ 10,717,158</u> | <u>\$ 2,200,365</u> | <u>\$ 3,412,252</u> | <u>\$ 210,611</u> | <u>\$ 16,540,386</u> |

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE J - PROGRAM SERVICES – Continued

| | For The Year Ended June 30, 2024 | | | | | |
|-------------------------------------|----------------------------------|---------------------------|---------------------|--|---------------------|----------------------|
| | Adult Services | Mental Health Services | Family Services | Workforce Training and Social Enterprises | Housing Projects | Total |
| Salaries | \$ 3,121,588 | \$ 716,233 | \$ 831,830 | \$ 1,842,028 | \$ 2,187 | \$ 6,513,866 |
| Payroll taxes | 226,254 | 51,661 | 60,172 | 135,468 | 569 | 474,124 |
| Employee benefits | 516,675 | 124,459 | 140,130 | 175,604 | 1,234 | 958,102 |
| Total Salaries and related costs | 3,864,517 | 892,353 | 1,032,132 | 2,153,100 | 3,990 | 7,946,092 |
| HUD Continuum of Care lease expense | 557,901 | 438,208 | 341,358 | - | - | 1,337,467 |
| Food and household supplies | 123,380 | 37,271 | 15,283 | 549,676 | - | 725,610 |
| Occupancy | 665,776 | 307,022 | 96,457 | 22,548 | - | 1,091,803 |
| Depreciation | 1,133,696 | 23,064 | 248,465 | 42,066 | - | 1,447,291 |
| Office and operating expense | 215,696 | 30,709 | 68,844 | 29,623 | - | 344,872 |
| Program supplies and vouchers | 244,863 | 33,785 | 63,303 | 245,951 | - | 587,902 |
| Outside services | 35,755 | 18,559 | 17,792 | 6,988 | - | 79,094 |
| Interest expense | 155,219 | 8,279 | 16,226 | 18,186 | - | 197,910 |
| Staff related costs | 29,291 | 11,722 | 11,310 | 23,516 | - | 75,839 |
| Repairs and maintenance | 891,162 | 87,694 | 93,178 | 53,937 | - | 1,125,971 |
| Marketing and website | - | - | - | 8,935 | - | 8,935 |
| Miscellaneous expense | - | - | - | - | - | - |
| | <u>\$ 7,917,256</u> | <u>\$ 1,888,666</u> | <u>\$ 2,004,348</u> | <u>\$ 3,154,526</u> | <u>3,990</u> | <u>\$ 14,968,786</u> |

NOTE K - EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2024, Homeward Bound of Marin, Inc. (“HBM”) obtained refundable tax credits aggregating \$631,508 under the Employee Retention Credit (“ERC”) program, authorized by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, as amended by subsequent legislation.

In accordance with the ERC program, an organization is eligible for the ERC if, due to the COVID-19 pandemic, there was a significant decline in gross receipts compared to 2019 or a full or partial suspension of operations pursuant to a governmental order. The ERC is calculated based on a percentage of qualified wages (including qualified health insurance expenses) incurred during the eligible period, up to the maximum credit per employee. Management determined that HBM met the eligibility criteria and filed amended payroll tax returns to claim the credits.

The credits obtained in fiscal year 2024 remain subject to potential audit by the Internal Revenue Service to ensure compliance with program requirements. Management believes that any potential repayment obligation resulting from such audits would not be material to the financial statements.

HBM accounted for the ERC as a conditional contribution in accordance with *ASC Subtopic 958-605, Not-for-Profit Entities – Revenue Recognition*. The credit was recognized as non-operating income in the statement of activities when the conditions for recognition were substantially met.

No additional ERC amounts were received or recognized during the year ended June 30, 2025.

HOMeward BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

NOTE L - AVAILABILITY AND LIQUIDITY

The following represents HBM's financial assets at June 30, 2025 and 2024:

Financial assets at year-end:

| | | 2025 | | 2024 |
|---------------------------|----|------------------|----|------------------|
| Cash and cash equivalents | \$ | 2,084,924 | \$ | 2,867,240 |
| Investments | | 6,699,795 | | 2,754,909 |
| Grants receivable | | 920,697 | | 1,312,767 |
| Accounts receivable | | 84,517 | | 8,127 |
| Total financial assets | | <u>9,789,933</u> | | <u>6,943,043</u> |

Less amounts not available to be used within one year:

Contractual or donor-imposed restrictions:

| | | |
|---|------------------|-------------------|
| Restricted by donor with time or purpose restrictions | 3,100,970 | 16,258,892 |
| Deferred revenues | <u>5,452</u> | <u>3,925</u> |
| | <u>3,106,422</u> | <u>16,262,817</u> |

Financial assets available to meet general expenditures

| | | | | |
|-----------------|----|------------------|----|--------------------|
| within one year | \$ | <u>6,683,511</u> | \$ | <u>(9,319,774)</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, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

| | Without donor restrictions | | With donor restrictions | |
|----------------------|---------------------------------------|-------------------|------------------------------------|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| Transit vouchers | \$ 99,100 | \$ 126,500 | \$ - | \$ - |
| Food | 96,122 | 147,643 | - | - |
| Real estate property | - | 705,000 | - | - |
| Website design | - | 14,950 | - | - |
| Other Gifts | - | 4,688 | - | - |
| | <u>\$ 195,222</u> | <u>\$ 998,781</u> | <u>\$ -</u> | <u>\$ -</u> |

HOMEWARD BOUND OF MARIN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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, 2025 and 2024 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 December 10, 2025, the date that the financial statements were available to be issued.

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

We have audited the financial statements of Homeward Bound of Marin, Inc (HBM) for the year ended June 30, 2025, and have issued our report thereon dated December 10, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 17, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by HBM are described in Note B to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2025. We noted no transactions entered by the HBM during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: allocations of functional expenses and depreciation expense. We evaluated the key factors and assumptions used to develop these in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Our audit adjustments are attached for your review.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to HBM's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as HBM's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Homeward Bound of Marin, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Roger Beebout

Carmichael, California
December 10, 2025

Journal Entry Report – Attachment I

| Number | Date | Name | Account No | Reference | Annotation | Debit | Credit |
|--|-----------|------------------------------------|------------|-----------|------------|--------------|--------------|
| 1 | 6/30/2025 | Fund Balance | 3000 | | | | 2,880.00 |
| 1 | 6/30/2025 | Miscellaneous Expense | 9000 | | | 2,880.00 | |
| Entry to roll net assets forward from the prior year for immaterial variance. | | | | | | | |
| 2 | 6/30/2025 | Operating lease right of use asset | 1900 | DD02 | | 1,898,844.00 | |
| 2 | 6/30/2025 | Operating lease liability | 2650 | DD02 | | | 1,932,844.00 |
| 2 | 6/30/2025 | Operating lease liability | 2650 | DD02 | | | |
| 2 | 6/30/2025 | Facility Rent | 6600 | DD02 | | 34,000.00 | |
| To record amortization of ROU asset and interest into the lease liability for FY25 | | | | | | | |
| 6 | 6/30/2025 | Loans GAAP Present Value | 2890 | CC103 | | | 11,127.00 |
| 6 | 6/30/2025 | Mortgage Interest | 6200 | CC103 | | 11,127.00 | |
| To record the CY accretion of debt discount. | | | | | | | |
| | | | | | | 1,946,851.00 | 1,946,851.00 |

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

In planning and performing our audit of the financial statements of Homeward Bound of Marin, Inc. (HBM) as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, 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 the HBM's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 HBM's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the Board of Directors, and others within HBM, and is not intended to be, and should not be, used by anyone other than these specified parties.

Roger Beebout

Carmichael, California
December 10, 2025