FAIR HOUSING ADVOCATES OF NORTHERN CALIFORNIA

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT

JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fair Housing Advocates of Northern California
San Rafael, CA

Opinion
We have audited the accompanying financial statements of Fair Housing Advocates of Northern California (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 Fair Housing Advocates of Northern California as of June 30, 2022, and the changes in its net assets and its cash flows for the year 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 Fair Housing Advocates of Northern California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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.

Report on 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, 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 are fairly stated, in all material respects, in relation to the financial statements as a whole.

<u>Other Reporting Required by Government Auditing Standards</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022 on our consideration of the Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California's internal control over financial reporting and compliance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 20, 2022

Fair Housing Advocates of Northern California

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Current assets:		
Cash and cash equivalents	$	2,112,818
Investments		1,063,297
Grants receivable		472,974
Total current assets		3,649,089
Non-current assets:		
Operating lease right-of-use asset, net of accumulated amortization		81,060
Deposits		2,400
Total non-current assets		83,460
Total assets	$	3,732,549

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	52,107
Deferred revenue		1,208,000
Operating lease liability, current portion		39,259
Total current liabilities		1,299,366
Long-term liabilities:		
Operating lease liability, non-current portion		45,747
Total long-term liabilities		45,747
Total liabilities		1,345,113
Net assets:		
Net assets without donor restrictions		2,347,170
Net assets with donor restrictions		40,266
Total net assets		2,387,436
Total liabilities and net assets	$	3,732,549

The accompanying notes are an integral part of these financial statements.

Fair Housing Advocates of Northern California

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants	$ 1,127,579	$ 60,000	$ 1,187,579
Contributions	13,621	-	13,621
Settlements	835,188	-	835,188
Conferences and seminars	28,639	-	28,639
Gain on extinguishment of debt	143,162	-	143,162
Investment return, net	(173,207)	-	(173,207)
Net assets released from restrictions	64,142	(64,142)	-
Total revenues	2,039,124	(4,142)	2,034,982
Expenses:			
Program services	918,666	-	918,666
Supportive services:			
Management and general	212,151	-	212,151
Fundraising	10,407	-	10,407
Total supportive services	222,558	-	222,558
Total expenses	1,141,224	-	1,141,224
Change in net assets	897,900	(4,142)	893,758
Net assets, beginning of period	1,449,270	44,408	1,493,678
Net assets, end of period	$ 2,347,170	$ 40,266	$ 2,387,436

The accompanying notes are an integral part of these financial statements.

Fair Housing Advocates of Northern California

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services	Supportive Services: Management and General	Supportive Services: Fundraising	Supportive Services: Subtotal	Total
Expenses:					
Salaries and wages	$ 686,656	$ 125,674	$ 9,091	$ 134,765	$ 821,421
Payroll taxes	55,275	9,650	684	10,334	65,609
Employee benefits	62,317	12,011	294	12,305	74,622
Pass through expense	7,642	-	-	-	7,642
Training	12,623	1,904	-	1,904	14,527
Professional services	26,622	23,390	-	23,390	50,012
Advertising	2,809	336	-	336	3,145
Equipment	13,240	5,374	-	5,374	18,614
Insurance	200	7,250	-	7,250	7,450
Bank fees	57	8,307	150	8,457	8,514
Occupancy	42,565	7,945	-	7,945	50,510
Office expenses	2,790	398	188	586	3,376
Program subcontractors	2,000	-	-	-	2,000
Testing expense	2,071	-	-	-	2,071
Other	1,799	9,912	-	9,912	11,711
Total expenses	$ 918,666	$ 212,151	$ 10,407	$ 222,558	$ 1,141,224

The accompanying notes are an integral part of these financial statements.

Fair Housing Advocates of Northern California

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

Cash flows from operating activities:		
Changes in net assets	$	893,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses on investments		192,206
Loss on disposition of fixed assets		580
Amortization on operating right-of-use asset		36,518
Changes in certain assets and liabilities:		
Grants receivable		(308,806)
Accounts payable and accrued expenses		482
Deferred revenue		1,064,837
Net cash provided (used) by operating activities		1,879,575
Cash flows from investing activities:		
Purchase of investments		(10,804)
Net cash provided (used) by investing activities		(10,804)
Cash flows from financing activities:		
Payments on operating lease liability		(36,527)
Net cash provided (used) by financing activities		(36,527)
Net increase (decrease) in cash during the period		1,832,244
Cash balance, beginning of period		280,574
Cash balance, end of period	$	2,112,818

The accompanying notes are an integral part of these financial statements.

NOTE 1 - GENERAL

Founded in 1982 as a program of the Marin Housing Center - now known as Homeward Bound - Fair Housing Advocates of Northern California (formerly Fair Housing of Marin) became an independent non-profit dedicated to equal housing opportunity in 1984. Fair Housing Advocates of Northern California (the Organization) is the only housing counseling agency in Marin County certified by the US Department of Housing and Urban Development (HUD). The Organization provides varying levels of fair housing services and mortgage foreclosure prevention services as well as advisory and training services in Marin, Sonoma (except the city of Petaluma), Solano, and other counties. The Organization's services to clients are available at no charge in both English and Spanish.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as revenue when earned in accordance with the terms of each grant or agreement. Donations are recognized at their fair value as revenues in the period received.

B. Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. Under the provisions, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

Investments are recorded at fair market value. The Organization's investments are valued in accordance with fair value measurements. The Organization invests in a pooled investment fund at the Marin Community Foundation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of net assets without donor restrictions. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of this investment. Dividend and interest income are accrued when earned. Investment return is presented net of investment fees.

E. Grants Receivable

Grants receivable are comprised of amounts and commitments due from various federal and local government agencies for program-related activities. The Organization uses the direct write-off method with regards to receivables deemed uncollectible. During the year ended June 30, 2022, the Organization recognized no bad debts. Management has evaluated the receivables as of June 30, 2022 and determined that such amounts are fully collectible based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

F. Fixed Assets

The Organization's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

The costs of maintenance and repairs are expensed currently. The Organization reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

G. Grants

The Organization received grants from other organizations and are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

H. Contributions

Contributions represent donations to the Organization from private organizations and individuals, and are recognized as support when received. Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction, which increases those net asset classes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to $3,145 during the year ended June 30, 2022.

J. Functional Expenses Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities,* which requires the Organization to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, professional services) have been allocated based on time and effort using the Organization's payroll allocations. Other expenses (depreciation and amortization, insurance, and occupancy) have been allocated based on other rational and consistent methods.

K. Indirect Costs

The U.S. Department of Housing and Urban Development approved the use of the indirect cost rate of 23.48% with an expiration date of December 6, 2025. During the year ended June 30, 2022, the approved indirect rate of 23.48% is charged to each applicable grant on a regular basis.

L. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

M. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

N. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of grants receivable, cash and cash equivalents, and investments. The Organization places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization maintains investments in a pooled investment fund at the Marin Community Foundation which potentially expose the Organization to concentrations of investment risk. Subject to market fluctuations, management does not consider this risk a particular concern at this time.

The Organization is vulnerable to the inherent risk associated with revenue that is substantially dependent on grants, public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue-raising goals. Management is taking steps to address potential changes in funding levels and reduce the Organization's exposure to these fluctuations.

P. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided services are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

Q. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 20, 2022, the date the financial statements were available to be issued.

R. Revenue and Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).*

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

R. Revenue and Revenue Recognition (concluded)

Contributions 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

S. Implementation of Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effecting for annual reporting periods beginning after June 15, 2021, and should be applied on a retrospective basis. The Organization adopted the standards on July 1, 2021. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows. There were no in-kind contributions recognized during the year ended June 30, 2022.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes and, therefore, has made no provision for Federal or California income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2022. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2022 was as follows:

Bank of the West	$	5,028
Mechanics Bank		2,500
Union Bank		75,048
Wells Fargo Bank		2,030,046
Petty cash		196
Total	$	2,112,818

The bank balances were insured under the $250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 5 - INVESTMENTS

Investments consist entirely of units of a pooled investment fund with the Marin Community Foundation. The Organization records the pooled investment fund at its contract value. Contract value represents the amount the Organization would realize upon sale, transfer, exchange or liquidation of the investment when transacted with the investment custodian. Contract value of the units of the pooled investment fund is the Organization's share of the fair value of the underlying investments, determined by the Marin Community Foundation, net of certain custodial and administrative fees.

The Organization records interest, dividends, gains, losses and changes in contract value (unrealized appreciation and depreciation), net of custodial and administrative fees, as net investment income.

The investments as of June 30, 2022 were as follows:

Account balances as of 06/30/21	$	1,244,699
Interest and dividends		10,804
Unrealized losses on investments		(184,018)
Fees		(8,188)
Account balances as of 06/30/22	$	1,063,297

During the year ended June 30, 2022, the Marin Community Foundation that holds the pooled investment fund invests funds of the Organization has the following asset allocation. Equity Pool of 50%, Fixed Income Pool of 25%, and Future First Pool of 25%.

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

As of June 30, 2022, the investments balance of $1,063,297 was all classified to be Level 2.

FSP FAS 157-4 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for June 30, 2022 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Pooled investment fund	$ 1,063,297	$ -	$ 1,063,297	$ -

NOTE 7 - ACCRUED VACATION

Financial statement presentation follows the recommendations of *ASC 710.25*, *Compensated Absences*. Under *ASC 710.25*, The Organization is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to $49,257 at June 30, 2022, and are included with accounts payable and accrued expenses on the statements of financial position.

NOTE 8 - DEFERRED REVENUE

In February 2022, the Organization received $1,998,188 (net of fees) from a settlement from Fannie Mae. The unrestricted portion of $790,188 was recognized as income during the year ended June 30, 2022. According to the settlement agreement, the balance of $1,208,000 has been set aside to be reinvested into the community and disbursed to other organizations. This amount was recognized as deferred revenue in the statement of financial position.

NOTE 9 - GAIN ON EXTINGUISHMENT OF DEBT

In April 2020, the Organization obtained an SBA Paycheck Protection Program (PPP) loan through Mechanics Bank in the amount of $143,162 to finance operations during the Coronavirus Pandemic referenced in Note 13. However, in August 2021 the PPP loan and accrued interest payable were forgiven in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), as interpreted and clarified by Interim Final Rule published at 13 CFR Part 120 and by any other relevant regulation promulgated or guidance issued by the U.S. Small Business Administration (SBA) or U.S. Treasury. The amount of $143,162 was recognized as gain on extinguishment of debt in the statement of activities.

NOTE 10 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY

The Organization rents its corporate office facilities under a multi-year operating lease expiring on July 31, 2024. The office lease stipulates a monthly rental payment of $3,402 as of June 30, 2022 with annual increases approximating 3% per year.

In accordance with *ASU 2016-02, Leases*, the Organization reflects the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, the Organization has recorded a total lease liability in the amount of $85,006 as of June 30, 2022, for its office space (split between the current amount of $39,259 and noncurrent amount of $45,747) and a corresponding right of use asset for the premises in the amount of $81,060 (capitalized asset of $183,730 less accumulated amortization of $102,670) as of June 30, 2022. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%.

Future minimum rental payments under all operating leases extending beyond one year are as follows:

For the year ended June 30, 2023	$ 41,946
For the year ended June 30, 2024	43,214
For the year ended June 30, 2025 (expiring on July 31, 2024)	3,610
Total	88,770
Less effects of discounting	(3,764)
Lease liabilities recognized	$ 85,006

Total rent expense for all operating leases amounted to $40,815 for the year ended June 30, 2022.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 were as follows:

	Beginning Balance	Donations	Releases	Ending Balance
Subject to Expenditure for Specified Purpose				
Housing Accessibility Partnership	$ 17,908	$ -	$ (7,642)	$ 10,266
Marin Community Foundation	26,500	60,000	(56,500)	30,000
Total	$ 44,408	$ 60,000	$ (64,142)	$ 40,266

NOTE 12 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use within one year of the year end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

Cash and cash equivalents	$ 2,112,818
Investments	1,063,297
Grants receivable	472,974
Total financial assets	3,649,089
Deferred revenue	(1,208,000)
Donor-imposed restrictions	(40,266)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,400,823

The Organization's goal is to maintain financial assets to meet 3 months of operating expenses (approximately $250,000). As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 13 - CONTINGENCY - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization's operations included restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

Fair Housing Advocates of Northern California

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Grantor/Program Title	Federal Assistance Listing Number	Grantor's Number	Award Amount	Federal Expenditures	Amounts Provided to Sub-recipients
U.S. Department of Housing and Urban Development:					
Direct Awards:					
Comprehensive Housing Counseling Program	14.169	HC210921011	$ 32,331	$ 29,749	$ -
Subtotal Federal Assistance Listing Number 14.169				29,749	-
Education and Outreach Initiative (EOI)	14.416	FEOI20012	125,000	72,917	-
Education and Outreach Initiative (EOI) COVID	14.416	FEOIC20019	20,000	5,000	-
Education and Outreach Initiative (EOI)	14.416	FEOI210037	125,000	67,500	-
Subtotal Federal Assistance Listing Number 14.416				145,417	-
Fair Housing Organization Initiative (FHOI)	14.417	FHOI210006	250,000	125,000	-
Subtotal Federal Assistance Listing Number 14.417				125,000	-
Private Enforcement Initiative (PEI)	14.418	FPEI160002	360,000	300,000	-
Private Enforcement Initiative (PEI) American Rescue Plan	14.418	FPE2122007	350,000	97,222	-
Private Enforcement Initiative (PEI)	14.418	FPEI190035	375,000	62,500	-
Subtotal Federal Assistance Listing Number 14.418				459,722	-
CDBG Cluster:					
Pass through the City of Santa Rosa:					
Fair Housing CDBG	14.218 & 14.228	N/A	36,000	36,000	-
Pass through Marin County					
Fair Housing Counseling and Education CDBG	14.218 & 14.228	N/A	64,441	64,441	-
Pass through Sonoma County					
Fair Housing Education and Enforcement CDBG	14.218 & 14.228	N/A	77,000	77,000	-
Pass through the City of Vallejo:					
Public Service Activities and Social Services Activities CDBG	14.218 & 14.228	N/A	30,000	30,000	-
Subtotal **CDBG Cluster**				207,441	-
Total Federal Awards				$ 967,329	$ -

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fair Housing Advocates of Northern California and is presented on the accrual basis. 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). The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within Fair Housing Advocates of Northern California's financial statements.

NOTE 2 - FEDERAL ASSISTANCE LISTING NUMBERS

The Federal assistance listing number included in the accompanying Schedule of Expenditures of Federal and State Awards was determined based on the program name, review of the award contract, and the Office of Management and Budget's Federal assistance listing numbers.

NOTE 3 - INDIRECT COSTS

Fair Housing Advocates of Northern California elected not to use the 10% de minimis cost rate as covered in the Uniform Guidance Part 200.414 Indirect (F&A) Costs.

The U.S. Department of Housing and Urban Development approved the use of the indirect cost rate of 23.48% with an expiration date of December 6, 2025. During the year ended June 30, 2022, the approved indirect rate of 23.48% is charged to each applicable grant on a regular basis.

INDEPENDENT AUDITORS' 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*

Board of Directors
Fair Housing Advocates of Northern California
San Rafael, CA

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 Fair Housing Advocates of Northern California (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California's internal control. Accordingly, we do not express an opinion on the effectiveness of Fair Housing Advocates of Northern California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Fair Housing Advocates of Northern California'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*.

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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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 20, 2022

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Fair Housing Advocates of Northern California
San Rafael, CA

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program
We have audited Fair Housing Advocates of Northern California's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fair Housing Advocates of Northern California's major federal programs for the year ended June 30, 2022. Fair Housing Advocates of Northern California's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fair Housing Advocates of Northern California 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, 2022.

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 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 Fair Housing Advocates of Northern California 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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California's federal programs.

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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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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 Fair Housing Advocates of Northern California'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.

Report on 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 20, 2022

Fair Housing Advocates of Northern California
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I – Summary of Auditors' Results

1. Type of auditors' report issued: unmodified

2. Internal control over financial reporting:

   A. Material weakness(es) identified? no
   B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
   C. Noncompliance material to financial statements noted? no

3. Internal control over major programs:

   A. Material weakness(es) identified? no
   B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
   C. Type of auditors' report issued on compliance for major programs: unmodified
   D. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? no

4. Audited as Major Programs:

Federal Assistance Listing Number	Program Name	Expenditures
14.418	Private Enforcement Initiative (PEI)	$ 459,722
14.218 & 14.228	Community Development Block Grants (CDBG) Cluster	207,441

5. Dollar threshold used to distinguish between type A and type B programs: $750,000

6. Auditee qualified as a low-risk auditee? no

Section II – Financial Statement Findings

There are no financial statement findings.

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs.

Fair Housing Advocates of Northern California

STATUS OF PRIOR YEAR FINDINGS & RECOMMENDATIONS

For the Year Ended June 30, 2022

Recommendation	Status/Explanation

There were no prior year findings or recommendations.