

NOVATO HUMAN NEEDS CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Novato Human Needs Center
Novato, California

We have audited the accompanying financial statements of Novato Human Needs Center (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Novato Human Needs Center as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Novato Human Needs Center's financial statements for the year ended June 30, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

October 24, 2016

Santa Rosa, California

NOVATO HUMAN NEEDS CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(with summarized comparative totals for June 30, 2015)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 176,322	\$ 76,158
Accounts and grants receivable	22,644	24,865
Bequest receivable	-	296,307
Prepaid expenses	35,345	15,630
Total current assets	234,311	412,960
Fixed assets:		
Buildings and improvements	729,496	703,537
Land	160,407	160,407
Furniture, equipment and vehicles	125,149	94,529
Subtotal	1,015,052	958,473
Less accumulated depreciation	(768,944)	(755,856)
Net fixed assets	246,108	202,617
Other assets:		
Investments held by Marin Community Foundation	872,847	465,223
Investments	129,742	128,878
Total other assets	1,002,589	594,101
Total assets	\$ 1,483,008	\$ 1,209,678
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 6,560	\$ 6,992
Accrued vacation	29,878	25,456
Deferred revenue	14,320	16,950
Total liabilities	50,758	49,398
Net assets:		
Unrestricted	1,424,525	1,156,496
Temporarily restricted	7,725	3,784
Total net assets	1,432,250	1,160,280
Total liabilities and net assets	\$ 1,483,008	\$ 1,209,678

The accompanying notes are an integral part of these financial statements

NOVATO HUMAN NEEDS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
SUPPORT AND REVENUE:				
Public support:				
Donations and bequests	\$ 445,460	\$ 267,000	\$ 712,460	\$ 611,916
Foundation grants	236,000		236,000	267,833
In-kind donations	372,796	-	372,796	53,539
Total public support	<u>1,054,256</u>	<u>267,000</u>	<u>1,321,256</u>	<u>933,288</u>
Revenue:				
Contracts	205,461		205,461	175,961
Fundraising (net \$8,499 of expenses)	44,441		44,441	-
Unrealized gain on investments	19,009		19,009	11,135
Investment income	10,732		10,732	8,211
Other income	6,135	6,660	12,795	14,899
Total revenue	<u>285,778</u>	<u>6,660</u>	<u>292,438</u>	<u>210,206</u>
Net assets released from restriction	269,719	(269,719)	-	-
Total support and revenue	<u>1,609,753</u>	<u>3,941</u>	<u>1,613,694</u>	<u>1,143,494</u>
EXPENSES:				
Program services:				
Community support	758,245		758,245	404,435
Thriving Families Initiative	124,121		124,121	161,075
In-home family support	150,918		150,918	108,515
Employment services	20,107		20,107	20,319
Total program services	<u>1,053,391</u>		<u>1,053,391</u>	<u>694,344</u>
Supporting services:				
Management and general	145,231		145,231	164,970
Fundraising	143,102		143,102	106,077
Total expenses	<u>1,341,724</u>		<u>1,341,724</u>	<u>965,391</u>
CHANGE IN NET ASSETS	268,029	3,941	271,970	178,103
NET ASSETS, BEGINNING	<u>1,156,496</u>	<u>3,784</u>	<u>1,160,280</u>	<u>982,177</u>
NET ASSETS, ENDING	<u>\$1,424,525</u>	<u>\$ 7,725</u>	<u>\$1,432,250</u>	<u>1,160,280</u>

The accompanying notes are an integral part of these financial statements

NOVATO HUMAN NEEDS CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

(with summarized comparative totals for the year ended June 30, 2015)

	Community Support Services	Thriving Families Initiative	In-Home Family Support	Employment Services	Total Program Expense	Management and General	Fundraising	2016 Total	2015 Total
Salaries and wages	\$ 142,704	\$ 77,237	\$ 61,775	\$ 14,582	\$ 296,298	\$ 78,347	\$ 85,658	\$ 460,303	406,490
Payroll taxes	10,767	6,498	5,196	1,228	23,689	6,660	7,051	37,400	34,806
Employee benefits	<u>21,316</u>	<u>13,714</u>	<u>10,825</u>	<u>2,561</u>	<u>48,416</u>	<u>10,253</u>	<u>11,352</u>	<u>70,021</u>	<u>68,712</u>
Total compensation	174,787	97,449	77,796	18,371	368,403	95,260	104,061	567,724	510,008
Professional services	204	102	84	12	402	15,330	2,455	18,187	34,402
Occupancy	4,353	2,177	1,793	256	8,579	2,308	1,921	12,808	17,679
Repairs and maintenance	7,552	3,573	2,942	420	14,487	3,783	3,152	21,422	20,565
Direct assistance	536,063	11,462	57,630	-	605,155	-	-	605,155	267,789
Holiday share	14,385	-	-	-	14,385			14,385	10,922
Auto and travel	1,801	-	2,494	-	4,295	303	84	4,682	5,039
Supplies and equipment	3,325	1,603	1,320	189	6,437	2,005	1,801	10,243	13,132
Communications	1,040	978	925	61	3,004	2,106	459	5,569	5,122
Postage and printing	953	229	197	28	1,407	752	16,060	18,219	18,466
Insurance	6,499	3,249	2,676	382	12,806	5,932	2,867	21,605	22,281
Other operating expenses	<u>2,833</u>	<u>1,074</u>	<u>1,229</u>	<u>126</u>	<u>5,262</u>	<u>15,096</u>	<u>8,279</u>	<u>28,637</u>	<u>17,568</u>
Subtotal	753,795	121,896	149,086	19,845	1,044,622	142,875	141,139	1,328,636	942,973
Depreciation	<u>4,450</u>	<u>2,225</u>	<u>1,832</u>	<u>262</u>	<u>8,769</u>	<u>2,356</u>	<u>1,963</u>	<u>13,088</u>	<u>22,418</u>
Total expenses	<u>\$ 758,245</u>	<u>\$ 124,121</u>	<u>\$ 150,918</u>	<u>\$ 20,107</u>	<u>\$ 1,053,391</u>	<u>\$ 145,231</u>	<u>\$ 143,102</u>	<u>\$1,341,724</u>	<u>\$ 965,391</u>

The accompanying notes are an integral part of these financial statements

NOVATO HUMAN NEEDS CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 271,970	\$ 178,103
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	13,088	22,418
Net unrealized gain on investments	(19,009)	(11,135)
Loss on sale of assets	-	-
(Increase) decrease in:		
Accounts and grants receivable	2,221	12,191
Bequest receivable	296,307	(296,307)
Prepaid expenses	(19,715)	18,201
Increase (decrease) in:		
Accounts payable	(432)	(6,513)
Accrued vacation	4,422	3,606
Deferred revenue	(2,630)	16,850
Total cash provided (used) by operations	<u>546,222</u>	<u>(62,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(56,578)	(33,138)
Increase in investments	(389,480)	(56,866)
Total cash provided (used) by investing activities	<u>(446,058)</u>	<u>(90,004)</u>
NET INCREASE (DECREASE) IN CASH	100,164	(152,590)
CASH, beginning of year	<u>76,158</u>	<u>228,748</u>
CASH, end of year	<u>\$ 176,322</u>	<u>\$ 76,158</u>

The accompanying notes are an integral part of these financial statements

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 ORGANIZATION

The Novato Human Needs Center, Inc. (Center), a California public benefit corporation, founded in 1972 as a Marin County agency, the Center assists more than 3,800 community-based residents annually. As a Novato nonprofit organization, the Center helps low-income people overcome their crises and move toward self-sufficiency by providing a variety of local services:

The Center assists at-risk families with the following services:

- *Community Support Services* - assists families and individuals in overcoming an immediate crisis through variety of services, information and referral, and assists them in moving toward greater self-sufficiency. In-house services include emergency and rental assistance, emergency food and resources, clothing vouchers, translation support, case management and other vital services. Most of these families receive case management support, which includes review of household budgets and finances.
- *Thriving Families Program* - Local households receive long-term intensive case management which can include referrals for financial, employment and housing services, as well as other basic services.
- *In-home Family Support* - domestic violence prevention for families who receive in-home visits and education, life-skills and parenting training, and tutoring and case management guidance. The goal of this program is to keep families together and emotionally healthy.
- *Employment Services* - includes job-related services including counseling, skills assessment, job-search workshops, job-matching and other educational services to enhance economic status.

The Center's major sources of revenue are foundation grants, donations, and government contracts.

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of the accounting in accordance with accounting principles generally accepted in the United States of America. Under these guidelines, balances and transactions have been presented according to the existence or absence of donor-imposed restrictions.

Unrestricted – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net Assets subject to donor-imposed stipulations that may or will be met by actions of the Center to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. The income from these assets is available for either general operations or specific programs as specified by the donor.

Net assets released from restriction – Temporarily restricted net assets are released to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other basis of presentation policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, the Center reports the revenue or support as unrestricted. Expenses are reported as decreased in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – The Center considers cash on hand and short-term investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk – The Center maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, The Center held cash and cash equivalent balances in excess of federally insured limits. There was no excess of the FDIC limit at June 30, 2016.

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts and grants receivable – Accounts and grants receivable are for prior activities. Management believes receivables at June 30, 2016 will be fully collectible; accordingly, no allowance for uncollectible receivables is recorded.

Bequest receivable – Bequest receivable is the known amount of an award that is due from an estate.

Investments – Investments include a pooled expendable fund held by Marin Community Foundation and two certificate of deposits with a term greater than ninety days.

Fair Value Measures – The Center reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined by quoted prices for similar assets or liabilities in an active market (Level 2).

The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Fixed Assets – The Center capitalizes all expenditures for property and equipment in excess of \$1,500 and more than one year of life. Fixed assets are carried at cost or at estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, usually five to forty years.

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – The Center is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Center is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Center considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Center’s status as a not-for-profit entity. Management believes the Center met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. The Center’s tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

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 these estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Donated Services and Items – Some people have contributed amounts of time and inventory to the activities of the Center without compensation. The financial statements do not reflect the value of those contributed services and certain items, except for the food pantry items as stated in Note 8, because no reliable basis exists for determining an appropriate valuation, with the exception for specialized services as allowed by generally accepted accounting principles.

NOVATO HUMAN NEEDS CENTER
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2016:

	Level 2
Certificates of deposit	\$ 129,742
Pooled investments funds	712,847
Loan funds	160,000
Total	\$1,002,589

Investment earnings are as follows for the year ended June 30, 2016:

Interest and dividend income	\$ 10,732
Unrealized gain on investments	19,009
Total	\$ 29,741

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 ACCUMULATED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Center. The value of accumulated vacation at June 30, 2016 is \$29,878.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated personal leave. Accumulated employee personal leave benefits are not recognized as liabilities of the Center's since payment of such benefits is not probable. Therefore, personal leave benefits are recorded as expenses in the period personal leaves are taken

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the other events specified by donors during the year ended June 30, 2016 as follows:

Program Income	\$ <u>7,725</u>
----------------	-----------------

Temporarily restricted net assets at June 30, 2016 are for future rental deposits.

NOTE 6 RETIREMENT PLAN

The Center has a SIMPLE IRA retirement plan. The plan provides for employer contributions to match those made by employees, up to three percent of their compensation. Employer contributions to the plan during the year ended June 30, 2016 totaled \$9,696.

NOVATO HUMAN NEEDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 COMMITMENTS AND CONTINGENCIES

The Center received several grants through the County of Marin Community Development Block Grant program for expenditures relating to its building. The County has placed a lien on the building for the greater of \$534,000 or 67 percent of any net proceeds from the sale or the conveyance of the property. As long as the Center is used for its exempt purpose, there is no impact on the lien. Should the Center discontinue operations or use the building for another purpose, the lien would be enforced and the County would demand payment.

Conditions contained within the various contracts awarded to the Center are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not apply with the established criteria governing them. In such cases, the Center could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs.

Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended June 30, 2016.

NOTE 8 IN KIND DONATIONS

The Center receives in-kind donations in the form of food contributions. The donor valued the food at \$372,796 retail value and \$53,539 estimated food cost for the year ended June 30, 2016. For the year ended June 30, 2015, the food was valued at estimated food cost which was \$53,959. The change in methodology for June 30, 2016 is to ensure the most accurate value is recorded to the financials.

NOTE 9 SUBSEQUENT EVENTS

The Center has evaluated subsequent events through October 24, 2016, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2016 that would have a material impact on the Center's results of operations or financial position.