NORTH MARIN COMMUNITY SERVICES

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

NORTH MARIN COMMUNITY SERVICES

(A California Non-Profit Corporation)

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CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Marin Community Services (the Organization)
(A California Non-Profit Corporation)
Novato, California

Opinion

We have audited the accompanying financial statements of North Marin Community Services (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2023, 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 present fairly, in all material respects, the financial position of North Marin Community Services as of June 30, 2023 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Marin Community Services 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.

Adoption of Accounting Pronouncement

As described in Note 2 to the financial statements, North Marin Community Services has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

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 North Marin Community Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (Continued)

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Marin Community Services' 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 North Marin Community Services' 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 Summarized Comparative Information

We previously audited North Marin Community Services' 2022 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of North Marin Community Services.

Vasin, Heyn + Co.

Calabasas, California
September 27, 2023

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**	**Without Donor Restrictions**	**With Donor Restrictions**	**Totals**
ASSETS						
Cash and cash equivalents	$ 662,951	$ 1,829,628	$ 2,492,579	$ 819,795	$ 2,191,080	$ 3,010,875
Contracts, grants and other receivables	261,216	-	261,216	335,963	13,701	349,664
Unemployment trust reserve	57,249	-	57,249	70,091	-	70,091
Investments	4,383,536	-	4,383,536	3,961,170	-	3,961,170
Prepaid expenses	66,050	-	66,050	34,260	-	34,260
Property and equipment, net	840,121	-	840,121	639,550	-	639,550
Total Assets	$ 6,271,123	$ 1,829,628	$ 8,100,751	$ 5,860,829	$ 2,204,781	$ 8,065,610
LIABILITIES						
Accounts payable	$ 12,702	$ -	$ 12,702	$ 23,289	$ -	$ 23,289
Accrued payroll and related liabilities	181,329	-	181,329	175,761	-	175,761
Accrued personal time off	188,825	-	188,825	174,953	-	174,953
Unemployment trust reserve	57,249	-	57,249	70,091	-	70,091
Fee payable - in lieu of	35,000	-	35,000	35,000	-	35,000
Total Liabilities	475,105	-	475,105	479,094	-	479,094
NET ASSETS						
Without donor restrictions:						
Board Designated:						
Investment Fund	4,383,536	-	4,383,536	3,961,170	-	3,961,170
Total Designated Funds	4,383,536	-	4,383,536	3,961,170	-	3,961,170
Undesignated Funds	1,412,482	-	1,412,482	1,420,565	-	1,420,565
Total without donor restrictions	5,796,018	-	5,796,018	5,381,735	-	5,381,735
With donor restrictions	-	1,829,628	1,829,628	-	2,204,781	2,204,781
Total Net Assets	5,796,018	1,829,628	7,625,646	5,381,735	2,204,781	7,586,516
Total Liabilities and Net Assets	$ 6,271,123	$ 1,829,628	$ 8,100,751	$ 5,860,829	$ 2,204,781	$ 8,065,610

See accompanying auditors' report and notes to financial statements.

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT						
Foundations and Grants	$ 921,887	$ 483,000	$ 1,404,887	$ 800,981	$ 853,410	$ 1,654,391
Federal and State apportionments	692,930	-	692,930	545,002		545,002
Contracts	1,392,495	-	1,392,495	1,684,100	10,000	1,694,100
Contributions	771,425	358,083	1,129,508	585,088	483,999	1,069,087
Paycheck Protection Program Loan forgiveness	-	-	-	502,500	-	502,500
In-kind contributions	633,089	-	633,089	558,290	-	558,290
Legacy circle	-	-	-	23,366	-	23,366
Total Support	4,411,826	841,083	5,252,909	4,699,327	1,347,409	6,046,736
REVENUE						
Program service fees	762,291	-	762,291	739,786	-	739,786
Special events and fundraising	8,362	176,028	184,390	1,068	127,665	128,733
Rental and other income	37,198	-	37,198	6,984	-	6,984
Total Revenue	807,851	176,028	983,879	747,838	127,665	875,503
Net assets released from restrictions	1,392,264	(1,392,264)	-	1,205,529	(1,205,529)	-
Total support, revenue and restrictions released	6,611,941	(375,153)	6,236,788	6,652,694	269,545	6,922,239
EXPENSES						
Program Services:						
Child development	1,463,309	-	1,463,309	1,343,965	-	1,343,965
Mental health and wellness	1,232,804	-	1,232,804	1,031,786	-	1,031,786
Latine programs	534,778	-	534,778	241,803	-	241,803
Case management, health and safety	1,897,513	-	1,897,513	2,396,932	-	2,396,932
Total Program Expenses	5,128,404	-	5,128,404	5,014,486	-	5,014,486
Support Services:						
General administration and plant	1,030,009	-	1,030,009	722,532	-	722,532
Fund development	451,612	-	451,612	418,280	-	418,280
Total Support Services	1,481,621	-	1,481,621	1,140,812	-	1,140,812
Total Expenses	6,610,025	-	6,610,025	6,155,298	-	6,155,298
NON-OPERATING CHANGES						
Realized gain(loss) on investments	(18,897)	-	(18,897)	30,804	-	30,804
Unrealized gain(loss) on investments	391,917	-	391,917	(775,833)	-	(775,833)
Investment income	39,347	-	39,347	102,111	-	102,111
Total non-operating changes	412,367	-	412,367	(642,918)	-	(642,918)
CHANGE IN NET ASSETS	414,283	(375,153)	39,130	(145,521)	269,545	124,023
NET ASSETS - Beginning of the Year	5,381,735	2,204,781	7,586,516	5,527,257	2,040,261	7,567,518
Government funded assets - reclassification	-	-	-	-	(105,025)	(105,025)
NET ASSETS - End of the Year	$ 5,796,018	$ 1,829,628	$ 7,625,646	$ 5,381,735	$ 2,204,781	$ 7,586,516

See accompanying auditors' report and notes to financial statements.

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services					Support Services			2023	2022
	Child Development	Mental Health and Wellness	Latine Programs	Case Management, Health and Safety	Total Program Expenses	General Administration and Plant	Fund Development	Total Support Expenses	Total Expenses	Total Expenses
Salaries and related expenses:										
Salaries	$ 988,854	$ 910,193	$ 354,164	$ 660,247	$ 2,913,458	$ 722,774	$ 325,969	$ 1,048,743	$ 3,962,201	$ 3,449,923
Payroll taxes	72,498	64,716	24,907	53,021	215,142	49,578	21,271	70,849	285,991	250,974
Employee benefits	103,004	76,834	31,089	27,892	238,819	72,350	18,684	91,034	329,853	270,652
	1,164,356	1,051,743	410,160	741,160	3,367,419	844,702	365,924	1,210,626	4,578,045	3,971,549
Operating expenses:										
Professional services	21,745	16,919	24,304	55,776	118,744	50,468	8,555	59,023	177,767	182,056
Computer and tech support	36,452	31,263	11,061	26,268	105,044	19,682	8,970	28,652	133,696	103,218
Repairs and maintenance	30,614	18,097	7,295	17,343	73,349	18,131	4,785	22,916	96,265	46,069
Insurance	36,912	27,181	11,672	25,128	100,893	14,765	7,382	22,147	123,040	73,158
Occupancy	22,602	16,254	7,020	15,901	61,777	9,041	4,520	13,561	75,338	70,044
Telephone	15,118	11,340	4,971	11,018	42,447	7,125	2,994	10,119	52,566	40,496
Postage and printing	1,943	1,775	625	1,557	5,900	960	12,482	13,442	19,342	23,659
Supplies	26,205	15,316	7,216	15,618	64,355	20,991	6,429	27,420	91,775	73,946
Food supplies	41,992	1,383	5,535	2,981	51,891	4,079	11,764	15,843	67,734	69,341
Travel and transportation	24,116	468	5,724	1,868	32,176	909	56	965	33,141	30,986
Advertising and marketing	163	225	-	-	388	-	2,016	2,016	2,404	1,803
Equipment and rental	4,888	7,169	2,878	7,564	22,499	4,121	2,656	6,777	29,276	77,206
Dues, fees, subscriptions and professional development	8,284	4,722	1,170	3,193	17,369	20,584	5,299	25,883	43,252	95,385
Direct client assistance	-	-	-	296,269	296,269	-	-	-	296,269	577,929
Other operating expenses	4,210	12,353	28,034	25,393	69,990	4,968	3,038	8,006	77,996	96,336
In-kind, food supplies	-	-	-	633,089	633,089	-	-	-	633,089	558,290
	275,244	164,465	117,505	1,138,966	1,696,180	175,824	80,946	256,770	1,952,950	2,119,922
Total salaries, related expenses and operating expenses	1,439,600	1,216,208	527,665	1,880,126	5,063,599	1,020,526	446,870	1,467,396	6,530,995	6,091,471
Depreciation	23,709	16,596	7,113	17,387	64,805	9,483	4,742	14,225	79,030	63,827
Total Expenses	1,463,309	1,232,804	534,778	1,897,513	5,128,404	1,030,009	451,612	1,481,621	6,610,025	6,155,298

See accompanying auditors' report and notes to financial statements.

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 39,130	$ 124,023
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	79,030	63,827
Rounding adjustment	-	1
Forgiveness of Paycheck Protection Program loan	-	(502,500)
Realized gain(loss) on investments	18,897	(30,804)
Unrealized gain(loss) on investments	(391,917)	775,833
(Increase)decrease in:		
Contacts, grants and other receivables	88,448	58,592
Unemployment trust reserve	12,842	218
Prepaid expenses	(31,790)	13,402
Increase(decrease) in:		
Accounts payable	(10,587)	(19,326)
Accrued payroll and related liabilities	5,568	42,434
Accrued personal time off	13,872	(21,621)
Unemployment trust reserve	(12,842)	(219)
Total adjustments	(228,479)	379,837
Net Cash Provided (Used) by Operating Activities	(189,349)	503,860
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(279,601)	(47,945)
Proceeds from sale of investments	757,141	513,113
Purchase of investments	(806,487)	(575,707)
Net Cash Provided (Used) by Investing Activities:	(328,947)	(110,539)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(518,296)	393,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,010,875	2,617,554
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,492,579	$ 3,010,875
Non-cash supplemental information:		
In-kind contributions	$ 633,089	$ 558,290

See accompanying auditors’ report and notes to financial statements.

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. ORGANIZATION

North Marin Community Services (Organization) was incorporated in 1972 as a nonprofit corporation under the laws of the State of California to provide services to youth, adults, and families primarily in northern Marin County, California. A trusted community resource, the Organization's quality programs are grounded in stability, expertise, and commitment to effectively addressing the changing needs of our community. North Marin Community Services is the product of a successful 2018 merger of two foundational social service nonprofits (Novato Youth Center and Novato Human Needs Center). Now in its 51st year as a resource for North Marin, their mission is to empower youth, adults, and families in our diverse community to achieve well-being, growth, and success.

The Organization provides trauma-informed, integrated and culturally appropriate services annually to 10,280 people in need. The whole family approach ensures individuals and families have access to comprehensive, trauma informed support designed to foster resiliency and strengthen community. Their pathways to programs approach ensures participants will be assessed for all programs and services, no matter which door they enter through.

As the anchor human services nonprofit serving North Marin, their multi-service Organization is called upon to address health disparities of children, adults, families, aging adults, and immigrants. In striving for continuous improvement, the Organization sets yearly goals that coincide with its Business Impact Plan and Theory of Change. The Organization also listens to the feedback of those they serve and who are affected by the programs, and regularly administers satisfaction surveys. Through these mechanisms, the Organization can measure life changing impacts that result from providing services through four program areas: Case Management, Mental Health & Wellness, Latine Services and Child Development. Given the vast geographic spread of North Marin residents, under-resourced communities are not concentrated in one geographical location. The Organization therefore utilizes effective outreach and service delivery strategies offered on-site at their two Novato centers (680 Wilson Ave, 1907 Novato Blvd); on Novato Unified School District campuses; at the Novato Teen Clinic (a partnership with Marin Community Clinics); in West Marin; and remotely.

As part of their strategic direction, the Organization is committed to advocating for policies and services that benefit underserved communities and promote racial justice. Funding comes from diverse sources including program fees, government grants and contracts, foundation grants, family, and donor advised funds, and individual, business and service club donations. North Marin Community Services believes that everyone deserves a chance to succeed in a strong community with opportunities for all.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

NORTH MARIN COMMUNITY SERVICES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use. Net assets with donor restrictions at June 30, 2023 were $1,829,628.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Other Basis of Presentation Policies

Revenues or support are reported as increases in net assets without donor restrictions unless subject to donor-imposed restrictions. If net assets with donor restrictions are fulfilled in the same time period the revenue or support is received, the Organization reports the revenue or support as net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The Organization maintains its cash balances in one financial institution. The accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization uses a sweep account to increase FDIC coverage. At June 30, 2023 the Organization's uninsured cash balances total was $404,878.

Contracts, Grants and Other Receivables

Receivables consist of contracts, grants and other receivables and are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when the Organization receives notification from the grantor Organization. The Organization uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all contracts and accounts receivable were collectible at year-end. No allowance for doubtful accounts for the receivables was considered necessary at June 30, 2023.

Unemployment Trust Reserve

The Organization is self-insured for their unemployment claims. A third-party administrator maintains the account. The Organization pays into the account quarterly and unemployment claims are paid from the account. The cash is available to the Organization at any time.

Investments

Investments are made up of pooled expendable funds held by Marin Community Foundation, stocks, mutual funds, treasury funds and certificates of deposit and are reported at their fair values in the statement of financial position. The fair value of the equities securities are based upon quoted prices in active markets (Level 1 measurements). Realized and unrealized gains and losses are reflected in the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulations or by law.

Board Designated Investments

Board designated investments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Prepaid Expenses

Prepaid insurance, deposits and other costs are expensed ratably over their respective terms of agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment, Net

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and building improvements	3 to 30 years
Equipment	3 to 10 years
Furniture and fixtures	3 to 10 years
Vehicles	5 to 7 years

The Organization reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2023.

Assets purchased with government grant or contract funds are subject to certain restrictions for which depreciation may not be claimed against child development contracts. Assets purchased with government funds remain the property of the government for the life of the asset. The Organization holds these assets in trust for the government and, therefore, the assets have been recorded on the statement of financial position. Purchases of those assets are recorded as expenses of the appropriate government program. Assets purchased with non-governmental funds are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due and, therefore, are reported as net assets with donor restrictions until the payment is due unless, the contribution is clearly intended to support activities of the current fiscal year or is received without donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional; that is, until all conditions on which they depend are substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adopted Accounting Pronouncement

Leases

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization applied the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2021 (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available. In addition, the Organization elected the risk-free method for assessing present value.

Operating lease cost for the year ended June 30, 2023 approximated $12,000.

The Organization is obligated under certain equipment leases which are not significant in terms of application of the provisions of ASC 842 and accordingly do not have a material impact on the Organization's financial position as follows:

Year Ending June 30,:	Equipment
2024	$ 10,226
2025	9,801
2026	9,801
2027	3,186
2028	981
Thereafter	82
Total future principal payments	$ 34,077

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. During the year ended June 30, 2023 in-kind contributions in the amount of $633,089 were related to food pantry donations.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

In addition, all CDE / CDSS Contracts are considered revenue, except for one-time only grants. One-time only grants are considered as support.

Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by the Organization. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contracts Payable.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, the Organization had no material unrecognized tax benefits, tax penalties or interest.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2022, 2021, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed.

The Organization's Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2022, 2021, 2020, and 2019, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

Expense Recognition and Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses direct usage to allocate indirect costs.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. There were no fundraising costs for the year ended June 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allocation Methodology

The Organization allocates its expenses on a functional basis among its various programs, administrative, and fundraising functions. Expenses that can be identified to a specific program, administrative, or fundraising function are directly recorded to the appropriate function. Expenses that are common to more than one function are recorded to a shared cost pool and then are allocated to the related functions based on full-time equivalents (FTE) as part of the month-end close.

Personnel costs are posted both directly and as part of the shared cost pool and are allocated based on FTEs. Shared common costs are usually more fixed and less controllable than direct costs. They are less specific to each area, but are related to the Organization function as a whole. Some examples of shared costs are copier usage, utilities, telephone, consultant fees, general liability insurance, janitorial, general printing costs, or office supplies.

A shared cost pool worksheet is maintained to calculate an allocation ratio based on both FTE and direct personnel costs for all employees by function. This is approved by the CEO twice a year and presented to the auditors at year-end.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 comparative totals have been reclassified to conform with the 2023 reporting format.

Comparative Totals

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 Organization’s financial statements for the year ended June 30, 2022, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
    - quoted prices for similar assets or liabilities in active markets;
    - quoted prices for identical or similar assets in markets that are not active;
    - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
    - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. The equities, mutual funds and exchange traded funds are valued at quoted market prices, which represent the net asset value of shares held by the Organization at year-end.

The carrying amounts of liabilities approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. INVESTMENTS

Investments

The Organization measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Organization to develop its own assumptions. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2023, are Level 1 and Level 2 inputs.

Investments consist of the following at June 30, 2023:

	Total	Level 1	Level 2
Bond funds	$ 451,989	$ 451,989	$ -
Equity funds	468,844	468,844	-
Exchange traded funds	1,432,001	1,432,001	-
Fixed income	557,618	557,618	-
Money market, bank sweep and cash reinvested	37,407	-	37,407
Total investments	$ 2,947,859	$ 2,910,452	$ 37,407

At June 30, 2023, the Organization does not have any investments measured using Level 3 inputs.

The composition of the investment return reported in the statement of activities at June 30, 2023 is as follows:

	Amount
Investment and dividend income	$ 26,815
Realized gain(loss) on investments	(18,897)
Unrealized gain (loss) on investments	237,978
Total investment return	$ 245,896

3. INVESTMENTS - Continued

Funds Held by Others – Marin Community Foundation

The Organization entered into an agreement with Marin Community Foundation (the "Foundation"), whereby the Foundation held a board designated investment fund (the "Fund") for the Organization to be used for various purposes. The Organization is named as the beneficiary of the Fund and receives income earned on the Fund. The Organization has the discretion to distribute the Fund and any future earnings for broad charitable uses and purposes of the Organization. At June 30, 2023, the Organization had a beneficial interest in the Fund and is stated at fair value as a Level 2 classification. Investments are made up of pooled expendable funds held by the Foundation, stocks, mutual funds, treasury funds and certificates of deposits and are reported at their fair values in the statement of financial position. The Fund's fair market value at June 30, 2023 was of $1,435,677. The composition is as follows using Level 2 inputs:

	Amount
Beginning balance	$ 1,280,787
Contributions	-
Dividends and interest reinvested	12,532
Unrealized gain(loss) on investments	153,939
Less - investment fees	(11,581)
Total	$ 1,435,677

4. PROPERTY AND EQUIPMENT, NET

	Amount
Buildings and building improvements	$ 3,713,947
Equipment	136,076
Furniture and fixtures	253,879
Land	195,560
Vehicles	350,030
	4,649,492
Less accumulated depreciation	(3,809,371)
Total	$ 840,121

Total depreciation expense for the year ended June 30, 2023 was $79,030.

5. ACCRUED PERSONAL TIME OFF

Accrued personal time off is accrued on a monthly basis. Full-time and Part-time employees accrue personal time off based upon years of service to the Organization as follows:

Time Employed	Maximum Accrual
0 -3 months	6 hours earned per month
4 months to 5 Years	12 hours earned per month
After 5 Years	15 hours earned per month
After 10 Years	17 hours earned per month
After 15 Years	19 hours earned per month

Accrued personal time off will be paid at the time of termination. Total accrued personal time off at June 30, 2023, was $188,825.

6. FEE PAYABLE - IN LIEU OF

As part of its 1988 property improvements, the Organization entered into an agreement with the City of Novato for an “in lieu fee” of $35,000 for the cost of moving the electric, telephone, and cable television utilities underground fronting the Organization’s property. The entire amount, plus annually compounded cost of living increases, is due upon sale of the property. The agreement is secured by a lien against the property.

7. LINE OF CREDIT PAYABLE

The Organization has a line of credit with a bank, which provides for total borrowings of $150,000. The note is collateralized by substantially all of the Organization’s assets. The note bears interest at the prime rate (8.25 percent per annum at June 30, 2023) plus an additional 0.5% per annum. Interest payments on the outstanding principal balance are due monthly. All outstanding principal and accrued interest is due at maturity. The line of credit matures February 15, 2024. The Organization had no borrowings under the line as of June 30, 2023.

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8. EMPLOYEE BENEFIT PLAN

The Organization has a defined 403b contribution plan open to all employees. Under the plan, the Organization could contribute up to a five percent match to employees upon commencement of qualifying employment and vesting is after two years. Qualifying employment is defined as more than 1,040 hours per year. The contribution is a board decision made as part of the budget process. During the year ended June 30, 2023 the Organization contributed up to 2 percent match to the 403b retirement account totaling $46,956.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Net assets with donor restrictions were released by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets with donor restrictions at June 30, 2023, consist of amounts restricted by donor-imposed stipulations.

The activity for the year ended June 30, 2023 is as follows:

Funding Source	Balance at 6/30/22	Income	Expenditures	Balance at 6/30/23
Child Development	$ 159,395	$ 75,433	$ (82,756)	$ 152,072
Family and Community Engagement	1,028,918	268,322	(412,335)	884,905
Health and Wellness	473,903	329,696	(354,608)	448,991
Operating Funds	542,565	343,660	(542,565)	343,660
Total	$ 2,204,781	$ 1,017,111	$ (1,392,264)	$ 1,829,628

A major portion of the net assets with donor restrictions is due to multiyear grants received during the year ended June 30, 2023.

10. IN-KIND CONTRIBUTIONS

The Organization receives in-kind donations in the form of food contributions. The donor valued the food at $633,089 retail value for the year ended June 30, 2023.

In-Kind Contributions Valuation Techniques & Inputs

Food contributions are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the U.S.

Donor Restrictions

There were no donor restrictions on any in-kind contributions received during the year ended June 30, 2023.

Monetization of In-Kind Contributions

The Organization does not sell donated in-kind contributions and only distributes goods or uses the services for program use.

11. CONTINGENCIES

Contracts and Grants

The Organization has received Federal and State funds 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, it is believed that any required reimbursements will not be material.

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

During the COVID-19 pandemic and now into economic recovery, the Organization is called upon to provide basic needs support to a greater number of participants in need of emergency rental assistance, healthy food, direct financial assistance, childcare for children in low-income households, and a rise in mental health therapy and crises. With a proven track record of success, NMCS is the anchor human resources nonprofit in North Marin.

12. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Organization at June 30, 2023 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	June 30, 2023
Financial assets:	
Cash and cash equivalents	$ 2,492,579
Contracts, grants and other receivables	261,216
Investments	4,383,536
Total financial assets	7,137,331
Less those unavailable for general expenditures within one year due to:	
Less Board Designated Investment Fund	(4,383,536)
Less With Donor Restrictions	(1,829,628)
Total unavailable funds	(6,213,164)
Financial assets available to meet cash needs for general expenditures within one year	$ 924,167

To manage the liquidity needs of the Organization, the Organization maintains a financial asset balance large enough to carry operations and emergency cash flow needs for one year. The board designated investment fund can be undesignated at any time with a board vote. Investments are managed under an investment fund policy with a spending rule to support operations, deferred maintenance, and long-term sustainability.

The Organization's goal is generally to maintain financial assets to meet 45 days of operating expenses (approximately $747,117). As part of its liquidity plan, the Organization bills government-funded contracts in accordance with funding terms and conditions. Amounts available for expenditure over the period of the next twelve months are dependent on the governmental funder's payment cycles, which vary from 30 to 60 days. The Organization has a $150,000 line of credit available to meet cash flow needs.

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13. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Organization deposits its cash with high quality financial institutions and management believes the organization is not exposed to significant credit risk on those amounts.

The Organization receives support from the federal and state government equal to 37 percent of total revenue. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

15. SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through September 27, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.