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Homebase, Inc.

Financial Statements and
Supplementary Information

December 31, 2023

Independent Auditors' Report

To the Board of Directors of
Homebase, Inc.

Opinion

We have audited the financial statements of Homebase, Inc. (Homebase), which comprise the statement of financial position as of December 31, 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 accompanying financial statements present fairly, in all material respects, the financial position of Homebase as of December 31, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homebase 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 Homebase's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS 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 GAAS 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 Homebase'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 Homebase's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Homebase's financial statements for the year ended December 31, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024 on our consideration of Homebase'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 Homebase'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 Homebase's internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California
August 29, 2024

Homebase, Inc.

Statement of Financial Position
December 31, 2023
(With Summarized Comparative Totals From 2022)

	2023	2022
Assets		
Cash and cash equivalents	$ 1,556,067	$ 2,078,344
Contracts receivable, net	2,532,804	1,513,082
Grants and contributions receivable	818,341	201,371
Long-term investments	220,207	424,886
Prepaid expenses	96,471	112,685
Deposits	5,000	5,000
Property and equipment, net	20,693	27,007
Operating lease right-of-use-assets	167,488	494,750
Finance lease right-of-use-assets	48,638	63,598
Total assets	$ 5,465,709	$ 4,920,723
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 227,320	$ 118,300
Accrued salaries	213,599	216,220
Deferred revenue	15,540	7,516
Operating lease liabilities	167,488	499,048
Finance lease liabilities	56,064	66,359
Accrued credits due, cooperative awards	639,140	512,175
Other accrued liabilities	41,880	121,102
Total liabilities	1,361,031	1,540,720
Net Assets		
Without donor restrictions		
Board designated	601,208	587,569
Undesignated	3,140,634	2,423,150
Total net assets without donor restrictions	3,741,842	3,010,719
With donor restrictions	362,836	369,284
Total net assets	4,104,678	3,380,003
Total liabilities and net assets	$ 5,465,709	$ 4,920,723

Homebase, Inc.

Statement of Activities
Year Ended December 31, 2023
(With Summarized Comparative Totals From 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022
Revenue and Support				
State and local services	$ 8,127,956	$ -	$ 8,127,956	$ 6,408,969
Federal cooperative agreements	3,192,522	-	3,192,522	2,964,933
Contributions	2,796	364,406	367,202	89,770
Return of unused restricted funds	-	-	-	(100,000)
Total revenue and support	11,323,274	364,406	11,687,680	9,363,672
Net assets released from restrictions	370,854	(370,854)	-	-
	11,694,128	(6,448)	11,687,680	9,363,672
Expenses				
Program services	7,042,382	-	7,042,382	6,494,137
Management and general	3,918,547	-	3,918,547	3,601,713
Fundraising	16,851	-	16,851	15,523
Total expenses	10,977,780	-	10,977,780	10,111,373
Other Income (Expense)				
Interest and other income	9,289	-	9,289	22,314
Unrealized loss on investments	5,486	-	5,486	(7,355)
Total other income	14,775	-	14,775	14,959
Change in net assets	731,123	(6,448)	724,675	(732,742)
Net Assets, Beginning	3,010,719	369,284	3,380,003	4,112,745
Net Assets, Ending	$ 3,741,842	$ 362,836	$ 4,104,678	$ 3,380,003

See notes to financial statements

Homebase, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023
(With Summarized Comparative Totals From 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 4,850,893	$ 2,643,018	$ 11,522	$ 7,505,433	$ 6,656,011
Employee benefits	760,129	414,158	1,806	1,176,093	991,915
Payroll taxes	368,196	200,612	875	569,683	512,008
Total personnel costs	5,979,218	3,257,788	14,203	9,251,209	8,159,934
Contract services	526,782	287,018	1,251	815,051	755,945
Travel	159,049	86,658	378	246,085	140,981
Equipment and maintenance	139,169	75,827	331	215,327	159,357
Credits due, cooperative awards	-	-	-	-	467,445
Office rent	128,750	70,150	306	199,206	207,964
Professional fees	-	81,491	125	81,616	63,289
Staff training and development	47,766	26,025	111	73,902	60,416
Dues and subscriptions	-	-	-	-	30,262
Insurance	16,946	9,233	40	26,219	27,539
Finance lease amortization	8,982	4,894	21	13,897	10,423
Depreciation	7,035	3,833	17	10,885	14,389
Office supplies	6,010	3,275	14	9,299	5,599
Interest and bank fees	-	-	-	-	4,671
Uncollectible fee expense	-	-	-	-	2,924
Subgrants and donations	-	-	-	-	178
Postage and delivery	-	-	-	-	57
Other expenses	22,675	12,355	54	35,084	-
Total expenses	$ 7,042,382	$ 3,918,547	$ 16,851	$ 10,977,780	$ 10,111,373

Homebase, Inc.

Statements of Cash Flows
Year Ended December 31, 2023
(With Summarized Comparative Totals From 2022)

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 724,675	$ (732,742)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,885	14,389
Amortization of finance lease liabilities	13,897	10,423
Uncollectible fee expense	-	2,924
Changes in operating assets and liabilities:		
Contracts receivable	(1,019,722)	(212,861)
Grants and contributions receivable	(616,970)	897,501
Other receivables	-	4,457
Prepaid expenses	16,214	(34,362)
Deposits	-	(5,000)
Accounts payable	109,020	17,786
Accrued salaries	(2,621)	(36,848)
Deferred revenue	8,024	7,516
Operating lease liabilities	(13,530)	(3,364)
Accrued cost settlements	126,965	-
Other accrued liabilities	(79,222)	550,050
Deferred rent	-	(29,007)
Net cash from operating activities	(722,385)	450,862
Cash Flows From Investing Activities		
Purchase of property and equipment	(4,571)	(35,545)
Purchase of investments	(6,321)	(424,886)
Proceeds from sales of investments	211,000	-
Net cash from investing activities	200,108	(460,431)
Net change in cash	(522,277)	(9,569)
Cash, Beginning	2,078,344	2,087,913
Cash, Ending	$ 1,556,067	$ 2,078,344

See notes to financial statements

1. Description of Operations and Summary of Significant Accounting Policies

Description of Organization

Homebase, Inc. (Homebase) (the Organization) is a non-profit dedicated to the social problem of homelessness which was formed in 1991. Homebase focuses on ending homelessness, preventing its recurrence and decreasing its effect on communities. Homebase works on the local, state and national level to support communities in implementing responses to homelessness while fostering collaboration in addressing the political and economic causes of homelessness.

The mission of Homebase is to build community capacity to end homelessness, reduce poverty and to foster thriving, inclusive communities. Homebase supports communities and agencies in establishing the systems and programs needed to help people who are homeless or at-risk achieve housing stability, improve health and wellness, maximize economic self-sufficiency and reclaim their dignity. The following guiding principles outline the work of Homebase:

- Housing First: Access to stable, safe and affordable housing is a vital cornerstone of a thriving community and an essential base for improving the health, well-being and productivity of the individuals and families who live there.

- System-Level, Integrated Solutions: Arising from multi-dimensional sources, solving homelessness requires a system-level approach that aligns action across agencies and across service systems. As such, solutions should be inter-disciplinary, incorporate a community-wide focus, advance integration of systems and programs and maximize efficient use of resources.

- Respect and Empowerment: Effective capacity building should be based on a relationship of respect that includes active listening to both stated and unstated needs and understanding of the barriers and difficulties faced by local communities and agencies. It also requires a focus on empowerment that helps communities to identify alternatives and select their best options, and then provides them with ongoing guidance and support in how to pursue their chosen strategy.

- Partnership and Collaboration: Partnership and collaboration are essential to effective problem solving and innovation. Homebase facilitates relationship building among key players within the community, communities within a region or state and those doing similar work or facing similar problems throughout the country. Homebase also works to create venues for inclusive dialogue, critical thinking and peer learning.

- Effectiveness: The principal goal of work with local communities and agencies is to help them deliver more effective housing and services. Homebase helps communities build systems and programs that are comprehensive, integrated, accessible and culturally relevant to the client population.

- Communities, Agencies and People: The policy and advocacy work of Homebase focuses on the needs of the end users: communities, agencies providing housing and services, and the people who access the services. Homebase translates policy directives to those who must implement them locally and educates policy makers about the needs and realities on the ground.

Homebase is a national leader in integrating and redesigning systems of care and has extensive experience in building community capacity. Over the past 30 years, Homebase has built an impressive track record of success, assisting communities on a diverse range of projects, including building effective systems that expand options for affordable housing through innovative use of Medicaid and other mainstream resources, fostering economic self-sufficiency through access to employment and benefits, removing barriers inhibiting access to housing and key social services and engaging in data-driven planning and decision making. Homebase regularly works with local governments, housing and service providers, community members with lived experience of homelessness, health and behavioral health providers, community, and faith-based organizations.

Homebase has developed a statewide and national reputation for high-quality services and sound, pragmatic analysis on the social problem of homelessness. Homebase provides a broad range of research, advice, counsel, training and technical assistance services to public, nonprofit and private sector constituents. Homebase markets the availability of services to existing and potential clients, including local jurisdictions in which the assistance proposed will be delivered, through brochures, various newsletters, a website, flyers mailed for special events and announcements in printed materials distributed by colleagues.

Basis of Presentation

Homebase reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated by the board of directors for specific projects. At December 31, 2023, net assets of $601,208 were designated by the board of directors in connection with Homebase's operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of Homebase and/or the passage of time, and net assets to be held in perpetuity as directed by donors. At December 31, 2023, Homebase did not have any donor restricted net assets to be held in perpetuity.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Homebase considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables and Allowance for Doubtful Accounts

Contracts receivables consist of amounts billed and unbilled for services rendered through the end of the year, but not collected until after year end, Contracts receivable are stated at the amount management expects to collect from outstanding balance. Grants and contributions receivable represent the balance of pledges and commitments from donors that have not been collected as of December 31, 2023. At December 31, 2023, all grants and contributions receivable are due within one year.

The Organization utilizes the aging method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. At December 31, 2023, allowance for doubtful accounts was $7,490.

Investments

Homebase's investments consist of equity securities, certificates of deposits and bonds and are recorded at fair value. Certificates of deposit are valued at amortized cost, which approximates fair value. The fair values of equity securities are based on quoted market prices for those investments. Realized and unrealized gains and losses are included in the statement of activities. Gains and losses are reflected as increases or decreases in the net assets without donor restrictions unless the donor or relevant laws place a restriction on the gains and losses, they will then be recorded as net assets with donor restrictions.

Fair Value Measurements

Homebase is required to consider the use of market-based information over entity-specific information in valuing its financial assets measured at fair value, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability using the best information available in the circumstances.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the observable inputs and minimize the use of unobservable inputs. At December 31, 2023, there have been no changes in the methodologies used.

Property, Equipment and Depreciation

Homebase capitalizes all expenditures for property and equipment in excess of $2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from five to seven years. Repairs and maintenance are expensed as incurred.

Revenue Recognition

Program Services

Revenue from program services consists principally of various contracts with state and local governmental agencies and nonprofit organizations. Revenue recognition is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Revenue is recognized by providing professional services to clients. Certain contracts contain multiple promised services. These promised services primarily include support and technical assistance related to program activity for the homeless and at-risk community. Program service contracts generally provide for specific hourly rates or lump sum amounts for each promised service outlined per the contract. Homebase recognizes revenues for these arrangements based on hours incurred as services are provided and contracted rates utilizing a right-to-invoice practical expedient because Homebase has a right to consideration for services completed to date. Payment terms are typically 30 days, as outlined per the contract.

For certain contracts, Homebase contracts subcontractors to execute certain promised services. In these instances, Homebase acts as the principal as Homebase has the authority to hire and terminate the subcontractors, establish the body of work for which the subcontractor is responsible, and guarantee the quality of the work performed by subcontractors.

Federal Grants and Contracts

Conditional contributions are recognized as revenue when the underlying donor conditions are substantially met. Revenue from federal grants and contracts consists of cost reimbursements related to services performed on work plans created by Homebase based on task assignments issued under the cooperative agreements with the U.S. Department of Housing and Urban Development (HUD). Revenue from federal grants and contracts are considered donor-restricted and conditional contributions. Homebase elects to record revenue from federal grants and contracts as revenue without donor restrictions, as the restrictions and conditions are met simultaneously. At December 31, 2023, the balance of conditional contributions promised for which the related conditions have not been met amounted to $11,328,531.

Contributions

Unconditional contributions and grants are recognized as revenue when the promise to give is made by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Homebase has elected to report donor-restricted contributions that are initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period as net assets without donor restrictions.

Contributed Nonfinancial Assets

Contributed services are recognized as contributed nonfinancial assets at their estimated fair value if they required specialized skills that would need to be purchased if they are not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value when the contributed goods are received or the contributed services are rendered. For the year ended December 31, 2023, Homebase did not have any contributed nonfinancial assets.

Functional Allocation of Expenses

Costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on employee time.

Income Taxes

Homebase is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701(d). Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position Homebase has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions Homebase has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates include the functional allocation of expenses. Actual results may differ from those estimates.

Lease

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- The Organization does not separate lease and nonlease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization does not apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line bases over the lease term.

Comparative Financial Information

The financial information for the year ended December 31, 2022 has been presented for comparative purposes only and is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Homebase's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

Newly Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13*, Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended December 31, 2023.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure August 29, 2024, the date which the financial statements were available to be issued.

Reclassifications

For comparative purposes, certain amounts in the prior year’s financial information have been reclassified to conform to current year presentation.

2. Liquidity and Availability of Financial Assets

Homebase's primary source of revenue is revenue received from HUD, local governmental agencies, and nonprofit organizations. During the year ended December 31, 2023, Homebase received contributions with donor restrictions. Homebase considers contributions without donor restrictions to be available to meet cash needs for general expenditures. In addition, Homebase has an agreement with a commercial bank for a general line of credit for $400,000 (Note 5). General expenditures include programmatic expenses, administrative and general expenses, and fundraising expenses that are expected to be paid in the subsequent year. At December 31, 2023, net assets of $601,208 were designated by the board of directors in connection with Homebase's operating reserve. The table below presents financial assets available to fund general operating expenditures within one year at December 31, 2023:

Cash and cash equivalents	$ 1,556,067
Contracts receivable, net	2,532,804
Grants and contributions receivable	818,341
	4,907,212
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(362,836)
Financial assets available to meet general operating expenditures within one year	$ 4,544,376

3. Property and Equipment

At December 31, 2023, property and equipment consisted of the following:

Furniture and equipment	$ 170,601
Less accumulated depreciation	(149,908)
Total	$ 20,693

4. Investments and Fair Value Measurements

At December 31, 2023, the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2023 using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3) consist of the following:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Cash equivalents	$ 362,001	$ 362,001	$ -	$ -
Certificates of deposits	209,131	-	209,131	-
Bonds	11,076	-	11,076	-
	$ 582,208	$ 362,001	$ 220,207	$ -

5. Line of Credit

On March 26, 2020, Homebase entered into a loan agreement with a commercial bank for a line of credit of $400,000. The line of credit is payable on demand. Borrowings under the agreement bear interest at a floating rate equal to the Prime Rate plus 1.45% per annum (9.95% at December 31, 2023). All receivables, property and equipment were secured under the line of credit.

There was no balance outstanding on the line of credit at December 31, 2023. The line of credit was automatically renewed with a maturity date of January 10, 2025.

6. Net Assets With Donor Restrictions

At December 31, 2023, net assets with donor restrictions subject to expenditure for specific purposes consisted of the following:

Bay Area Regionalism Initiative Regional Data Sharing Project	$	310,019
Homelessness and Healthcare Systems		44,966
Lived Experience Leadership Fund		7,440
Elevance Health		411
Total net assets with donor restrictions	$	362,836

For the year ended December 31, 2023, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Bay Area Regionalism Initiative Regional Data Sharing Project	$	54,981
National Alliance to end Homelessness		75,000
Homelessness and Healthcare Systems		231,284
Elevance Health		9,589
Total net assets released from restriction	$	370,854

7. Retirement Plan

Homebase has a 403(b) tax deferred annuity plan (the Plan). All employees of Homebase are eligible to participate in the Plan. Immediately upon entrance into the Plan, employees are automatically enrolled to defer 5% of their salary and have the option to change or stop the deferral election subsequently. Homebase may make a discretionary matching contribution based on the sum of employee deferrals, age 50 catch-up contributions and special long service catch-up contributions. For employees who have worked 1,000 hours of service during the Plan year and are employed on the last day of the Plan year, Homebase may also make a discretionary non-elective contribution to the Plan. Matching and non-elective contributions vest 40% after two years of service and 100% after three years of service. For the year ended December 31, 2023, Homebase made contributions totaling $321,334 to the Plan.

8. Concentrations

Credit and Investment Risk

Financial instruments that potentially subject Homebase to concentrations of credit risk consist principally of cash and receivables. Risks associated with cash are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts, currently $250,000 per depositor. Homebase has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Certain investments are insured up to the limit set by the Securities Investor Protection Corporation (SIPC) (currently $500,000 per depositor). At December 31, 2023, the Organization held investments in excess of the SIPC insurance limits.

Major Customers

During the year ended December 31, 2023, 22% of program service revenue were related to two customers. At December 31, 2023, 42% of contracts receivable were due from three customers.

Major Funders

During the year ended December 31, 2023, 100% of federal grants revenue were related to one funding source. At December 31, 2023, 44% of grants and contributions receivable were due from one funding sources.

9. Leases

In November 2023, Homebase entered into an amended lease agreement for its office space in San Francisco, California expires in March 2025. In March 2022, Homebase entered into a noncancelable office equipment lease which expires in June 2027.

Right-of-use assets are assessed for impairment in accordance with Homebase's long-lived asset policy. Homebase reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, Homebase uses the rate implicit in the lease, or if not readily available, Homebase uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with Homebase's long-lived asset policy. Homebase reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

Homebase made significant assumptions and judgments in applying the requirements of Topic 842. In particular, Homebase:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determined whether contracts contain embedded leases.

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

Homebase does not have any material leasing transactions with related parties.

Right of use assets:		
Operating leases	$	167,488
Finance leases		48,638
Total right of use assets	$	216,126
Lease liabilities:		
Operating lease liabilities	$	167,488
Finance lease liabilities		56,064
Total operating lease liabilities	$	223,552

Operating lease expense for the year ended December 31, 2023 amounted to $199,206.

The right of use assets and lease liabilities were calculated using a weighted average discount rate of 2.86% and 2.72% for operating and finance lease, respectively. As of December 31, 2023, the weighted average remaining lease term was 1.25 years and 3.53 years for operating and finance lease, respectively.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2023:

	Operating Lease	Finance Lease
Years ending December 31:		
2024	$ 130,350	$ 13,648
2025	40,000	15,696
2026	-	18,050
2027	-	11,715
Total lease payments	170,350	59,109
Less present value discount	(2,862)	(3,045)
Total lease liabilities	$ 167,488	$ 56,064

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	$	202,224
Operating cash flows from finance leases		12,714

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*

Independent Auditors' Report

To the Board of Directors of
Homebase

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 Homebase (the Organization), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statement and have issued our report thereon dated August 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
August 29, 2024

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors of
Homebase

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Homebase (the Organization) 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 the Organization's major federal programs for the year ended December 31, 2023. The Organization'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, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the major federal program. Our audit does not provide a legal determination of the Organization'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 the Organization's federal programs.

Auditors' 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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of the major federal program as a whole. In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

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 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.

Report on Internal Control Over Compliance

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.

Baker Tilly US, LLP

San Francisco, California
August 29, 2024

Federal Grantor/ Program Title	Assistance Listing Number	Pass-Through Agency Grant Number	Federal Expenditures
Federal Programs			
U.S. Department of Housing and Urban Development			
Community Compass Technical Assistance and Capacity Building:			
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	E-20-TA-CA-0020	$ 578,696
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	M-17-TA-CA-0020	125,079
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	M-18-TA-CA-0020	73,461
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	M-20-TA-CA-0020	264,704
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	M-21-TA-CA-0020	46,223
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	C-18-TA-CA-0020	61,850
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	C-19-TA-CA-0020	268,801
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	C-20-TA-CA-0020	189,451
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	C-21-TA-CA-0020	96,991
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	Y-20-TA-CA-0020	56,742
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	Y-21-TA-CA-0020	2,540
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	Y-19-TA-CA-0020	463,748
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	Y-18-TA-CA-0020	120,393
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	H-17-TA-CA-0020	12,349
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	H-20-TA-CA-0020	57,680
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	A-TA-21-CA-0020	261,290
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	M-19-TA-CA-0020	531,770
Technical Assistance and Capacity Building through HUD's Demand-Response Structure	14.259	Z-21-TA-CA-0020	158,338
Total federal programs			$ 3,370,106

1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Homebase under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Homebase, it is not intended to and does not present the financial position, changes in net assets or cash flows of Homebase.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Assistance listing numbers and pass-through entity identification numbers are presented where available.

3. Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	x no
Significant deficiency(ies) identified?	____ yes	x none reported
Noncompliance material to financial statements noted?	____ yes	x no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	____ yes	x no
Significant deficiency(ies) identified?	____ yes	x none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	____ yes	x no
Auditee qualified as low-risk auditee?	x yes	____ no
Dollar threshold used to distinguish between type A and type B programs:	$750,000	

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
14.259	Community Compass Technical Assistance and Capacity Building

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Summary of Prior Year Findings

None.