

**Sacramento Neighborhood Housing Services, Inc.
dba Neighborworks Homeownership
Center Sacramento Region**

**Financial Statements
(With Supplementary Information),
Schedule of Expenditures of Federal Awards,
Internal Control and Compliance
and Independent Auditor's Report**

December 31, 2020 and 2019

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

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Independent Auditor's Report

To the Board of Directors
Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center
Sacramento Region

Report on the Financial Statements

We have audited the accompanying financial statements of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region as of December 31, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audits were 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* (CFR) 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region's internal control over financial reporting and compliance.



Sacramento, California
March 29, 2021

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Financial Position
December 31, 2020 with Summarized Financial Information for 2019**

	<u>Assets</u>					
	2020				2019	
	Without Donor Restrictions	With Donor Restrictions				
	General Fund	LIFT	Neighborhood Reinvestment	RLF	Total	Total
Current assets						
Cash and cash equivalents	\$ 2,854,157	\$ 445,858	\$ 39,002	\$ 2,187,669	\$ 5,526,686	\$ 5,637,296
Receivables						
Grants and donations, net	74,527	-	-	170,000	244,527	211,995
Current portion of interest receivable	-	-	-	38,684	38,684	16,834
Current portion of loan receivable	-	-	24,786	33,610	58,396	81,076
Prepaid expenses and deposits	39,157	-	-	-	39,157	26,787
Total current assets	<u>2,967,841</u>	<u>445,858</u>	<u>63,788</u>	<u>2,429,963</u>	<u>5,907,450</u>	<u>5,973,988</u>
Noncurrent assets						
Real estate held for sale	-	-	-	1,504,960	1,504,960	1,542,833
Interest receivable, less current portion	-	-	-	428,055	428,055	446,810
Loans receivable, less current portion, net	-	4,175,000	202,544	2,383,823	6,761,367	8,895,974
Property and equipment, net	1,350,806	-	-	-	1,350,806	1,380,587
Total noncurrent assets	<u>1,350,806</u>	<u>4,175,000</u>	<u>202,544</u>	<u>4,316,838</u>	<u>10,045,188</u>	<u>12,266,204</u>
Total assets	<u>\$ 4,318,647</u>	<u>\$ 4,620,858</u>	<u>\$ 266,332</u>	<u>\$ 6,746,801</u>	<u>\$ 15,952,638</u>	<u>\$ 18,240,192</u>

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Financial Position
December 31, 2020 with Summarized Financial Information for 2019**

	<u>Liabilities and Net Assets</u>					2019
	2020					
	Without Donor Restrictions	With Donor Restrictions				
General Fund	LIFT	Neighborhood Reinvestment	RLF	Total		
Current liabilities						
Accounts payable	\$ 32,430	\$ 1,400	\$ -	\$ 126,024	\$ 159,854	\$ 47,000
Accrued expenses	127,558	-	-	-	127,558	145,642
Taxes and insurance escrow	-	-	-	3,882	3,882	5,264
Security deposits	10,628	-	-	-	10,628	10,628
Deferred revenue	72,987	-	-	167,032	240,019	39,898
Current portion of long-term debt	30,147	-	-	1,050,000	1,080,147	1,578,769
Total current liabilities	273,750	1,400	-	1,346,938	1,622,088	1,827,201
Noncurrent liabilities						
Long-term debt, net of current portion	789,643	-	-	1,000,000	1,789,643	1,819,528
Total liabilities	1,063,393	1,400	-	2,346,938	3,411,731	3,646,729
Commitments and Contingencies						
Net assets						
Without donor restrictions	3,255,254	-	-	-	3,255,254	3,253,019
With donor restrictions	-	4,619,458	266,332	4,399,863	9,285,653	11,340,444
Total net assets	3,255,254	4,619,458	266,332	4,399,863	12,540,907	14,593,463
Total liabilities and net assets	\$ 4,318,647	\$ 4,620,858	\$ 266,332	\$ 6,746,801	\$ 15,952,638	\$ 18,240,192

See Notes to the Financial Statements.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Activities and Changes in Net Assets
Year Ended December 31, 2020 with Summarized Financial Information for the Year Ended 2019**

	<u>Support and Revenue</u>					2019
	2020					
	Without Donor Restrictions	With Donor Restrictions				
General Fund	LIFT	Neighborhood Reinvestment	RLF	Total	Total	
Contributions	\$ 352,560	\$ -	\$ -	\$ -	\$ 352,560	\$ 598,093
Contributions in-kind	-	-	-	-	-	9,320
Neighborhood Reinvestment Corporation						
Expendable grants	565,039	-	-	-	565,039	457,000
LIFT grant	-	-	-	-	-	4,682,200
Other grants	79,123	-	-	187,968	267,091	-
Interest on loans and released funds	206,501	-	-	-	206,501	171,184
Interest income	1,865	-	-	116	1,981	2,849
Loan, housing counseling and workshop fees	328,112	-	-	-	328,112	339,491
Rental income	150,692	-	-	-	150,692	145,601
Other income	377,040	-	-	75	377,115	318
Gain (loss) on sale of real estate held for sale	-	-	-	(30,414)	(30,414)	12,563
NW LIFT grant earned	284,694	-	-	-	284,694	558,822
	<u>\$ 2,345,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,745</u>	<u>\$ 2,503,371</u>	<u>\$ 6,977,441</u>
Total support and revenue						

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Activities and Changes in Net Assets
Year Ended December 31, 2020 with Summarized Financial Information for the Year Ended 2019**

	<u>Expenses</u>				<u>2020</u>		<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total</u>		<u>Total</u>
	<u>General Fund</u>	<u>LIFT</u>	<u>Neighborhood Reinvestment</u>	<u>RLF</u>	<u>Total</u>		<u>Total</u>
Program services							
Home ownership services	\$ 3,192,387	\$ -	\$ -	\$ -	\$ 3,192,387	\$ 2,517,487	\$ 2,517,487
Real estate development	668,406	-	-	-	668,406	708,180	708,180
Community building	461,749	-	-	-	461,749	460,888	460,888
Total program services	<u>4,322,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,322,542</u>	<u>3,686,555</u>	<u>3,686,555</u>
Support services							
Fundraising and general	120,850	-	-	-	120,850	214,529	214,529
Leasing activities	112,535	-	-	-	112,535	105,844	105,844
Total expenses	<u>4,555,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,555,927</u>	<u>4,006,928</u>	<u>4,006,928</u>
Change in net assets	(2,210,301)	-	-	157,745	(2,052,556)	2,970,513	2,970,513
Net assets with donor restrictions released from restrictions	2,212,536	(1,783,809)	(266,331)	(162,396)	-	-	-
Net assets, beginning of year	<u>3,253,019</u>	<u>6,403,267</u>	<u>532,663</u>	<u>4,404,514</u>	<u>14,593,463</u>	<u>11,622,950</u>	<u>11,622,950</u>
Net assets, end of year	<u>\$ 3,255,254</u>	<u>\$ 4,619,458</u>	<u>\$ 266,332</u>	<u>\$ 4,399,863</u>	<u>\$ 12,540,907</u>	<u>\$ 14,593,463</u>	<u>\$ 14,593,463</u>

See Notes to the Financial Statements.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Functional Expenses
Year Ended December 31, 2020 with Summarized Financial Information for the Year Ended 2019**

	Program Services				Support Services			Other	Total		
	Home	Real Estate Development	Community Building	Total Program Services	Fundraising	General	Indirect	Total Support Services	Leasing Activities	2020	2019
	Ownership Services										
Audit & Tax Preparation	\$ 33,548	\$ 12,397	\$ 6,970	\$ 52,915	\$ -	\$ 1,704	\$ 9,231	\$ 10,935	\$ 210	\$ 64,060	\$ 46,050
Bad Debt	57,538	-	-	57,538	-	-	-	-	-	57,538	2,819
Bank Fee	16,202	-	-	16,202	-	5,871	-	5,871	-	22,073	18,769
Communications	12,086	5,002	3,752	20,840	755	-	4,578	5,333	102	26,275	22,410
Credit Report	6,853	2,140	-	8,993	-	-	-	-	-	8,993	9,507
Depreciation and Amortization	23,075	11,722	7,390	42,187	1,529	-	11,001	12,530	24,653	79,370	94,731
Dues & Subs.	8,075	3,853	197	12,125	2,232	-	902	3,134	29	15,288	19,411
FM Customer Coupons	-	-	10,094	10,094	-	-	-	-	-	10,094	10,002
FM Day Worker	-	-	390	390	-	-	-	-	-	390	10,929
FM EBT	-	-	23,639	23,639	-	-	-	-	-	23,639	16,788
FM Mktg Printing Signage	-	-	3,339	3,339	-	-	-	-	-	3,339	8,099
FM Music/Band	-	-	-	-	-	-	-	-	-	-	3,800
FM Park Activities	-	-	244	244	-	-	-	-	-	244	1,684
FM Permits	-	-	5,284	5,284	-	-	-	-	-	5,284	6,649
FM Program Manager	-	-	-	-	-	-	-	-	-	-	4,392
FM Project Supplies	-	-	8,530	8,530	-	-	-	-	-	8,530	5,576
FM Travel & Training	-	-	-	-	-	-	-	-	-	-	390
Fundraising Expenses	-	-	-	-	-	-	-	-	-	-	28,800
HomeOwnership Services	32,828	-	-	32,828	-	-	-	-	-	32,828	62,158
Interest Expenses	15,822	-	-	15,822	-	-	-	-	-	15,822	-
Legal Services	194	97	83	374	8	10,255	104	10,367	2	10,743	33,672
LIFT Loan Forgivable Exp	1,783,776	-	-	1,783,776	-	-	-	-	-	1,783,776	1,122,167
Mailing Expenses	1,768	1,040	436	3,244	106	-	596	702	13	3,959	5,535
Marketing & Promotional Exp	9	500	1,882	2,391	-	-	1,067	1,067	-	3,458	7,075
Meeting Exp	1,603	1,260	3,555	6,418	133	-	400	533	8	6,959	14,536
Mileage, Parking and Travel	25	13,966	400	14,391	258	-	11	269	-	14,660	29,914
Miscellaneous	38	88	57	183	14	416	66	496	2	681	3,295
Neighborhood Improvement	25	398	5,143	5,566	-	-	-	-	-	5,566	14,759
Office Insurance	9,811	4,961	3,315	18,087	757	-	4,479	5,236	1,716	25,039	22,169
Office Supplies	21,954	3,258	3,689	28,901	739	-	2,946	3,685	230	32,816	19,860
Other Employee Benefits	64,032	27,339	17,548	108,919	5,332	-	22,726	28,058	538	137,515	67,554
Payroll Taxes and Benefits	46,190	26,461	15,810	88,461	4,181	-	36,873	41,054	792	130,307	135,005
Printing Expenses	945	817	875	2,637	61	-	384	445	8	3,090	1,976
Professional Services	2,060	1,475	-	3,535	1,900	-	650	2,550	-	6,085	19,500
Property Development	47,425	-	-	47,425	-	-	-	-	-	47,425	150,100
Rent	14,736	7,760	5,281	27,777	1,257	-	6,623	7,880	26,355	62,012	49,662
Repairs	991	4,134	687	5,812	99	-	365	464	6,945	13,221	32,126
Retirement Plan Contributions	16,823	9,704	5,502	32,029	1,524	-	13,663	15,187	295	47,511	32,521
Salaries	599,321	342,576	198,683	1,140,580	54,111	-	478,729	532,840	10,287	1,683,707	1,673,026
Service Contract	41,270	15,447	16,771	73,488	2,354	-	13,402	15,756	15,584	104,828	75,854
Special Events	-	-	-	-	-	-	-	-	-	-	10,251
Training	2,737	4,483	1,492	8,712	21	84	188	293	2	9,007	62,244
Utilities	11,948	6,071	3,972	21,991	942	-	5,491	6,433	21,371	49,795	51,163
Total direct expenses	2,873,708	506,949	355,010	3,735,667	78,313	18,330	614,475	711,118	109,142	4,555,927	4,006,928
Indirect expenses	318,679	161,457	106,739	586,875	24,207	-	(614,475)	(590,268)	3,393	-	-
Total expenses	\$ 3,192,387	\$ 668,406	\$ 461,749	\$ 4,322,542	\$ 102,520	\$ 18,330	\$ -	\$ 120,850	\$ 112,535	\$ 4,555,927	\$ 4,006,928

See Notes to the Financial Statements.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Statements of Cash Flows
Year Ended December 31, 2020 with Summarized Financial
Information for the Year Ended 2019**

	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ (2,052,556)	\$ 2,970,513
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	79,109	94,470
Amortization	261	261
Gain (loss) on sale of real estate held for sale	(30,414)	12,563
Changes in		
Interest receivable	(21,850)	3,210
Accounts receivable	(32,532)	651,183
Prepaid expenses and deposits	(12,369)	(6,935)
Interest receivable, less current portion	18,755	(23,689)
Loans receivable	2,157,287	(2,431,398)
Accounts payable	111,921	(4,329)
Accrued expenses	(18,084)	(17,788)
Taxes and insurance escrow	(448)	(240)
Deferred revenue	200,120	39,897
Net cash provided by operating activities	399,200	1,287,718
Cash flows from investing activities		
Proceeds from sale of real estate held for sale	524,341	345,774
Expenditures in real estate held for sale	(456,055)	(163,905)
Expenditures on property and equipment	(49,328)	(43,542)
Net cash provided by investing activities	18,958	138,327
Cash flows from financing activities		
Payments on long-term debt	(528,768)	(51,450)
Borrowings on long-term debt	-	12,000
Net cash used in financing activities	(528,768)	(39,450)
Net increase (decrease) in cash, cash equivalents and restricted cash	(110,610)	1,386,595
Cash, cash equivalents and restricted cash, beginning of year	5,637,296	4,250,701
Cash, cash equivalents and restricted cash, end of year	\$ 5,526,686	\$ 5,637,296
Supplemental cash flow information		
Cash paid for interest	\$ 39,302	\$ 40,620

See Notes to the Financial Statements.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Note 1 - Organization and nature of operations

Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region (the "Organization") is a 501(c)(3) not-for-profit Organization which was incorporated in 1986 under the laws of the State of California. Its purpose is to improve and restore neighborhoods district-wide, primarily for the benefit of the neighborhood residents. This is achieved by promoting reinvestment, restoring confidence and emphasizing pride through the efforts of neighborhood residents acting in concert with financial institutions, local government, insurance companies, the business community, and others.

Program services

The following is a description of the Organization's programs:

Home Ownership Services - To bring new home ownership opportunities to households of moderate means by supporting privately funded first mortgages with subsidized second mortgages. The Home Ownership Center provides homeowner education classes, flexible loan products, financial education and loss mitigation counseling and other loan services.

Real Estate Development - To develop single family homes through acquisition-rehabilitation, new construction and mutual self-help. These homes are then sold to low- and moderate-income homebuyers as a primary residence which will allow them to build assets and stability for themselves and the neighborhood.

Community Building - To provide countless opportunities for partnership and program development. These various activities keep the Organization and its partners engaged through community mobilization and revitalization events and programs such as Paint the Town, Farmers Market National NeighborWorks Week and, most recently, Resident Leadership Development services.

Note 2 - Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- *Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Comparative financial statements

The accompanying 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 US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with US GAAP 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk

The Organization grants credit to its customers, substantially all of whom are low- to moderate-income residents and governmental agencies located in the greater Sacramento area. Management believes that its loan underwriting, billing, and collection policies are adequate to minimize potential credit risk.

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, nor does the Organization believe it is exposed to any significant credit risk on cash and cash equivalents.

The Organization received approximately 46% and 78% of its revenue and support from three grantors during the years ended December 31, 2020 and 2019, respectively. In addition, the Organization's loan operations are focused in the greater Sacramento area.

Cash and cash equivalents

The Organization considers all short-term deposits with an original maturity of three months or less to be cash equivalents.

Restricted cash

A portion of cash balances maintained in the with donor restrictions funds may be used to pay for operating expenses with permission from the granting agency. The cash received on loan repayments are without restrictions but has been designated by management to remain in the revolving loan fund or be loaned to new borrowers. Interest and investment income earned on the Neighborhood Reinvestment Corporation fund balance may be used for general operations of the Organization.

Accounts and loans receivable

Accounts and loans receivable are presented in the statements of financial position net of the allowance for doubtful accounts. Accounts and loans receivable are written off when they are determined to be uncollectible. The allowance for doubtful accounts is calculated based on management's estimate of uncollectible accounts. The allowance for doubtful accounts for the years ended December 31, 2020 and 2019 consists of the following balances:

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Allowance for doubtful accounts receivable	\$ 2,500	\$ 2,500
Allowance for doubtful loans receivable	142,950	85,412

Real estate held for sale

The Organization owns real properties with the goal of rehabilitating and reselling them to neighborhood residents. Real estate held for sale is presented in the statement of financial position at the lower of cost or fair market value. No allowance was considered necessary based on management's evaluation of the current market rate for the years ended December 31, 2020 and 2019.

Property and equipment

Property and equipment are stated at cost or, if donated, at fair market value as of the date of donation and depreciated using the straight-line method over estimated useful lives of 5 to 40 years. The Organization capitalizes all expenditures of property and equipment in excess of \$1,000.

Impairment of long-lived assets

The Organization reviews its loans receivable, real estate held for sale and its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the asset are less than its carrying amount, management compares the carrying amount of the asset to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2020 and 2019.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Interest income on loans

Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discounted as a matter of practice in the opinion of management and review and recommendation by the Loan and Finance Committee. If there is an indication that the borrower may be unable to meet the payments as they become due, then all unpaid accrued interest is written off. As of December 31, 2020 and 2019, no allowance was considered necessary for interest receivable.

Contributions in-kind

During the years ended December 31, 2020 and 2019, the value of donated materials and equipment meeting the requirements for recognition in the financial statements amounted to \$0 and \$9,320, respectively.

The Organization has chosen not to recognize donated services in the accompanying financial statements since no objective basis is available to measure the value of these services. A number of volunteers have donated significant amounts of time to the Organization's program services.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Marketing and promotion

The Organization expenses marketing and promotion costs as they are incurred. Marketing and promotion expenses for the years ended December 31, 2020 and 2019 amounted to \$3,458 and \$7,075, respectively, and are included in the statements of functional expenses.

Income taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2020 and 2019. Due to its tax exempt status, the Organization is not subject to income taxes. The Organization is required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the organization has no other tax positions which must be considered for disclosure. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Uncertain tax positions

Accounting guidance issued by the Financial Accounting Standards Board ("FASB") prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Organization did not have unrecognized tax benefits as of December 31, 2020 and does not expect this to change significantly over the next twelve months. The Organization will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2020, the Organization has not accrued interest or penalties related to uncertain tax positions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and support services based on a time study performed by management.

Revenue recognition

Revenue primarily consist of contributions, grants, interest income, program fees, rental income and gain (loss) on sale of real estate held for sale.

Program fees and gain (loss) on sale of real estate held for sale are accounted for as contracts with customers. Under the guidance for contracts with customers, an entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligations. In determining the transaction price, an entity may include variable considerations only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$910,000 that have not been recognized at December 31, 2020 because qualifying expenditures have not yet been incurred, with an advance payment of \$232,969 recognized in the statement of financial position as deferred revenue.

Note 3 - Loans receivable

Loans are granted to low- and moderate-income residents for the purchase of new homes and rehabilitation of existing homes. These loans are approved by a vote of the loan committee and are made in accordance with grant restrictions.

Loans receivable are stated at unpaid principal balances reduced by the allowance for uncollectible amounts. All loans are collateralized by deeds of trust on single-family residences.

As of December 31, 2020, loans receivable are summarized as follows:

	<u>Neighborhood Reinvestment</u>	<u>LIFT / RLF</u>	<u>Total</u>
Total loans receivable			
Current portion	\$ 24,786	\$ 33,610	\$ 58,396
Long-term, net of allowance of \$142,950	<u>202,544</u>	<u>6,558,823</u>	<u>6,761,367</u>
Total loans receivable	<u>\$ 227,330</u>	<u>\$ 6,592,433</u>	<u>\$ 6,819,763</u>

As of December 31, 2019, loans receivable are summarized as follows:

	<u>Neighborhood Reinvestment</u>	<u>LIFT / RLF</u>	<u>Total</u>
Total loans receivable			
Current portion	\$ 17,956	\$ 63,120	\$ 81,076
Long-term, net of allowance of \$85,412	<u>388,556</u>	<u>8,507,418</u>	<u>8,895,974</u>
Total loans receivable	<u>\$ 406,512</u>	<u>\$ 8,570,538</u>	<u>\$ 8,977,050</u>

The original funding source of these loans was from capital previously provided by Sacramento Housing Redevelopment Agency, Neighborhood Reinvestment Corporation, and California Department of Housing and Community Development. Loan terms range from five to thirty years with interest rates ranging from 3% to 7%.

In the event of unforeseen hardships, terms on all loans receivable are subject to change upon review by management and presentation for recommendation and approval by the Loan and Finance Committee.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Included in loans receivable are 81 deferred payment loans totaling \$2,128,670 as of December 31, 2020 and 97 deferred payment loans totaling \$2,483,924 as of December 31, 2019, all of which bear interest at rates ranging from 0% to 3%. Interest receivable from these deferred loans amounted to \$428,055 and \$446,810 as of December 31, 2020 and 2019, respectively.

Management periodically evaluates the adequacy of the allowance for doubtful accounts based on the Organization's past loan loss experience, known and inherent risks in the portfolio, the estimated value of the underlying collateral and certain other factors. The allowances of \$142,950 and \$85,412, as of December 31, 2020 and 2019, respectively, serve as the loan loss reserve and is seen as a prudent measure based on historical risk.

	Without Donor Restrictions	Neighborhood Reinvestment Funds	Other Funds	Total
Total loans receivable:	None	27 loans	524 loans	551 loans
<u>Loan Delinquency Status</u>				
Current	None	19 loans	524 loans	543 loans
30-59 days	None	0 loans	None	0 loans
60-89 days	None	1 loans	None	1 loans
Over 90 days	None	7 loans	None	7 loans

Note 4 - Real estate held for sale

Real estate held for sale purposes is stated at cost or at the estimated fair value at the date of gift, if donated, and consists of the following at December 31, 2020 and 2019:

	2020	2019
6281 Prentis Ct	\$ 23,325	\$ 21,719
Esparto Properties	2,964	2,964
Winters Properties	108,237	1,483
Arbuckle Mkt Rate	943,386	42,540
Arbuckle Properties 2	427,048	682,166
Arbuckle Properties 1	-	791,961
	\$ 1,504,960	\$ 1,542,833

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Note 5 - Property and equipment

Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	1,687,496	\$ 1,666,057
Office furniture and equipment	<u>518,689</u>	<u>490,800</u>
	2,206,185	2,156,857
Less accumulated depreciation	<u>(855,379)</u>	<u>(776,270)</u>
Property and equipment, net	<u>\$ 1,350,806</u>	<u>\$ 1,380,587</u>

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$79,109 and \$94,470, respectively.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

Note 6 - Long-term debt

Long-term debt consists of the following at December 31, 2020 and 2019:

	2020	2019
Note payable to Union Bank, secured by building, monthly principal and interest payments of \$5,672, due October 2033. 4.70%.	\$ 820,508	\$ 849,276
Note payable to Housing Assistance Council, due March 2021. 0%. Amount is unsecured. The note was extended to March 2022.	50,000	50,000
Note payable to Tri-Counties Bank, due February 2020. 0.00%. The note was paid in full in February 2020.	-	500,000
Note payable to Mechanics Bank, due May 2020. 2.5%. Amount is unsecured. The note has two options of 5-year extension each to extend the maturity date to May 2025 and then to May 2030. The Organization exercised its option to extend the maturity of the loan to May 2025.	1,000,000	1,000,000
Note payable to TriCounties, due April 2021. 0%. Amount is unsecured. The note has two options of 5-year extension each to extend the maturity date to January 2025 and then to January 2030. The Organization intends to exercise its option to extend the maturity of the loan to January 2025.	1,000,000	1,000,000
Subtotal	2,870,508	3,399,276
Less current portion	(1,080,147)	(1,578,769)
Less debt issuance costs	(718)	(979)
Long-term debt, net	\$ 1,789,643	\$ 1,819,528

**Sacramento Neighborhood Housing Services, Inc.
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**Notes to the Financial Statements
December 31, 2020 and 2019**

Future annual maturities of long-term debt over each of the next five years and thereafter subsequent to December 31, 2020 are as follows:

2021	\$ 1,080,147
2022	31,549
2023	33,096
2024	34,685
2025	1,036,351
Thereafter	<u>654,680</u>
Total balance due	<u>\$ 2,870,508</u>

For the years ended December 31, 2020 and 2019, interest expense was \$55,124, and \$40,620, respectively.

The liability of the Organization under the notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the Lender.

The Organization was granted a \$375,844 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized the entire amount as other income for the year ended December 31, 2020.

Note 7 - Net assets with donor restrictions

As of December 31, 2020, the Organization has received \$16,647,500 of total contributions from a commercial bank, of which \$15,478,000 is with donor restriction for use in a down payment assistance program (NW LIFT and Home LIFT) to be administered by the Organization. NW LIFT and Home LIFT provide five-year loans that are forgiven at a rate of 20% annually until 100% is forgiven at the end of the five-year term. As of December 31, 2020, the Organization has \$3,000 in NW LIFT loans and \$357,000 in Home LIFT loans outstanding. The annual forgiveness of donor restrictions NW LIFT and Home LIFT funds recognized for the years ended December 31, 2020 and 2019 was \$1,783,776 and \$1,122,167, respectively.

The Neighborhood Reinvestment Corporation Revolving Loan Fund and Capital Projects Funds, which grant home ownership and improvement loans, require that a certain corpus of the fund be maintained, but allow interest and investment income to remain net assets without donor restriction. The following amounts were net assets with donor restrictions for future use for the years ended December 31, 2020 and 2019:

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

	2020	2019
LIFT	\$ 4,619,458	\$ 6,403,267
Neighborhood Reinvestment Corporation	266,332	532,663
RLF	4,399,863	4,404,514
Total	\$ 9,285,653	\$ 11,340,444

Note 8 - Pension plan

Effective January 1, 1994, the Organization adopted a simplified employee pension plan, which covers substantially all of its employees. The plan covers full time and part time employees with at least one year of service who desire to participate. Employer contributions to the plan are calculated at up to 6% match of eligible employee's gross salary. Total pension expense for the years ended December 31, 2020 and 2019 amounted to \$47,511 and \$32,521, respectively.

Note 9 - Operating lease revenue

The Organization leases certain areas of its office building to unrelated third parties under agreements which generally provide for a non-cancelable term followed by an option to renew for subsequent terms.

Future minimum lease payments to be received under existing leases are as follows:

2021	160,178
2022	79,371
2023	83,340

Note 10 - Availability and liquidity

The following represents the Organization's financial assets at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 5,526,686	\$ 5,637,296
Receivables, net	302,923	309,905
Total current financial assets	5,829,609	5,947,201
Less amounts not available to be used within one year		
Net assets with donor restrictions	2,939,609	3,019,970
Financial assets available to meet general expenditures over the next twelve months	\$ 2,890,000	\$ 2,927,231

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to the Financial Statements
December 31, 2020 and 2019**

The Organization's financial assets are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit, or used as part of income generating programs.

Note 11 - Contingencies

Various federal, state and local agencies have the authority to audit the books and records of the Organization as they pertain to grants and contracts they have awarded. As a result of these audits, some grant or contract costs could be disallowed which would create liability to the Organization. Additionally, all government grants are subject to annual renewal or reduction depending on available revenue from their budgets. Management does not believe there are any costs which would be disallowed as of and for the year ended December 31, 2020.

In the ordinary course of business, the Organization is involved in various pending claims and litigation. While the outcome of these matters is not presently determinable, in the opinion of management, these matters are not expected to have a material effect on the financial position or activities of the Organization.

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state, and local authorities leading to an overall decline in economic activity. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. As of December 31, 2020, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.

Note 12 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the statement of financial position. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region through March 29, 2021, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Grantor/ (Pass-through Grantor)/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures	Pass-through to Subrecipients Amount
U.S. Department of Agriculture				
Rural Self-Help Housing Technical Assistance	10.420		\$ 171,679	-
Speciality Crop Block Grant Program - Farm Bill	10.170		36,503	-
Very Low to Moderate Income Housing Loans	10.410		<u>9,692</u>	<u>-</u>
Subtotal U.S. Department of Agriculture			<u>217,874</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Housing Counseling Assistance Program	14.169		5,944	-
Community Development Block Grant	14.228		4,944	-
Home Investment Partnership Program	14.239		92	-
Section 4 Capacity Building for Community Development and Affordable Housing	14.252		<u>4,564</u>	<u>-</u>
Subtotal U.S. Department of Housing and Urban Development			<u>15,544</u>	<u>-</u>
Congressional Appropriation				
Passed through NeighborWorks America		99-95-557	<u>729,042</u> *	<u>-</u>
Total Federal Expenditures			<u>\$ 962,460</u>	<u>-</u>

* Tested as a major program

See Notes to Schedule of Expenditures of Federal Awards.

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region ("SNHS") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, 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 SNHS, the amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region.

Note 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 costs principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Relationship to financial statements

The amounts reported in the Schedule agree, in all material respects, to amounts reported within the financial statements. Federal grant expenses are reported principally in the Organization's financial statements as grant revenue.

Note 4 - Pass-through entities' identifying number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

Note 5 - Indirect cost rate

The Organization did not elect to use the 10% de minimis indirect cost rate as covered in 2 CFR §200.414. Uniform Guidance, §200.510(6), requires the Organization to disclose whether or not it elected to use the 10 percent de minimis cost rate that §200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate. The Organization has an approved indirect cost rate agreement in place with the United States Department of Interior.

Independent Auditor's 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*

To the Board of Directors
Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center
Sacramento Region

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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region's financial statements are free of 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.



Sacramento, California
March 29, 2021

Independent Auditor's Report on Compliance for the Major Federal Program and
on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Sacramento Neighborhood Housing Services, Inc.
dba Neighborworks Homeownership Center Sacramento Region

Report on Compliance for the Major Federal Program

We have audited Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's major federal program for the year ended December 31, 2020. Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's compliance.

Opinion on the Major Federal Program

In our opinion, Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Sacramento, California
March 29, 2021

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Schedule of Findings and Questioned Costs
December 31, 2020**

A. Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? Yes X None reported

3. Noncompliance material to financial statements noted? Yes X No

Federal Awards

4. Internal control over major federal programs:
 - a. Material weakness(es) identified? Yes X No
 - b. Significant deficiency(ies) identified? Yes X None reported

5. Type of auditor's report issued on compliance for major federal programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes X No

7. Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
99-95-557	Congressional Appropriation Passed through NeighborWorks America

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. Auditee qualified as low-risk auditee X Yes No

**Sacramento Neighborhood Housing Services, Inc.
dba NeighborWorks Homeownership Center Sacramento Region**

**Schedule of Findings and Questioned Costs
December 31, 2020**

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None



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