

**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, 2021 and 2020

**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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements 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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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 audits.

Report on Summarized Comparative Information

We have previously audited Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 audits 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 May 28, 2022 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.

CohnReznick LLP

Sacramento, California
May 28, 2022

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

**Statements of Financial Position
December 31, 2021 with Summarized Financial Information for 2020**

	<u>Assets</u>					
	2021				2020	
	Without Donor Restrictions	With Donor Restrictions				
	General Fund	LIFT	Neighborhood Reinvestment	RLF	Total	Total
Current assets						
Cash and cash equivalents	\$ 2,703,851	\$ 630,889	\$ -	\$ 1,884,057	\$ 5,218,797	\$ 5,526,686
Receivables						
Grants and donations, net	47,515	-	-	170,000	217,515	244,527
Current portion of interest receivable	-	-	-	30,777	30,777	38,684
Current portion of loan receivable	-	-	-	62,597	62,597	58,396
Prepaid expenses and deposits	22,375	5,000	-	-	27,375	39,157
Total current assets	2,773,741	635,889	-	2,147,431	5,557,061	5,907,450
Noncurrent assets						
Real estate held for sale	-	-	-	1,156,704	1,156,704	1,504,960
Interest receivable, less current portion	-	-	-	399,554	399,554	428,055
Loans receivable, less current portion, net	-	2,712,000	-	2,055,331	4,767,331	6,761,367
Property and equipment, net	1,301,082	-	-	-	1,301,082	1,350,806
Total noncurrent assets	1,301,082	2,712,000	-	3,611,589	7,624,671	10,045,188
Total assets	\$ 4,074,823	\$ 3,347,889	\$ -	\$ 5,759,020	\$ 13,181,732	\$ 15,952,638

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

**Statements of Financial Position
December 31, 2021 with Summarized Financial Information for 2020**

	<u>Liabilities and Net Assets</u>					2020
	2021				Total	
	Without Donor Restrictions	With Donor Restrictions				
General Fund	LIFT	Neighborhood Reinvestment	RLF	Total	Total	
Current liabilities						
Accounts payable	\$ 34,735	\$ -	\$ -	\$ 71,824	\$ 106,559	\$ 159,854
Accrued expenses	34,924	-	-	63,859	98,783	127,558
Taxes and insurance escrow	-	-	-	3,495	3,495	3,882
Security deposits	10,628	-	-	-	10,628	10,628
Deferred revenue	296,476	-	-	167,032	463,508	240,019
Current portion of long-term debt	31,594	-	-	30,000	61,594	1,080,147
Total current liabilities	408,357	-	-	336,210	744,567	1,622,088
Noncurrent liabilities						
Long-term debt, net of current portion	758,308	-	-	1,000,000	1,758,308	1,789,643
Total liabilities	1,166,665	-	-	1,336,210	2,502,875	3,411,731
Commitments and Contingencies						
Net assets						
Without donor restrictions	2,908,158	-	-	-	2,908,158	3,255,254
With donor restrictions	-	3,347,889	-	4,422,810	7,770,699	9,285,653
Total net assets	2,908,158	3,347,889	-	4,422,810	10,678,857	12,540,907
Total liabilities and net assets	\$ 4,074,823	\$ 3,347,889	\$ -	\$ 5,759,020	\$ 13,181,732	\$ 15,952,638

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, 2021 with Summarized Financial Information for the Year Ended 2020**

	<u>Support and Revenue</u>					<u>2020</u>
	<u>2021</u>					
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total</u>	
<u>General Fund</u>	<u>LIFT</u>	<u>Neighborhood Reinvestment</u>	<u>RLF</u>	<u>Total</u>	<u>Total</u>	
Contributions	\$ 192,849	\$ -	\$ -	\$ -	\$ 192,849	\$ 352,560
Neighborhood Reinvestment Corporation						
Expendable grants	488,000	-	-	-	488,000	565,039
Other grants	18,529	-	-	-	18,529	267,091
Interest on loans and released funds	139,607	-	-	-	139,607	206,501
Interest income	439	-	-	125	564	1,981
Loan, housing counseling and workshop fees	413,988	-	-	-	413,988	328,112
Rental income	153,587	-	-	-	153,587	150,692
Other income	550,910	-	-	417	551,327	377,115
Gain (loss) on sale of real estate held for sale	-	-	-	181,970	181,970	(30,414)
NW LIFT grant earned	351,926	-	-	-	351,926	284,694
Total support and revenue	\$ 2,309,835	\$ -	\$ -	\$ 182,512	\$ 2,492,347	\$ 2,503,371

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

**Statements of Activities and Changes in Net Assets
Year Ended December 31, 2021 with Summarized Financial Information for the Year Ended 2020**

	<u>Expenses</u>				<u>2021</u>		<u>2020</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>			
Program services							
Home ownership services	\$ 2,763,711	\$ -	\$ -	\$ -	\$ 2,763,711	\$ 3,192,387	
Real estate development	675,116	-	-	-	675,116	668,406	
Community building	502,087	-	-	-	502,087	461,749	
Total program services	<u>3,940,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,940,914</u>	<u>4,322,542</u>	
Support services							
Fundraising and general	263,075	-	-	-	263,075	120,850	
Leasing activities	150,408	-	-	-	150,408	112,535	
Total expenses	<u>4,354,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,354,397</u>	<u>4,555,927</u>	
Change in net assets	(2,044,562)	-	-	182,512	(1,862,050)	(2,052,556)	
Net assets with donor restrictions released from restrictions	1,697,466	(1,271,569)	(266,332)	(159,565)	-	-	
Net assets, beginning 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>	
Net assets, end of year	<u>\$ 2,908,158</u>	<u>\$ 3,347,889</u>	<u>\$ -</u>	<u>\$ 4,422,810</u>	<u>\$ 10,678,857</u>	<u>\$ 12,540,907</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, 2021 with Summarized Financial Information for the Year Ended 2020**

	Program Services				Support Services			Other	Total		
	Home Ownership Services	Real Estate Development	Community Building	Total Program Services	Fundraising	General	Indirect	Total Support Services	Leasing Activities	2021	2020
Audit & Tax Preparation	\$ 27,578	\$ 12,580	\$ 6,189	\$ 46,347	\$ 1,668	\$ -	\$ 11,373	\$ 13,041	\$ 243	\$ 59,631	\$ 64,060
Bad Debt	(96,761)	-	-	(96,761)	-	-	-	-	-	(96,761)	57,538
Bank Fee	13,118	-	-	13,118	85	9,295	-	9,380	-	22,498	22,073
Communications	13,874	4,952	3,442	22,268	538	-	4,787	5,325	145	27,738	26,275
Credit Report	6,984	2,497	-	9,481	-	-	-	-	-	9,481	8,993
Depreciation and Amortization	21,142	9,313	6,639	37,094	1,714	-	9,436	11,150	23,037	71,281	79,370
Dues & Subs.	6,536	6,651	1,090	14,277	2,111	7,203	1,578	10,892	48	25,217	15,288
FM Customer Coupons	40	-	12,574	12,614	-	-	-	-	-	12,614	10,094
FM Day Worker	-	-	-	-	-	-	-	-	-	-	390
FM EBT	-	-	30,827	30,827	-	-	-	-	-	30,827	23,639
FM Mktg Printing Signage	-	-	6,625	6,625	-	-	-	-	-	6,625	3,339
FM Music/Band	-	-	1,000	1,000	-	-	-	-	-	1,000	-
FM Park Activities	-	-	-	-	-	-	-	-	-	-	244
FM Permits	-	-	5,967	5,967	-	-	-	-	-	5,967	5,284
FM Project Supplies	-	-	13,617	13,617	-	-	-	-	-	13,617	8,530
Fundraising Expenses	-	-	-	-	2,941	-	-	2,941	-	2,941	-
HomeOwnership Services	37,868	-	-	37,868	-	-	-	-	-	37,868	32,828
Interest Expenses	44,833	-	-	44,833	-	-	-	-	-	44,833	15,822
Legal Services	2,218	-	-	2,218	-	32,324	-	32,324	-	34,542	10,743
LIFT Loan Forgivable Exp	1,273,202	-	-	1,273,202	-	-	-	-	-	1,273,202	1,783,776
Mailing Expenses	1,405	445	300	2,150	33	-	408	441	13	2,604	3,959
Marketing & Promotional Exp	2,697	187	3,931	6,815	-	450	-	450	-	7,265	3,458
Meeting Exp	1,484	192	1,632	3,308	174	9,989	35	10,198	1	13,507	6,959
Mileage, Parking and Travel	89	16,900	687	17,676	4	-	36	40	1	17,717	14,660
Miscellaneous	50	-	-	50	-	279	-	279	-	329	681
Neighborhood Improvement	125	201	21,628	21,954	-	-	-	-	-	21,954	5,566
Office Insurance	13,477	5,158	3,613	22,248	563	-	5,004	5,567	1,914	29,729	25,039
Office Supplies	13,689	5,599	4,848	24,136	2,195	512	3,650	6,357	435	30,928	32,816
Other Employee Benefits	53,149	23,039	12,439	88,627	21,828	45,502	20,315	87,645	835	177,107	137,515
Payroll Taxes and Benefits	57,065	27,849	15,233	100,147	5,142	-	42,118	47,260	1,152	148,559	130,307
Printing Expenses	719	621	234	1,574	58	-	294	352	12	1,938	3,090
Professional Services	9,261	178	182	9,621	633	24,300	36,246	61,179	2	70,802	6,085
Property Development	-	-	-	-	-	-	-	-	-	-	47,425
Rent	13,393	5,539	4,063	22,995	464	-	5,520	5,984	39,409	68,388	62,012
Repairs	2,917	1,243	968	5,128	243	5,026	1,253	6,522	3,137	14,787	13,221
Retirement Plan Contributions	19,355	9,472	5,226	34,053	1,772	-	14,392	16,164	392	50,609	47,511
Salaries	721,593	352,597	194,487	1,268,677	65,354	-	492,032	557,386	14,307	1,840,370	1,683,707
Service Contract	71,148	19,862	25,633	116,643	2,533	-	19,819	22,352	36,785	175,780	104,828
Training	37,140	3,086	1,900	42,126	386	-	428	814	6	42,946	9,007
Utilities	14,586	6,190	4,347	25,123	728	-	6,053	6,781	24,053	55,957	49,795
Total direct expenses	2,383,974	514,351	389,321	3,287,646	111,167	134,880	674,777	920,824	145,927	4,354,397	4,555,927
Indirect expenses	379,737	160,765	112,766	653,268	17,028	-	(674,777)	(657,749)	4,481	-	-
Total expenses	\$ 2,763,711	\$ 675,116	\$ 502,087	\$ 3,940,914	\$ 128,195	\$ 134,880	\$ -	\$ 263,075	\$ 150,408	\$ 4,354,397	\$ 4,555,927

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, 2021 with Summarized Financial
Information for the Year Ended 2020**

	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ (1,862,050)	\$ (2,052,556)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	71,020	79,109
Amortization	261	261
(Gain) loss on sale of real estate held for sale	(181,970)	30,414
Changes in		
Interest receivable	7,907	(21,850)
Accounts receivable	27,012	(32,532)
Prepaid expenses and deposits	11,782	(12,369)
Interest receivable, less current portion	28,501	18,755
Loans receivable	1,989,835	2,157,287
Accounts payable	(53,293)	111,921
Accrued expenses	(28,775)	(18,084)
Taxes and insurance escrow	(387)	(448)
Deferred revenue	223,489	200,120
Net cash provided by operating activities	233,332	460,028
Cash flows from investing activities		
Proceeds from sale of real estate held for sale	3,254,004	463,513
Expenditures in real estate held for sale	(2,723,779)	(456,055)
Purchase of property and equipment	(21,297)	(49,328)
Net cash provided by (used in) investing activities	508,928	(41,870)
Cash flows from financing activities		
Payments on long-term debt	(1,050,149)	(528,768)
Net cash used in financing activities	(1,050,149)	(528,768)
Net decrease in cash, cash equivalents and restricted cash	(307,889)	(110,610)
Cash, cash equivalents and restricted cash, beginning of year	5,526,686	5,637,296
Cash, cash equivalents and restricted cash, end of year	\$ 5,218,797	\$ 5,526,686
Supplemental cash flow information		
Cash paid for interest	\$ 62,920	\$ 39,302
Significant noncash investing and financing activity		
Disposition of fully depreciated property and equipment	\$ 64,712	

See Notes to the Financial Statements.

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

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, 2021 and 2020**

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, 2020, 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 10% and 46% of its revenue and support from three grantors during the years ended December 31, 2021 and 2020, 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, 2021 and 2020 consists of the following balances:

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Allowance for doubtful accounts receivable	\$ 2,500	\$ 2,500
Allowance for doubtful loans receivable	46,189	142,950

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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020, no allowance was considered necessary for interest receivable.

Contributions in-kind

Volunteers contribute significant amounts of time to the Organization's program services, however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Marketing and promotion

The Organization expenses marketing and promotion costs as they are incurred. Marketing and promotion expenses for the years ended December 31, 2021 and 2020 amounted to \$7,265 and \$3,458, respectively, and are included in the statements of functional expenses.

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

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, 2021 and 2020. 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, 2021 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, 2021, 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.

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

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

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 \$179,038 that have not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of \$463,508 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, 2021, loans receivable are summarized as follows:

	<u>Neighborhood Reinvestment</u>	<u>LIFT / RLF</u>	<u>Total</u>
Total loans receivable			
Current portion	\$ -	\$ 62,597	\$ 62,597
Long-term, net of allowance of \$46,189	-	4,767,331	4,767,331
	<u>\$ -</u>	<u>\$ 4,829,928</u>	<u>\$ 4,829,928</u>

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	202,544	6,558,823	6,761,367
	<u>\$ 227,330</u>	<u>\$ 6,592,433</u>	<u>\$ 6,819,763</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.

Included in loans receivable are 63 deferred payment loans totaling \$1,618,394 as of December 31, 2021 and 81 deferred payment loans totaling \$2,128,670 as of December 31, 2020, all of which bear interest at rates ranging from 0% to 3%. Interest receivable from these deferred loans amounted to \$399,554 and \$428,055 as of December 31, 2021 and 2020, respectively.

**Sacramento Neighborhood Housing Services, Inc.
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**Notes to the Financial Statements
December 31, 2021 and 2020**

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 \$46,189 and \$142,950, as of December 31, 2021 and 2020, respectively, serve as the loan loss reserve and is seen as a prudent measure based on historical risk.

	<u>Without Donor Restrictions</u>	<u>Neighborhood Reinvestment Funds</u>	<u>Other Funds</u>	<u>Total</u>
Total loans receivable	None	21 loans	352 loans	373 loans

Loan Delinquency Status

Current	None	11 loans	352 loans	363 loans
30-59 days	None	6 loans	None	6 loans
60-89 days	None	0 loans	None	0 loans
Over 90 days	None	4 loans	None	4 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
6281 Prentis Ct	\$ -	\$ 23,325
Esparto Properties	2,964	2,964
Winters Properties	153,636	108,236
Arbuckle Mkt Rate	945,437	943,387
Arbuckle Properties 2	54,667	427,048
	<u>\$ 1,156,704</u>	<u>\$ 1,504,960</u>

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

Note 5 - Property and equipment

Property and equipment consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	1,690,451	\$ 1,687,496
Office furniture and equipment	<u>474,318</u>	<u>518,689</u>
	2,164,769	2,206,185
Less accumulated depreciation	<u>(863,687)</u>	<u>(855,379)</u>
Property and equipment, net	<u>\$ 1,301,082</u>	<u>\$ 1,350,806</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$71,020 and \$79,109, respectively.

Note 6 - Long-term debt

Long-term debt consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable to Union Bank, secured by building, monthly principal and interest payments of \$5,672, due October 2033. 4.70%.	\$ 790,359	\$ 820,508
Note payable to Housing Assistance Council, due March 2022. 0%. The note was fully paid off subsequent to year-end.	30,000	50,000
Note payable to Mechanics Bank, due May 2025. 2.5%. Amount is unsecured.	1,000,000	1,000,000
Note payable to TriCounties, due April 2021. 0%. Amount is unsecured. The note was fully paid off upon maturity.	<u>-</u>	<u>1,000,000</u>
Subtotal	1,820,359	2,870,508
Less current portion	(61,594)	(1,080,147)
Less debt issuance costs	<u>(457)</u>	<u>(718)</u>
Long-term debt, net	<u>\$ 1,758,308</u>	<u>\$ 1,789,643</u>

**Sacramento Neighborhood Housing Services, Inc.
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**Notes to the Financial Statements
December 31, 2021 and 2020**

Future annual maturities of long-term debt over each of the next five years and thereafter subsequent to December 31, 2021 are as follows:

2022	\$	61,594
2023		33,096
2024		34,685
2025		1,036,351
2026		38,097
Thereafter		616,536
Total balance due		\$ 1,820,359

For the years ended December 31, 2021 and 2020, interest expense was \$82,753, and \$55,124, 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 \$365,438 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 obtained the loan forgiveness from the lender during 2021 and recognized the entire amount as other income during the year ended December 31, 2021.

Note 7 - Net assets with donor restrictions

As of December 31, 2021, 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, 2021, the Organization has \$0 in NW LIFT loans and \$0 in Home LIFT loans outstanding. The annual forgiveness of donor restrictions NW LIFT and Home LIFT funds recognized for the years ended December 31, 2021 and 2020 was \$1,273,202 and \$1,783,776, 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, 2021 and 2020:

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

	2021	2020
LIFT	\$ 3,347,889	\$ 4,619,458
Neighborhood Reinvestment Corporation	-	266,332
RLF	4,422,810	4,399,863
Total	\$ 7,770,699	\$ 9,285,653

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, 2021 and 2020 amounted to \$50,609 and \$47,511, 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:

2022	168,188
2023	176,598
2024	110,479
2025	102,817
2026	107,958

Note 10 - Availability and liquidity

The following represents the Organization's financial assets at December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 5,218,797	\$ 5,526,686
Receivables, net	280,112	302,923
Total current financial assets	5,498,909	5,829,609
Less amounts not available to be used within one year		
Net assets with donor restrictions	2,783,320	2,939,609
Financial assets available to meet general expenditures over the next twelve months	\$ 2,715,589	\$ 2,890,000

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

**Notes to the Financial Statements
December 31, 2021 and 2020**

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, 2021.

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, 2021, 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 May 28, 2022, 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, 2021**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing / Public Law Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed through to Subrecipients
U.S. Department of Agriculture				
Speciality Crop Block Grant Program - Farm Bill	10.170		\$ 50,791	-
Very Low to Moderate Income Housing Loans	10.410		23,864	-
Rural Self-Help Housing Technical Assistance	10.420		<u>286,727</u>	<u>-</u>
Subtotal U.S. Department of Agriculture			<u>361,382</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Housing Counseling Assistance Program	14.169		316	-
Home Investment Partnership Program	14.239		<u>2,433</u>	<u>-</u>
Subtotal U.S. Department of Housing and Urban Development			<u>2,749</u>	<u>-</u>
Congressional Appropriation				
US Department of Treasury, NeighborWorks America	21.116-260	99-95-557	<u>1,103,151</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,467,282</u>	<u>-</u>

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, 2021**

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") under programs of the federal government for the year ended December 31, 2021. 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, it is not intended to and does not present the financial position, changes in net assets or cash flows of SNHS.

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 - 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, 2021, 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 May 28, 2022.

Report on 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 the 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'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 Sacramento Neighborhood Housing Services, Inc. dba NeighborWorks Homeownership Center Sacramento Region'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.



Sacramento, California
May 28, 2022

Independent Auditor's Report on Compliance for the Major Federal Program and
Report on Internal Control over Compliance in Accordance with 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

Opinion on 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 identified as subject to audit 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, 2021. 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.

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, 2021.

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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region 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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region'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 Sacramento Neighborhood Housing Services, Inc. dba Neighborworks Homeownership Center Sacramento Region's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Sacramento, California
May 28, 2022

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

**Schedule of Findings and Questioned Costs
December 31, 2021**

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:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.116-260	US Department of Treasury, 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, 2021**

B. Findings - Financial Statements Audit

None reported.

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

None reported.



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