



On The Move

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

ON THE MOVE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
On the Move

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of On The Move (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 On The Move as of June 30, 2022 and 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of On The Move 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 On The Move's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

Supplementary Information

For the year ended June 30, 2022, our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards 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 February 8, 2023, on our consideration of On The Move'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, as of and for the year ended June 30, 2022. 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 On The Move'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 On The Move's internal control over financial reporting and compliance.

Marcum LLP

San Francisco, California
February 8, 2023

ON THE MOVE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,381,930	\$ 3,674,661
Accounts receivable - public agencies	1,787,358	573,815
Promises to give	414,015	977,824
Due from employees	1,896	2,571
Investments	283,690	749,601
Property and equipment, net of accumulated depreciation	47,411	47,411
Prepaid expenses and other assets	19,528	--
Deposits	3,890	3,890
Total Assets	\$ 3,939,718	\$ 6,029,773
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 162,795	\$ 290,921
Other payroll related liabilities	171,584	247,211
Accrued vacation	276,862	347,429
Due to EFA partner	--	352,891
Refundable grant advances - foundations	14,750	534,385
Refundable grant advances - public agencies	--	211,263
Total Liabilities	625,991	1,984,100
Net Assets		
Without donor restrictions	1,792,497	2,124,249
With donor restrictions	1,521,230	1,921,424
Total Net Assets	3,313,727	4,045,673
Total Liabilities and Net Assets	\$ 3,939,718	\$ 6,029,773

The accompanying notes are an integral part of these financial statements.

ON THE MOVE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public Support			
Public agencies	\$ --	\$ 12,139,566	\$ 12,139,566
Foundation grants	65,072	2,161,059	2,226,131
Corporate and individuals	53,296	230,408	283,704
Contributions of nonfinancial assets	22,425	--	22,425
Revenue			
Fees	53,703	--	53,703
Investment loss, net of fees	(49,171)	--	(49,171)
Satisfaction of program restrictions	14,931,227	(14,931,227)	--
Total Public Support and Revenue	<u>15,076,552</u>	<u>(400,194)</u>	<u>14,676,358</u>
Expenses			
Program Services			
Nuestra Cultura	8,605,273	--	8,605,273
VOICES	1,785,119	--	1,785,119
Disaster relief	1,586,563	--	1,586,563
Neighborhood Initiative	1,459,321	--	1,459,321
LGBTQ Connection	717,528	--	717,528
On The Verge	429,950	--	429,950
Innovations Community Center	322,419	--	322,419
Other projects	25,054	--	25,054
Total Program Expenses	<u>14,931,227</u>	<u>--</u>	<u>14,931,227</u>
Supporting Services			
Management and general	394,365	--	394,365
Fundraising	82,712	--	82,712
Total Supporting Services	<u>477,077</u>	<u>--</u>	<u>477,077</u>
Total Expenses	<u>15,408,304</u>	<u>--</u>	<u>15,408,304</u>
Change in Net Assets	(331,752)	(400,194)	(731,946)
Net Assets - Beginning of Year	<u>2,124,249</u>	<u>1,921,424</u>	<u>4,045,673</u>
Net Assets - End of Year	<u>\$ 1,792,497</u>	<u>\$ 1,521,230</u>	<u>\$ 3,313,727</u>

The accompanying notes are an integral part of these financial statements.

ON THE MOVE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public Support			
Public agencies	\$ --	\$ 10,706,997	\$ 10,706,997
Foundation grants	182,991	5,860,477	6,043,468
Corporate and individuals	98,223	308,168	406,391
Other	10,530	19,453	29,983
Revenue			
Fees	100,060	--	100,060
Merchandise sales	--	2,016	2,016
Investment income, net of fees	69,621	--	69,621
Satisfaction of program restrictions	<u>16,668,253</u>	<u>(16,668,253)</u>	<u>--</u>
Total Public Support and Revenue	<u>17,129,678</u>	<u>228,858</u>	<u>17,358,536</u>
Expenses			
Program Services			
Nuestra Cultura	8,972,267	--	8,972,267
VOICES	2,390,966	--	2,390,966
Disaster relief	3,087,297	--	3,087,297
Neighborhood Initiative	1,136,063	--	1,136,063
LGBTQ Connection	437,592	--	437,592
On The Verge	395,202	--	395,202
Innovations Community Center	362,844	--	362,844
Other projects	<u>4,894</u>	<u>--</u>	<u>4,894</u>
Total Program Expenses	<u>16,787,125</u>	<u>--</u>	<u>16,787,125</u>
Supporting Services			
Management and general	417,278	--	417,278
Fundraising	<u>173,102</u>	<u>--</u>	<u>173,102</u>
Total Supporting Services	<u>590,380</u>	<u>--</u>	<u>590,380</u>
Total Expenses	<u>17,377,505</u>	<u>--</u>	<u>17,377,505</u>
Change in Net Assets	(247,827)	228,858	(18,969)
Net Assets - Beginning of Year	<u>2,372,076</u>	<u>1,692,566</u>	<u>4,064,642</u>
Net Assets - End of Year	<u>\$ 2,124,249</u>	<u>\$ 1,921,424</u>	<u>\$ 4,045,673</u>

The accompanying notes are an integral part of these financial statements.

ON THE MOVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services									Supporting Services			Total
	Nuestra Cultura	VOICES	Disaster Relief	Neighborhood Initiative	LGBTQ Connection	On The Verge	Innovations Community Center	Other Projects	Total Programs	Management and General	Fundraising	Total Supporting	
Emergency assistance	\$ 5,878,817	\$ 83,847	\$ 793,176	\$ 105,774	\$ 8,557	\$ 10,408	\$ 7,609	\$ 5,345	\$ 6,893,533	\$ 12,448	\$ --	\$ 12,448	\$ 6,905,981
Payroll and benefits	1,573,531	1,232,654	634,611	1,060,897	549,179	104,374	253,785	--	5,409,031	708,587	78,732	787,319	6,196,350
Consulting	765,944	35,209	13,092	97,185	27,819	201,887	11,088	12,350	1,164,574	252,419	--	252,419	1,416,993
Office expenses	70,717	53,038	42,799	29,652	19,589	3,028	5,627	2,763	227,213	35,800	3,980	39,780	266,993
Occupancy	250	128,800	19,241	595	21,202	29,203	6,069	--	205,360	38,902	--	38,902	244,262
Program expenses	31,493	34,418	725	12,034	12,645	9,924	5,045	1,851	108,135	11,801	--	11,801	119,936
Travel and conference	12,682	41,657	3,866	5,322	7,133	31,191	83	--	101,934	9,161	--	9,161	111,095
Insurance	11,171	8,671	4,402	7,124	3,770	742	1,619	--	37,499	23,715	--	23,715	61,214
Staff development	2,137	5,985	2,240	4,653	1,333	85	422	--	16,855	27,035	--	27,035	43,890
Fees	1,746	1,095	266	3,419	1,071	22	1,761	467	9,847	31,743	--	31,743	41,590
Overhead allocation	256,785	159,745	72,145	132,666	65,230	39,086	29,311	2,278	757,246	(757,246)	--	(757,246)	--
Total Expenses	<u>\$ 8,605,273</u>	<u>\$ 1,785,119</u>	<u>\$ 1,586,563</u>	<u>\$ 1,459,321</u>	<u>\$ 717,528</u>	<u>\$ 429,950</u>	<u>\$ 322,419</u>	<u>\$ 25,054</u>	<u>\$ 14,931,227</u>	<u>\$ 394,365</u>	<u>\$ 82,712</u>	<u>\$ 477,077</u>	<u>\$ 15,408,304</u>

The accompanying notes are integral part of these financial statements.

ON THE MOVE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services								Supporting Services			Total	
	Nuestra Cultura	VOICES	Disaster Relief	Neighborhood Initiative	LGBTQ Connection	On The Verge	Innovations Community Center	Other Projects	Total Programs	Management and General	Fundraising		Total Supporting
Emergency assistance	\$ 7,958,674	\$ 16,600	\$ 2,499,565	\$ 80,000	\$ --	\$ --	\$ --	\$ --	\$ 10,554,839	\$ --	\$ --	\$ --	\$ 10,554,839
Payroll and benefits	688,734	1,739,434	497,864	775,576	330,733	140,328	231,919	--	4,404,588	681,442	171,807	853,249	5,257,837
Consulting	97,265	79,789	4,977	96,180	14,576	164,553	39,099	--	496,439	155,523	143	155,666	652,105
Program expenses	78,223	130,862	674	41,386	12,277	28,897	37,038	850	330,207	16,111	231	16,342	346,549
Occupancy	6,035	119,233	4,014	695	23,573	1,337	8,749	--	163,636	37,079	--	37,079	200,715
Travel and conference	6,178	38,182	1,156	652	1,730	18,985	532	--	67,415	6,712	--	6,712	74,127
Office expenses	44,145	49,743	25,325	26,209	14,326	4,140	10,980	513	175,381	38,027	326	38,353	213,734
Intern stipends	--	--	--	18,958	200	--	--	--	19,158	--	--	--	19,158
Insurance	--	--	--	--	--	--	--	--	--	35,170	--	35,170	35,170
Fees	868	1,331	292	401	396	1,034	1,541	3,087	8,950	13,726	595	14,321	23,271
Overhead allocation	92,145	215,792	53,430	96,006	39,781	35,928	32,986	444	566,512	(566,512)	--	(566,512)	--
Total Expenses	<u>\$ 8,972,267</u>	<u>\$ 2,390,966</u>	<u>\$ 3,087,297</u>	<u>\$ 1,136,063</u>	<u>\$ 437,592</u>	<u>\$ 395,202</u>	<u>\$ 362,844</u>	<u>\$ 4,894</u>	<u>\$ 16,787,125</u>	<u>\$ 417,278</u>	<u>\$ 173,102</u>	<u>\$ 590,380</u>	<u>\$ 17,377,505</u>

The accompanying notes are integral part of these financial statements.

ON THE MOVE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (731,946)	\$ (18,969)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Net realized and unrealized (gains) and losses on investments	47,521	(57,376)
Change in operating assets and liabilities		
Accounts receivable - public agencies	(1,213,543)	2,334
Promises to give	563,809	419,035
Due from employees	675	5,645
Prepaid expenses and other assets	(19,528)	--
Accounts payable	(128,126)	202,500
Other payroll related liabilities	(75,627)	77,955
Accrued vacation	(70,567)	67,746
Due to EFA partner	(352,891)	352,891
Refundable grant advances - foundations	(519,635)	(242,495)
Refundable grant advances - public agencies	(211,263)	211,263
Net Cash (Used in) Provided by Operating Activities	<u>(2,711,121)</u>	<u>1,020,529</u>
Cash Flows From Investing Activities		
Purchase of software	--	(47,411)
Purchase of investments	--	(1,839,000)
Proceeds from sales/maturities of investments	418,390	2,799,133
Net Cash Provided by Investing Activities	<u>418,390</u>	<u>912,722</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,292,731)	1,933,251
Cash and Cash Equivalents - Beginning of Year	<u>3,674,661</u>	<u>1,741,410</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,381,930</u>	<u>\$ 3,674,661</u>

The accompanying notes are an integral part of these financial statements.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS

ORGANIZATION

On The Move (“OTM”) was incorporated in the State of California in 2004 as a nonprofit organization with a mission to sustain young people as leaders by building exceptional programs that challenge inequities in their communities. Since inception, OTM has developed programs and initiatives that achieves this mission in a variety of ways including: innovative approaches to closing the achievement gap for children and young adults of color, transforming outcomes for former foster youth, promoting health and wellness across communities, and building strong, engaged family units. OTM partners with a variety of organizations in the communities it serves and mobilizes emerging leaders to take action in pursuit of social equity.

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

For the past eighteen years, OTM has developed young people as leaders to address critical educational, social, health and economic inequities. Through community partnerships, youth-led initiatives have been built that explore approaches to closing the achievement gap, promote wellness and inclusion, reduce social and economic barriers, support youth in their transition into adult independence, increase family self-sufficiency, and develop emerging leadership in the public sector.

Today, OTM offers a powerful and groundbreaking combination of initiatives seeking to engage and develop new leaders, collaborate with partners in rigorous systems change, and foster communities that are inclusive and equitable. The current initiatives, described below, are presented in the order they were established.

On the Verge (“OTV”)

OTV is the flagship program of OTM. It supports emerging leaders in building knowledge, clarity and strength at the personal, interpersonal, and professional levels. Since 2004, OTV has mobilized nearly 600 emerging leaders to build and sustain a culture of effective action while enhancing California’s nonprofit and public sector. Offered through year-long cohort programs, each leader, or “Vergers,” works collaboratively to develop projects in response to identified community needs. Through meaningful and challenging shared work, Vergers form life-long connections with peers that sustain their commitment to remain in leadership within the nonprofit and public sectors. OTV has provided programming in 26 counties throughout California.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

Voice Our Independent Choices for Emancipation Support (“VOICES”)

VOICES is a youth-developed, youth-led emancipation center, focused on supporting current and former foster youths’ transition into healthy adulthood. VOICES provides community centers where foster and other systems-involved transition-aged youth have access to comprehensive housing, education, employment, and wellness services. VOICES’ approach blends youth engagement with support services that young people need as they leave systems of care. VOICES’ youth are active leaders in coaching their peers, guiding the evolving vision of program delivery and advocating for the youth voice in the community. Each center focuses on empowerment and action, mobilizing members through leadership opportunities that challenge communities to build better and more innovative systems to support youth, caregivers and professionals. Today, thousands of transition-age youth utilize VOICES’ peer-based resources to find connections and build a foundation for their futures.

VOICES’ success in helping transition-age youth to overcome adversity has been recognized locally and nationally by leaders seeking effective strategies for addressing the unique needs of this population. Over the last 17 years, VOICES has successfully founded programs in Napa, Sonoma, Santa Clara, Monterey, and Solano counties and leaders from 20 different California counties have visited a VOICES’ program site to learn about the VOICES’ youth engagement model and the positive impact it has on young people.

Neighborhood Initiative (“NI”)

NI utilizes a community-schools model within the city and county of Napa’s most challenged schools aimed at increasing educational equity and engaging the community so that every child claims a future full of real and attainable possibilities.

Since 2005, NI has worked to close the glaring and longstanding educational and leadership gaps between Whites and Latinx in Napa. Annually, NI engages over 2,500 parents, youth, and children on seven campuses, offering parent education, family support services, and youth leadership training. School leaders and OTM staff collaborate to raise academic outcomes and shift the academic and professional trajectory of children. School-based family resource centers support family health and wellbeing while promoting parent leadership and learning.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

Neighborhood Initiative (“NI”) (Continued)

Included in the NI programs are elementary, middle and high school Youth Leadership Academies which collaborate with parents and community members to foster an inter-generational pipeline of learning and leadership. This combined focus on academic achievement, parent engagement, and youth leadership results in young people who are engaged in school and community, secure a path to college and careers, and build community.

LGBTQ Connections

LGBTQ Connections is a youth-led effort in Napa and Sonoma counties to promote LGBTQ leadership, support underserved people, develop partnerships, build the community’s capacity to include and welcome LGBTQ people, and serve as a hub to local LGBTQ communities. In Napa and Sonoma counties, the program operates LGBTQ community centers, supporting underserved LGBTQ youth and older adults. These community centers provide a safe and trusted space to cultivate hubs of vibrant activities and caring community.

Each year, LGBTQ Connection engages approximately 3,500 LGBTQ people, their families and allies. The program has trained approximately 2,000 community professionals from 200 organizations across Northern California to increase the safety, visibility, and well-being of LGBTQ residents.

Innovations Community Center (“ICC”)

ICC is a peer-led mental health program that supports providers and consumers to work together to foster healing through storytelling, artistic expression, healthy living, spiritual practice, and social connections.

ICC was designed by mental health practitioners and consumers committed to improve wellness outcomes for underserved people in Napa County. The program is staffed by consumers of the mental health system and explores the complex interplay between mental health services and aging, poverty, race, immigration status, sexual identity, and substance abuse. Providers and consumers work together to foster healing through storytelling, artistic expression, healthy living, spiritual practice, and social connections. ICC engages approximately 300 people annually in a variety of wellness workshops, support and recovery groups, one-on-one peer coaching, internships, and volunteer and leadership opportunities.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF OPERATIONS (CONTINUED)

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (CONTINUED)

Napa County Recovery Center (“NCRC”)

NCRC offers bilingual/bicultural support following disasters impacting Napa County. Shortly after the devastating Napa Fire Complex in 2017, OTM mobilized staff members to facilitate the payment of Emergency Financial Assistance (“EFA”) and bilingual/bicultural long-term disaster case management. Building upon this experience, NCRC now responds to community needs resulting from all disasters providing outreach and education, information and referrals to community-based services, EFA, and case management. As trusted messengers, NCRC staff serve as liaisons for Latinx and Indigenous speaking communities who would otherwise not engage in disaster relief support due to the mistrust of government and/or inability to navigate government services.

La Plaza (also known as Nuestra Cultura)

La Plaza is a Latinx created and directed wellness program in Santa Rosa, California. La Plaza is built on the essential understanding that culture heals – La Cultura Cura. La Plaza is a welcoming place for gathering meant to create a new cultural norm for wellness as well as a space for emerging leaders to practice new skills and roles in the community where they can learn to design and lead healing activities for themselves and others. La Plaza is different from other mental health programs because it pairs clinical, therapy-based services with familiar healing practices and cultural arts experiences that invites all to claim their own ability to heal. Through art, food, community, dance, poetry, and storytelling – the program draws on healing practices that are both traditional and non-traditional. La Plaza brings a new, culturally relevant wellness strategy to Latinx people by creating community, belonging and self-esteem through cultural experiences that promote self-expression, resiliency, hope, and joy.

From approximately October 2020 to June 2022, OTM was awarded several large contracts to administer an emergency assistance program focusing on the Latinx, Indigenous, and other communities of color in Sonoma County who were disproportionately impacted by COVID-19. OTM convened several Latinx serving partners and developed the COVID-19 Urgent Response Aide (“CURA”) Project. CURA involves a large-scale outreach and education effort, case management, connections to medical providers, support and resources for those isolating and quarantining, and financial support for those who have been economically impacted by the pandemic. As of June 30, 2022, OTM has completed the last of the contracts awarded.

BASIS OF ACCOUNTING

OTM prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSIFICATION OF NET ASSETS

U.S. GAAP requires that OTM report information regarding its net assets and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of OTM are classified and reported as described below:

Without Donor Restrictions

Those net assets and activities which represent the portion of expendable funds that are available to support OTM's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With Donor Restrictions

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets, (e) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (f) assets donated with stipulations that they be invested to provide a permanent source of income. As of June 30, 2022 and 2021, and for the years then ended, OTM did not have any net assets required to be maintained in perpetuity.

ESTIMATES

The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

CASH AND CASH EQUIVALENTS

OTM considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

OTM's investments are stated at their fair value. Purchases and sales of securities are recorded on a trade-date basis. OTM's Board of Directors is responsible for establishing investment criteria and overseeing OTM's investments.

ACCOUNTS RECEIVABLE

Accounts receivable are uncollateralized obligations, which are stated at the amount due. Payments of receivables are allocated to specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

OTM uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected based on historical experience and an evaluation of the outstanding account balances at the end of the year. Management has reviewed and evaluated the outstanding receivables and considers them fully collectible; therefore, management has determined that no allowance is necessary as of June 30, 2022 and 2021.

PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing assets. In subsequent years, amortization of the discounts is included in grant revenue in the statements of activities and changes in net assets.

OTM uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. OTM historically has experienced insignificant bad debts. Management has reviewed and evaluated the outstanding promises to give and considers them fully collectible; therefore, management has determined that no allowance is necessary as of June 30, 2022 and 2021.

As of June 30, 2022, promises to give are due in less than one year. As of June 30, 2021, one promise to give was due two years later and the discount was not considered significant. No discount was recorded during the years ended June 30, 2022 and 2021.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

OTM capitalizes acquisitions of property and equipment with a cost or value in excess of \$5,000 and with an estimated useful life of more than one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities and change in net assets.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from two to ten years.

ACCRUED VACATION

Vacation is earned by employees based on length of service as follows:

- First year of employment - 120 hours with a maximum accrual of 180 hours
- Second and third year of employment - 160 hours with a maximum accrual of 240 hours
- After three full years of employment - 240 hours with a maximum accrual of 360 hours

Upon termination of employment, employees are paid out their earned vacation.

DEFERRED REVENUE

Deferred revenue results from OTM recognizing revenue in the period in which the related services are performed. Accordingly, fees collected before the performance obligations are satisfied are deferred. All deferred revenue at June 30, 2021 was short-term and was recognized as revenue during the year ended June 30, 2022. All deferred revenue at June 30, 2022 is short-term and will be recognized as revenue during the year ending June 30, 2023. Deferred revenue is included in refundable grant advances in the statements of financial position.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Fees

Revenue is measured based on consideration specified in contracts. OTM recognizes revenue when it satisfies the performance obligations by transferring control over the service to the customer. The performance obligation related to fees is the delivery of such services. These arrangements give rise to contract assets (fees receivables) and contract liabilities (deferred revenue), where the fees receivable represent OTM's unconditional right to consideration for performance obligations. Deferred revenue is recognized as revenue as performance obligations are satisfied.

Grants and Contributions

Unconditional grants and contributions are recognized when promised and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 substantially met. Some of OTM's grants may be conditioned upon certain performance requirements.

Cash received that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor.

Gifts of cash and other assets are reported with donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of Nonfinancial Assets

Unconditional donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as support without donor-imposed restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor-imposed restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, OTM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. OTM reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

Contributions of Nonfinancial Assets (Continued)

OTM records unconditional contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

During the year ended June 30, 2022, OTM received \$22,425 in clothing and household goods for programs. The estimated value of these contributions were based on the donors' estimated stated values. During the year ended June 30, 2021, OTM did not receive contributions of nonfinancial assets.

INVESTMENT INCOME

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes OTM's gains and losses on investments bought and sold as well as those held during the year.

INCOME TAXES

OTM is a qualified organization exempt from federal income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code ("IRC") and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if OTM has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. OTM is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF RISK

Financial Instruments

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed the \$250,000 Federal Deposit Insurance Corporation insured limit. Additionally, amounts are held in money market accounts, which are not federally insured but are covered through the broker's membership in Securities Investor Protection Corporation. To date, OTM has not experienced losses in any of these accounts.

Investments are made by investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believes that the investment policies and guidelines are prudent for the long-term welfare of OTM.

Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because all of the outstanding amounts are due from organizations supportive of the OTM's mission.

Funding Sources

OTM has certain donors whose revenue individually represented 10% or more of the organization's total revenue. For the years ended June 30, 2022 and 2021, one and two resource providers accounted for 57% and 72% of total revenue, respectively. One of these resource providers was the County of Sonoma who provided approximately \$8.4 million and \$8.3 million in revenue specifically for COVID relief payments during the years ended June 30, 2022 and 2021, respectively.

The COVID contract received from the County of Sonoma did have a significant impact on OTM's overall operations. The last of the contracts entered into with the County of Sonoma ended as of June 30, 2022. OTM planned for this contract end and made appropriate staffing cuts by June 30, 2022. OTM currently is not expecting to be the recipient of any significant EFA grants for the year ending June 30, 2023 since the COVID relief payment programs have concluded. It is not known if OTM will receive any other disaster relief funding that it would administer out of the La Plaza and/or NCRC programs.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly allocable to programs are charged to the applicable programs. Certain expenses are ratably charged to programs based on use. Management and general expenses are charged back to programs using 10% of total direct program costs, less subcontractor costs.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>
Payroll and related taxes and benefits	Time and effort
Travel costs	Time and effort
Professional services costs	Time and effort
Office expense and supplies	Ratio of program expenses to total program expenses
Printing	Ratio of program expenses to total program expenses
Insurance	Ratio of program expenses to total program expenses
Telephone/communication	Ratio of program expenses to total program expenses
Facilities expenses	Square footage
Training/conferences/seminars	Time and effort

ADOPTED ACCOUNTING PRONOUNCEMENTS

On September 17, 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides guidance concerning presentation and disclosure for contributed nonfinancial assets for nonprofit organizations, including additional presentation and disclosure rules for recognized contributed services. It does not change the recognition and measurement requirements for contributed nonfinancial assets.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

This ASU requires the nonprofit organization to present donated nonfinancial assets separately in the statement of activities and change in net assets from contributions of cash or other financial assets. The additional disclosure rules require disclosure of nonfinancial assets by category and for each category the disclosure is required to include the following:

- Qualitative information about whether contributed nonfinancial assets were either monetized or used during the reporting period. If used, a description of the programs or other activities in which those assets were used;
- The nonprofit organization's policy (if any) for monetizing rather than using contributed nonfinancial assets;
- A description of any associated donor-imposed restrictions;
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition;
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient nonprofit is prohibited by donor-imposed restrictions from selling or using the contributed nonfinancial asset.

The guidance was applied on a retrospective basis. OTM adopted ASU 2020-07 as of July 1, 2021, and it did not have a significant impact on the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2021. Early application is permitted. Management is evaluating the impact of this new guidance and believes it will not have a material impact.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED (CONTINUED)

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after December 31, 2022. Early adoption is permitted. Management is evaluating the impact of this new guidance and believes it will not have a material impact.

NOTE 3 - FAIR VALUE MEASUREMENTS

OTM's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level 1

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect OTM's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2022 and 2021.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Equity Securities

Equity securities listed on a national exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. Such securities are classified within Level 1 of the fair value hierarchy.

Fixed Income Funds

The fair value of fixed income securities is estimated using recently executed transactions of market price quotations (where observable). These securities are generally categorized in Level 2 of the fair value hierarchy.

Certificates of Deposit

Certificates of deposit are value at cost plus accrued interest which approximates fair value. They are classified within Level 2 of the fair value hierarchy.

Money Market Funds

Money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. The fund sponsors aim to maintain a net asset value of \$1 per share. They are generally categorized in Level 1 of the fair value hierarchy.

The following tables provide information about OTM's financial assets measured at fair value on a recurring basis as of June 30:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 176,183	\$ --	\$ --	\$ 176,183
Fixed income funds	--	107,507	--	107,507
Total Investments	<u>\$ 176,183</u>	<u>\$ 107,507</u>	<u>\$ --</u>	<u>\$ 283,690</u>

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ --	\$ 399,066	\$ --	\$ 399,066
Equity securities	209,406	--	--	209,406
Fixed income funds	--	123,821	--	123,821
Money market	17,308	--	--	17,308
Total Investments	<u>\$ 226,714</u>	<u>\$ 522,887</u>	<u>\$ --</u>	<u>\$ 749,601</u>

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following analysis summarizes OTM's investment returns, which are recorded in the statement of activities and changes in net assets for the years ended June 30:

	2022	2021
Interest and dividends	\$ 16	\$ 14,767
Unrealized (losses) gains on investments	(47,521)	44,053
Realized gains on investments	--	13,323
Total Investment (Loss) Income	(47,505)	72,143
Investment expenses	(1,666)	(2,522)
Investment (Loss) Income, Net	\$ (49,171)	\$ 69,621

NOTE 4 - RECEIVABLES

OTM is owed funding from various entities, which include government agencies and private foundations and other grant making entities. The statement of financial position reflects the amounts due from the various resource providers. All amounts owed to OTM are due within one year.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of both June 30, 2022 and 2021:

Leasehold improvements	\$ 12,704
Office equipment	78,761
Software	47,411
	138,876
Less: accumulated depreciation	(91,465)
Property and Equipment, Net	\$ 47,411

For each of the years ended June 30, 2022 and 2021, depreciation expense was \$0.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - REFUNDABLE GRANT ADVANCES

Refundable grant advances consist of the following at June 30:

	2022	2021
Foundations		
Napa Valley Community Foundation	\$ 14,750	\$ 526,052
Sierra Health Foundation	--	8,333
	<u>14,750</u>	<u>534,385</u>
Public Agencies - Sonoma County		
CURA grant - operational support	--	355,168
CURA Grant #1 - EFA	--	526,709
CURA Grant #2 - EFA (*)	--	(670,614)
	<u>--</u>	<u>211,263</u>
Total Refundable Advances	<u>\$ 14,750</u>	<u>\$ 745,648</u>

(*) Sonoma County, while providing separate advances for operations and EFA, did not during the tenure of the grants differentiate between the advances. As a result, OTM has netted the advances against the funds owed by Sonoma County. During the year ended June 30, 2022, OTM repaid the \$526,709 to Sonoma County and continues to operate the program on extended terms granted by Sonoma County. Also, during the year ended June 30, 2022, Sonoma County repaid OTM the \$670,614.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2022	2021
VOICES	\$ 895,870	\$ 845,432
Nuestra Cultura	252,650	162,416
On The Verge	105,618	128,145
Disaster relief	105,545	--
LGBTQ Connection	91,968	124,726
Neighborhood Initiative	2,285	595,618
Other projects	67,294	65,087
Total	\$ 1,521,230	\$ 1,921,424

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions consisted of the following for the years ended June 30:

	2022	2021
Subject to Expenditure for Specified Purpose		
Nuestra Cultura	\$ 8,605,273	\$ 8,972,268
VOICES	1,785,119	2,390,967
Disaster relief	1,586,563	2,981,414
Neighborhood Initiative	1,459,321	1,136,064
LGBTQ Connection	717,528	437,592
On The Verge	429,950	395,204
Innovations Community Center	322,419	349,850
Other projects	25,054	4,894
Total Satisfaction of Program Restrictions	\$ 14,931,227	\$ 16,668,253

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 9 - SECTION 403(B) EMPLOYEE WAGE AND SALARY REDUCTION PLAN

OTM provides for a payroll deduction plan under IRC §403(b). Employees may make both pre-tax contributions and Roth after tax contributions via payroll deductions. OTM will match 50% of an employee's contributions up to \$1,000 each year once an employee has been employed for at least one year. The amounts contributed by OTM during the years ended June 30, 2022 and 2021, were \$29,236 and \$26,148, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

Members of OTM's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with OTM. Additionally, on occasion members of the Board of Directors are compensated on an individual basis to perform services that they are professionally qualified to provide. OTM requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with OTM. These annual disclosures currently only cover the Board of Directors. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of OTM. OTM has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Board member is required to certify compliance with the conflict-of-interest policy on an annual basis and indicate whether OTM does business with an entity, in which a Board member has a material financial interest.

The Board of Directors approved two board members to provide consulting services serving OTM. For the years ended June 30, 2022 and 2021, these board members were paid \$0 and \$6,235, respectively, for services provided.

For the years ended June 30, 2022 and 2021, a company controlled by the spouse of an employee of OTM was paid \$156,441 and \$143,723, respectively, for services rendered under a duly authorized contract.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 11 - LIQUIDITY AND AVAILABILITY

OTM is substantially reliant on foundation and governmental funding sources, many of which are restricted for either specific programs or locations. During the years ended June 30, 2022 and 2021, approximately 83% and 62%, respectively, of all revenues emanated from government sources, of which Sonoma County was the largest grant provider.

The county funds were specifically designated to be used for disaster and COVID relief expenditures.

The following reflect OTM's financial assets of the dates of the statements of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the dates of the statements of financial position.

	2022	2021
Financial Assets at Year-End		
Cash and cash equivalents	\$ 1,381,930	\$ 3,674,661
Accounts receivable - public agencies	1,787,358	573,815
Promises to give	414,015	977,824
Investments	<u>283,690</u>	<u>749,601</u>
	3,866,993	5,975,901
Less those unavailable for general expenditures within one year, due to refundable advances	<u>(14,750)</u>	<u>(745,648)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 3,852,243</u></u>	<u><u>\$ 5,230,253</u></u>

NOTE 12 - LEASE COMMITMENTS

OTM leases various office space. One lease, while the lease term has terminated, provides for an extension of OTM's occupancy as long as OTM is still providing professional services under a cost reimbursement contract.

Some of the leases provide that OTM will be responsible for utilities and minor repairs and maintenance to the leased premises.

In addition to the above noted leases, OTM has a variety of verbal agreements with various school districts. The school districts allow OTM to conduct the services it provides under various grant agreements with the school districts on such school district properties. OTM believes that as long as the professional services agreements are in place with the school districts, the verbal agreements will continue to be honored.

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 12 - LEASE COMMITMENTS (CONTINUED)

As of June 30, 2022, OTM had four leases that extended beyond one year for total lease commitments as follows:

June 30,	Amount
2023	\$ 125,696
2024	62,452
2025	<u>16,320</u>
Total	<u>\$ 204,468</u>

For the years ended June 30, 2022 and 2021, rent expense was \$162,323 and \$132,437, respectively.

During the year ended June 30, 2021, a landlord for one of OTM's program locations offered to transfer ownership of the building to OTM. Terms of the transfer were finally agreed upon subsequent to June 30, 2022. During November 2022, OTM closed escrow on the property. Lease payments through October 2022 for this building are included in the above table.

As a result of the acquisition, OTM entered into a new debt facility for \$450,000. The difference between the fair market value of the property and the acquired debt will be recorded as a contribution of a nonfinancial asset. Due to a condition placed on the property during escrow, OTM is still assessing fair market value. It is currently estimated the contribution will be less than \$1 million. The loan bears interest at 4.55% per annum and is payable in monthly installments of principal and interest of \$2,531 through November 2032, at which time a balloon payment will be due, unless the loan is refinanced. Principal payments are due as follows:

For the Years Ending	Amount
June 30,	
2023	\$ 6,264
2024	10,396
2025	10,879
2026	11,385
2027	11,914
Thereafter	<u>399,162</u>
Total	<u>\$ 450,000</u>

ON THE MOVE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 13 - FUNDING CONTINGENCIES

The majority of OTM's funding is provided under annual grants and contracts with federal and local agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it would have a negative effect on OTM's programs and activities.

OTM's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. Should such an audit detect any unallowable costs, OTM may be liable to the funder for reimbursement of such costs. In the opinion of the OTM's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2022, and 2021, and for the years then ended.

NOTE 14 - RISK AND UNCERTAINTY

The global economy has been impacted by international conflicts and a pandemic outbreak of the COVID-19 virus. To date, over 140,000 cases have been confirmed in the two-county region that OTM mostly operates in. Measures taken by various governments to contain the virus have affected economic activity and OTM's business in various ways, including a decrease in the number of services provided. This has resulted in many businesses temporarily closing or working in remote environments. OTM began a phased reopening plan, commencing in August 2020, in accordance with local, state and federal health and safety guidelines and regulations. OTM does not yet know the full extent of the potential impact, if any, this may have on its business operations, and no specific material adverse matters have been identified or estimable. OTM will continue to monitor the COVID-19 situation closely and revise its estimates in future periods, as necessary.

NOTE 15 - SUBSEQUENT EVENTS

OTM has evaluated all subsequent events through February 8, 2023, the date the financial statements were available to be issued. Except for the matter discussed in Note 12, there are no other events or transactions requiring adjustments to the financial statements or disclosure in the accompanying notes to the financial statements.

**INDEPENDENT AUDITORS' 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 of
On the Move

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 On the Move (“OTM”) which comprise the statement of financial position as of June 30, 2022, 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 February 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OTM’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 OTM’s internal control. Accordingly, we do not express an opinion on the effectiveness of OTM’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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OTM'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*.

OTM's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the OTM's response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. OTM's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 OTM's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OTM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

San Francisco, California
February 8, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
On the Move

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited On the Move's ("OTM") 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 OTM's major federal program for the year ended June 30, 2022. OTM's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, OTM complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibility 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 OTM'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 generally accepted auditing standards, *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 OTM's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 OTM'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 OTM'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 OTM'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 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 that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

San Francisco, California
February 8, 2023

ON THE MOVE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Agency Grant Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Coronavirus Relief Fund, Passed through County of Sonoma	21.019	2021-1002-A02	\$ 2,142,928
Coronavirus Relief Fund, Passed through County of Sonoma	21.019	2021-1002-A04	<u>6,279,824</u>
			8,422,752
Local Initiatives Support Corporation	21.023	ERA 0003	<u>74,468</u>
Total U.S. Department of Treasury Pass-Through			<u>8,497,220</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
John H. Chafee Foster Care Program for Successful Transition to Adulthood			
Napa County Independent Living Program (Pass-through)	93.674	210105B	104,146
Sonoma County Independent Living Program (Pass-through)	93.674	FYC-OTM-ILP-2122	96,657
Child Abuse and Neglect State Grants			
State of California - Office of Child Abuse Prevention Center (Pass-through)	93.669	OTV-20-22-A1	217,436
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
County of Sonoma Behavioral Health (Pass-through)	93.243	2021-1675-A00	<u>193,961</u>
Total Department of Health and Human Services Pass Through			<u>612,200</u>
Total Expenditures of Federal Awards			<u>\$ 9,109,420</u>

See independent auditors' report and notes to the Schedule of Expenditures of Federal Awards.

ON THE MOVE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activities of On the Move (“OTM”). The information in this schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of OTM, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of OTM.

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

NOTE 3 - INDIRECT COST RATE

OTM has elected to use the 10% de minimis indirect cost rate.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF THE AUDITORS' RESULTS

Financial Statements

Types of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over reporting:

Material weaknesses identified:

Yes

Significant deficiencies identified:

None reported

Noncompliance material to financial statements:

No

Federal Awards

Internal control over major programs

Material weaknesses identified:

No

Significant deficiencies identified:

None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200 516(a):

No

Identification of major federal programs:

Assistance Listing Number

Name of Federal Program/Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Audit qualified as low-risk auditee:

No

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS 2022-001 – LACK OF TIMELY RECONCILIATIONS

CONDITION

As a result of audit procedures, we noted that bank reconciliations and reconciliations for other key accounts were not done in a timely manner. Some reconciliations produced unresolved differences.

CRITERIA

Management and the Board need accurate and dependable financial information to make key decisions and to monitor the various grants and operating results. Reconciling key accounts helps ensure the financial information is correct.

CAUSE

For most of the year ended June 30, 2021, there was not a person employed that could perform these functions. Subsequent to year-end, OTM hired a consultant that did the reconciliations.

EFFECT

Untimely reconciliations could lead to inaccurate interim financial information.

QUESTION COSTS

No questioned costs noted.

RECOMMENDATION

We recommend that all bank reconciliations and reconciliations for key financial statement accounts be reconciled on a timely basis as part of the monthly closing process. An appropriate member of management should review these reconciliations and resulting journal entries.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2022-001 – LACK OF TIMELY RECONCILIATIONS (CONTINUED)

MANAGEMENT’S RESPONSE AND PLANNED CORRECTIVE ACTION

As noted within the finding, OTM made two strategic hires at the beginning of this Fiscal Year in preparation for the increased compliance/overall requirements brought by a Uniform Guidance audit. The Director of Finance and Operations immediately began the work of addressing concerns such as this through the creation and adoption of an altogether new Fiscal Policy Manual and the hire of a qualified, licensed-to-practice CPA (“CPA Consultant”) to assist the agency with matters such as the quarter-end closings. As part of the processes, the CPA Consultant has implemented a closing schedule to assist the accounting staff to maintain focus on completing important month-end and quarter-end tasks. As a result of these revised procedures, OTM has been able to more appropriately monitor its grant reporting and overall operating results in a more proactive way. Further, changes were implemented internally to recognize revenue in accordance with the grant terms and therefore GAAP. While not fully implemented, significant progress has been made. Continued refinements will be made as the agency completes its conversion to new accounting software.

STATUS AT JUNE 30, 2022

We noted that bank reconciliations are being completed in a timely manner. However, reconciliations for other key accounts have not been consistently completed in a timely fashion. For example, we noted through our walk-through that the June 30, 2022, investment account balance did not agree with the investment statement. Apparently, the bookkeeper posted the adjusting journal entry as a July 2022 transaction, and this was not detected by management in a timely manner. We did note that some reconciliations are being performed at quarter end or year-end only. As such, we repeat the recommendation.

MANAGEMENT’S RESPONSE AND PLANNED CORRECTIVE ACTION AT JUNE 30, 2022

The Director of Finance and Operations has continued the work of addressing concerns such as this through the implementation and operational refinement of the agency’s updated Fiscal Policy Manual and the related processes and policies. Additionally, we extended the contract of a qualified, licensed-to-practice CPA who has actively assisted OTM with matters such as the quarter-end closings through the end of Fiscal Year 2022. After a challenging recruitment for the role of Controller, the candidate was determined to be unsuccessful beyond the probationary period. However, we have now secured an individual for this role that will hold to a monthly/quarterly closing schedule and tasks outlined therein (reconciliations included). Additionally, this position will support the accounting staff to maintain adherence to these schedules. Continued refinements will be made as OTM completes its full transition to the new accounting software.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2022-001 – LACK OF TIMELY RECONCILIATIONS (CONTINUED)

PRIOR YEAR FINDING

This is a repeat finding from 2021's audit, 2021-001.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2022-002 – GOVERNANCE

CONDITION

The Not for Profit Integrity Act requires California nonprofits to have an Audit Committee (“AC”) separate and distinct from a Finance Committee. The AC could be made up of non-board members to ensure that there is adequate expertise regarding accounting and auditing matters. From the narratives, it was brought to our attention the Board could benefit from training on financial statement matters as well as matters that are unique to nonprofit organizations.

We noted that the latest version of the bylaws is from 2004. There was one amendment made in 2014; however, this appeared to only be for an address update. OTM has changed since the 2014 regarding officers’ titles, formal subcommittees, whistleblower protections, document retention, among other key matters.

CRITERIA

Not for profit organizations are required to follow current laws and best practices given that OTM is entrusted with charitable assets.

In any situation, a Board that is more knowledgeable regarding such matters will perform at a higher level.

CAUSE

The provision regarding the Not for Profit Integrity Act were not complied with. The Board was not aware of best practices and/or current laws surrounding not for profits.

The bylaws have not been reviewed for relevant changes at OTM and other regulatory changes.

EFFECT

OTM was not in compliance with the Not for Profit Integrity Act until January 2021 when the AC was formed. Outdated bylaws create a potential for serious governance risk to OTM. As OTM continues to expand its operations and budget, it will attract more sophisticated donors that will hold OTM to a higher standard.

QUESTION COSTS

No questioned costs noted.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2022-002 – GOVERNANCE (CONTINUED)

RECOMMENDATION

We recommend that OTM consider the following to improve governance:

- *Update the bylaws.* The bylaws should be updated to include such matters, but not limited to: term limits, standing committees, and rotation for officers and members. As noted in the “Condition” above, OTM’s bylaws and other organizational documents have not been updated since its founding in 2004. In the intervening years, much has changed both in the overall not for profit environment, including laws specifically impacting the sector, as well as OTM’s overall operations. A qualified law firm that specializes in not for profit law should be engaged to review and update the bylaws. A specialized firm is able to provide a turn-key set of governance documents that will not require an undue amount of effort on the part of the Board and/or senior management. It is further recommended that OTM calendar governance document review at least every five years, or sooner, if necessary, to ensure that OTM’s corporate documents are current and relevant.
- *Rotate Members among Board Committees.* Currently, OTM has three committees – Executive, Finance, and Audit. Given the growth of OTM’s operations, consideration should be given to increasing the committee structure to include Nominating and Development. Absent, the Executive and Nominating committees, the revised bylaws could provide for non-board members to be committee members. It is a common practice within the sector to recruit prospective board members through committee work. Many nonprofit organizations have a formal Nomination or Governance subcommittee whose role is to seek qualified Board or committee members. Additionally, board members should be periodically rotated among the various Board committees so as to introduce fresh ideas to committees and also expand the Board members’ knowledge of issues facing the organization. The current bylaws allow for up to 15 members; and at June 30, 2022, OTM only had seven members. During the year, there were nine members but two members tendered their resignations. While the 15 member maximum is considered within best practices to be an ideal number, OTM needs to develop a concerted plan to increase its board membership to 15. This is imperative to allow ample Board member participation for each committee and not to overburden any member.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2022-002 – GOVERNANCE (CONTINUED)

RECOMMENDATION (CONTINUED)

- *Have Board Retreats.* An annual Board retreat of a day or more would allow members to have time to consider matters in sufficient depth. Such retreats can also make members feel more comfortable being candid with each other on important issues. These Board retreats should be facilitated by a professional board retreat facilitator.
- *Provide Training for Board Members.* OTM should consider providing formal training programs for Board members. Training topics could include accounting terminology and basics; how to read, interpret, and evaluate financial information; warning signs of financial trouble or fraud; the role and legal responsibilities of the Board; marketing; fundraising, personnel matters and human resources; and legal topics. Members should attend sessions provided by independent training organizations or bring in qualified speakers to Board meetings.

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

Management agrees with this finding. One of the first things recommended by the Director of Finance and Operations and backed by the insistence of the CPA Consultant was a close examination of concerns related to governance oversight. As noted, the positions brought in to address concerns such as this commenced in August/September of 2020. Due to the size of the Board and the need to properly populate the AC based on the Not-for-Profit Integrity Act, the addition of the AC to governance at OTM took a few months to orchestrate properly.

Management concurs with the recommendation that both leadership and the Board need to obtain training on matters relating to nonprofit governance and effective monitoring. The Director of Finance and Operations and the CPA Consultant have provided senior leadership and the Board with the various resources obtained through the AICPA NFP section, of which the CPA Consultant is a member. Training is ongoing with the Board. Further, OTM is discussing Board recruitment with an eye on better alignment with the unique needs of OTM in relation to the overall operations in multiple counties.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-002 – GOVERNANCE (CONTINUED)

STATUS AT JUNE 30, 2022

We have observed that OTM has made some progress and created an Audit Committee. We repeat our remaining recommendations.

MANAGEMENT’S RESPONSE AND PLANNED CORRECTIVE ACTION AT JUNE 30, 2022

Management agrees with this finding. OTM has been actively looking at governance and oversight for the past two years in parallel with the shifts that also triggered the need for a Uniform Guidance Audit and all of the related policy, procedure, and compliance updates. We understand that while great strides have been made toward best practice standards, at this time, there are still many more in the implementation and development stage that are not as transparent through the audit process. Some of the forward progression was hindered by individual and organizational responses to the COVID-19 Pandemic and resulting health advisories. Chief among them has been Board Recruitment. The Board is in the process of developing a Board Member Survey that will guide the next steps and identify process owners to address topics such as; Board size, the timing for retreats/topic-specific trainings, identification of needed subject matter experts/consultants, and committee needs/terms. Additionally, a committee has been formed (supported by an attorney) which is in the process of reviewing updates and modernization of OTM’s bylaws and anticipates the adoption of a new set of bylaws in July of 2023. At present, there is high confidence that as we emerge and can safely resume in-person activities, with support from Senior Staff and area-specific experts, the Board will continue the life-long learning related to the role of governance.

PRIOR YEAR FINDING

This is a repeat finding from 2021’s audit, 2021-002.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A, none

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

MATERIAL WEAKNESS 2021-001 – LACK OF TIMELY RECONCILIATIONS

See current year 2022-01

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS *2021-002 – GOVERNANCE*

See current year 2022-02

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-003 – INFORMATION TECHNOLOGY

CONDITION

As part of our assessment of controls over Information Technology (“IT”), we noted that there are no protocols that require passwords to change over a certain period, protocols on the length and use of special characters in passwords, and there is no review of user access to certain programs or to certain sections of programs. There has not been a test of data recovery system or an assessment of cybersecurity strengths and weaknesses.

CRITERIA

Solid IT controls will help protect OTM’s electronic data.

CAUSE

Management did not address these control points.

EFFECT

Weak IT controls can lead to an IT breach. Not testing the data recovery system can cause delays in operating because any problematic issues would need to be resolved only after the need arises. Best practices is to assess cybersecurity on a period basis due to changes in software and changes in ongoing threats.

QUESTION COSTS

No questioned costs noted.

RECOMMENDATION

We recommend that management implement protocols that require passwords to change periodically and they be of a certain length with the use of special characters. Management should also review who has access to what software and what parts. Also, the time to test the data recovery is when it is not needed. Management should also assess its cybersecurity strengths and weaknesses periodically or when conditions change.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-003 – INFORMATION TECHNOLOGY (CONTINUED)

MANAGEMENT’S RESPONSE AND PLANNED CORRECTIVE ACTION

Management agrees with this finding. As part of the various duties of the Director of Finance and Operations, IT controls have been addressed. As part of the changes being implemented, the Technology Director’s reporting line was moved to the Director of Finance and Operations. This change has provided the agency with more accountability relative to their IT applications – which are largely hosted through vendors (Google Suite, Paylocity, DropBox, AirTable, and the like) who require industry-standard security. The agency does not own, lease/rent servers for any data storage. The entire IT structure is being re-assessed and changes such as forced, unique, revolving passwords are in process of being implemented. Management expects full implementation by September 30, 2022.

STATUS AT JUNE 30, 2022

Management has implemented our recommendations. This comment is considered closed and no similar findings were noted in the 2022 audit.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-004 – USE OF CHECKS

CONDITION

As part of our walkthrough over cash and from our discussion with management, we noted that checks are not used in sequential order and that two employees have check stock at their homes.

CRITERIA

Best practices and internal control dictates that management use checks in sequential order and that all check be locked at the organization's site. Only authorized personnel should have access to the locked drawer or safe.

CAUSE

It was management's decision to adopt these practices.

EFFECT

Using checks out of sequence makes the bank reconciliation process more difficult than it has to be, thus adding unnecessary time and complexity to a routine function. Having check stock outside of OTM offices increases the risk that there could be an unauthorized use or thief.

QUESTION COSTS

No questioned costs noted.

RECOMMENDATION

We recommend that management use checks in sequential order. All checks that are not locked at OTM's office should be returned to OTM. Any unaccounted checks should have stop payments ordered for them.

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

Once discovered by the Director of Finance and Operations, the direction was given to the CPA Consultant to confirm the out-of-order check sequence during Q3 of FYE 2021. At the time of discovery, the cause of the out of sequence was not known. The Director of

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-004 – USE OF CHECKS (CONTINUED)

MANAGEMENT’S RESPONSE AND PLANNED CORRECTIVE ACTION (CONTINUED)

Finance and Operations commenced an investigation to determine the cause(s). This investigation resulted in the discovery of blank check stock being maintained at various non-agency locations. Some rationale for this uncontrolled blank check stock at these various locations was in response to the COVID-19 Pandemic and associated Stay at Home orders. While accepting issues that the pandemic presented it was determined that in order to maintain proper internal controls, all off-premise blank check stock was returned to the Director of Finance and Operations and immediately destroyed. Currently and since Q4 of FY 2021, all blank check stock is maintained on-site at the OTM administrative offices and held in a secured location that only accounting personnel has access to. Management believes this finding is fully corrected.

STATUS AT JUNE 30, 2022

Management has implemented our recommendations. This comment is considered closed and no similar findings were noted in the 2022 audit.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-005 – AUTHORIZED SIGNERS FOR INVESTMENT ACCOUNTS

CONDITION

For each of the two investment accounts, there is only one signer. From our review of the Board minutes, it is not evident that the Board approved the authorized signers.

CRITERIA

Best practices and good governance dictate that the Board authorized the signers of all bank and investment accounts. Generally, there are multiple signers that include Board members and management to allow for flexibility and turnover.

CAUSE

It was management's decision to adopt this practice.

EFFECT

If there is only one signer, it will be more difficult to obtain control over the account if there is turnover. It is good governance to have the Board authorized the opening of accounts and designating the signers.

QUESTION COSTS

No questioned costs noted.

RECOMMENDATION

We recommend that the Board minutes document the approved signers on both investment accounts. The additional signers should be added accordingly.

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

Management agrees with this finding. In conjunction with the retirement of the former CFO at the end of Q3 FY 2021, the Director of Finance and Operations became aware of this issue and set about to change the process and all signatories on the accounts. The Director of Finance and Operations updated all signature cards on all cash and investment accounts to ensure that the Executive Director, the Board Treasurer, and the Director of Finance and Operations are signatories on all accounts. All new accounts were opened with appropriate Board resolutions which are brought forward to the Board by the Director of Finance and Operations. Management believes this finding is fully corrected.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

**MATERIAL WEAKNESS 2021-005 – AUTHORIZED SIGNERS FOR INVESTMENT ACCOUNTS
(CONTINUED)**

STATUS AT JUNE 30, 2022

Management has implemented our recommendations. This comment is considered closed and no similar findings were noted in the 2022 audit.

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-006 – *TIMELY ALLOCATION OF PAYROLL*

CONDITION

Most of the grant agreements' largest expense is for payroll. During the year ended June 30, 2021, the allocation of payroll to various cost centers was not done in a timely manner.

CRITERIA

Because most of the grant agreements fund payroll, it is critical that the resulting payroll and benefits expense be accurate. Best practice dictates that the allocation be review by an appropriate member of management to help ensure that the payroll allocation to the grants and functions is accurate.

CAUSE

For most of the year ended June 30, 2021, there was not a person employed that could perform these functions. Subsequent to year-end, OTM hired a consultant that did the allocations and reconciliation.

EFFECT

A reimbursement or other grant reporting may be submitted in error if the payroll allocation is not correct.

QUESTION COSTS

No questioned costs noted.

RECOMMENDATION

We recommend that the payroll be allocated to the various programs and functions as part of the monthly closing process. In addition, an appropriate member of management should review the allocation and resulting journal entry to help ensure that it is accurate.

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

Effective January 1, 2021, OTM implemented a new payroll system (Paylocity). As part of this change, OTM was able to allocate payroll to programs and grants in a systemic and appropriate fashion. Training of staff took time as the change to the new system was a

ON THE MOVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

MATERIAL WEAKNESS 2021-006 – *TIMELY ALLOCATION OF PAYROLL (CONTINUED)*

MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION (CONTINUED)

significant change for agency personnel. As a result, accounting was necessitated to continue to make reclassifications as the staff become more accustomed to proper and timely payroll reporting. By July 1, 2021, the system was fully implemented and allocations are being completed properly. Accounting can now review the input and output without little need to inquire about questionable allocations. While Management continues to improve the process, they do believe that this finding is substantially corrected.

STATUS AT JUNE 30, 2022

Management has implemented our recommendations. This comment is considered closed and no similar findings were noted in the 2022 audit.

ON THE MOVE

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEARS ENDED JUNE 30, 2022



On The Move

MANAGEMENT RESPONSE & CORRECTIVE ACTION PLAN

January 31, 2023

Dear Sir or Madam:

The following represents management's response and the corresponding corrective actions to the items listed in the June 30, 2022 Uniform Guidance Audit.

2021-001 Lack of Timely Reconciliation

The Director of Finance and Operations has continued the work of addressing concerns such as this through the implementation and operational refinement of the agency's updated Fiscal Policy Manual and the related processes and policies. Additionally, we extended the contract of a qualified, licensed-to-practice CPA who has actively assisted OTM with matters such as the quarter-end closings through the end of Fiscal Year 2022. After a challenging recruitment for the role of Controller, the candidate was determined to be unsuccessful beyond the probationary period. However, we have now secured an individual for this role that will hold to a monthly/quarterly closing schedule and tasks outlined therein (reconciliations included). Additionally, this position will support the accounting staff to maintain adherence to these schedules. Continued refinements will be made as OTM completes its full transition to the new accounting software.

2021-002 Governance, Improve Independence and Effectiveness of the Board of Directors

Management agrees with this finding. OTM has been actively looking at governance and oversight for the past two years in parallel with the shifts that also triggered the need for a Uniform Guidance Audit and all of the related policy, procedure, and compliance updates. We understand that while great strides have been made toward best practice standards, at this time, there are still many more in the implementation and development stage that are not as transparent through the audit process. Some of the forward progression was hindered by individual and organizational responses to the COVID-19 Pandemic and resulting health advisories. Chief among them has been Board Recruitment. The Board is in the process of developing a Board Member Survey that will guide the next steps and identify process owners to address topics such as; Board size, the timing for retreats/topic-specific trainings, identification of needed subject matter experts/consultants, and committee needs/terms. Additionally, a committee has been formed (supported by an attorney) which is in the process of reviewing updates and modernization of OTM's bylaws and anticipates the adoption of a new set of bylaws in July of 2023. At present, there is high confidence that as we emerge

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ON THE MOVE

MANAGEMENT'S CORRECTIVE ACTION PLAN (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2022

and can safely resume in-person activities, with support from Senior Staff and area-specific experts, the Board will continue the life-long learning related to the role of governance.

As the Director of Finance and Operations, it is my responsibility to ensure that the above corrective actions are implemented.

Respectfully,

John M. Way
John@OnTheMoveBayArea.org