



NORTH COUNTY LIFELINE, INC.
Financial Audit Report
Governmental Audit Reports
June 30, 2020



NORTH COUNTY LIFELINE, INC.

Audited Financial Statements

Single Audit Reports

June 30, 2020

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Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North County Lifeline, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of North County Lifeline, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North County Lifeline, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited North County Lifeline, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of North County Lifeline, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North County Lifeline'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 North County Lifeline, Inc.'s internal control over financial reporting and compliance.

November 18, 2020



Sonnenberg & Company, CPAs

North County Lifeline, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets:		
Operating assets		
Cash	\$ 1,689,406	\$ 1,166,345
Grants and contracts receivable	2,260,096	1,372,501
Prepaid expenses and other current assets	328,935	227,278
Total operating assets	<u>4,278,437</u>	<u>2,766,124</u>
Property and equipment, at cost		
Land	888,842	888,842
Buildings	1,481,461	1,481,461
Equipment	349,988	349,988
Leasehold improvements	39,449	31,549
Sub-total	<u>2,759,740</u>	<u>2,751,840</u>
Less: accumulated depreciation	(848,977)	(795,433)
Total property and equipment, net	<u>1,910,763</u>	<u>1,956,407</u>
Total assets	<u>\$ 6,189,200</u>	<u>\$ 4,722,531</u>
Liabilities and net assets:		
Liabilities		
Accounts payable and accrued expenses	\$ 249,600	\$ 349,508
Accrued payroll, taxes and benefits	609,018	489,832
Deferred revenue	75,279	-
Deferred conditional contribution (PPP)	693,950	-
Total liabilities	<u>1,627,847</u>	<u>839,340</u>
Net assets		
Without donor restrictions	4,091,599	3,365,548
With donor restrictions	469,754	517,643
Total net assets	<u>4,561,353</u>	<u>3,883,191</u>
Total liabilities and net assets	<u>\$ 6,189,200</u>	<u>\$ 4,722,531</u>

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

North County Lifeline, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019
Revenue and support:				
Grants and contracts	\$ 10,559,783	\$ 1,193,232	\$ 11,753,015	\$ 10,496,439
Paycheck protection program government grant	693,950		693,950	-
Client fees	55,105		55,105	33,384
Contributions	140,827		140,827	117,765
Rental income	28,398		28,398	24,782
Miscellaneous	11,407		11,407	22,463
In-kind contributions	1,045,924		1,045,924	890,410
Net assets released from restrictions	1,241,121	(1,241,121)	-	-
Total revenue and support	<u>13,776,515</u>	<u>(47,889)</u>	<u>13,728,626</u>	<u>11,585,243</u>
Expenses:				
Program services	11,043,410		11,043,410	9,188,154
Support Services				
Management and general	1,595,682		1,595,682	1,724,583
Fundraising	411,372		411,372	203,067
Total support services	<u>2,007,054</u>	<u>-</u>	<u>2,007,054</u>	<u>1,927,650</u>
Total expenses	<u>13,050,464</u>	<u>-</u>	<u>13,050,464</u>	<u>11,115,804</u>
Change in net assets	726,051	(47,889)	678,162	469,439
Net assets, beginning of year	<u>3,365,548</u>	<u>517,643</u>	<u>3,883,191</u>	<u>3,413,752</u>
Net assets, end of year	\$ <u><u>4,091,599</u></u>	\$ <u><u>469,754</u></u>	\$ <u><u>4,561,353</u></u>	\$ <u><u>3,883,191</u></u>

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

North County Lifeline, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	Program Services					Support Services			Total
	Child Abuse & Domestic Violence	Behavioral Health	Housing and Self-Sufficiency	Youth Development	Human Trafficking	Total Program	Management and General	Fundraising Activities	
Expenses:									
Personnel									
Salaries and wages	\$ 648,752	\$ 1,397,253	\$ 407,121	\$ 1,543,841	\$ 747,498	\$ 4,744,465	\$ 1,086,942	\$ 223,614	\$ 5,380,115
Fringe benefits	224,338	433,591	129,674	496,226	216,794	1,500,623	306,495	62,952	1,658,916
In-kind services		92,986	42,333	315,479	31,436	482,234			315,046
Total personnel	873,090	1,923,830	579,128	2,355,546	995,728	6,727,322	1,393,437	286,566	7,354,077
Operations									
Admin Overhead									
Advertising	559	8,984	3,217	4,659	6,733	-	18,824		44,419
Assistance to individuals	218,438	156,486	309,650	98,631	282,244	24,152	36	375	22,299
Bad debts						1,065,449		-	636,040
Consultants/subcontractors	314,512	239,473	36,463	356,884	290,132	1,237,464	17,227	35,749	1,321,204
Depreciation	7,423	15,583	4,456	17,406	6,882	51,750		1,794	45,522
Dues and subscriptions	2,006	5,212	1,697	4,565	2,727	16,207		2,504	23,128
Education and training	7,094	13,646	1,535	4,554	8,428	35,257		459	33,668
Facilities rental	41,184	76,347	21,921	84,957	42,321	266,729	41,809	10,162	293,811
In-kind rent	43,088	88,367	21,897	105,807	44,169	303,328		8,793	339,884
In-kind food	4,735	7,568	5,459	9,246	5,186	32,194			26,200
In-kind non-food	27,428	44,306	22,947	52,311	72,383	219,375			209,282
Insurance	7,660	16,097	4,575	17,959	10,724	57,015	8,937	2,141	57,475
Interest						-			1,429
Mileage and travel	24,809	12,743	7,819	40,149	33,761	119,281		1,141	146,466
Office supplies	27,235	15,746	12,123	32,644	12,789	100,537	15,759	1,910	118,006
Other miscellaneous	(1,755)	(3,685)	(1,410)	(4,114)	(2,529)	(13,493)	-	25	(6,334)
Payroll processing	2,595	5,412	1,537	6,075	2,404	18,023	2,825	724	23,561
Postage	336	733	205	789	402	2,465	386	399	4,119
Printing/copying	3,351	679	585	879	502	5,996	940	1,064	8,615
Repairs and maintenance	158	326	97	370	150	1,101	173	46	96,168
Small equipment purchase/lease	30,990	24,329	10,708	17,701	113,620	197,348	5,366	1,497	62,937
Software	13,798	15,018	4,463	16,709	6,548	56,536	8,862	42,437	61,590
Space costs	43,480	83,848	32,989	90,743	51,037	302,097	47,353	6,996	-
Telephone	22,394	31,603	10,335	39,068	15,534	118,934	18,333	3,309	93,499
Utilities	11,848	24,716	8,181	27,952	25,646	98,343	15,415	3,281	104,349
Total operations	853,366	883,537	521,449	1,025,944	1,031,793	4,316,088	202,245	124,806	3,761,727
Total functional expenses \$	1,726,456	2,807,367	\$ 1,100,577	\$ 3,381,490	\$ 2,027,521	\$ 11,043,410	\$ 1,595,682	\$ 411,372	\$ 13,050,464
									\$ 11,115,804

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

North County Lifeline, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 678,162	\$ 469,439
Adjustments to reconcile net increase (decrease) in net assets to net cash used by operating activities:		
Bad debt expense	-	1,590
Depreciation	53,544	45,522
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contracts receivables	(887,595)	(72,299)
(Increase) decrease in pledges receivable	-	14,068
(Increase) decrease in prepaid expenses and other current assets	(101,657)	(1,204)
Increase (decrease) in accounts payable and accrued expenses	(99,908)	(82,184)
Increase (decrease) in accrued payroll, taxes and benefits	119,186	36,937
Increase (decrease) in deferred revenue	75,279	-
Increase (decrease) in deferred conditional contribution (PPP)	693,950	-
Net cash provided (used) by operating activities	<u>530,961</u>	<u>411,869</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(7,900)</u>	<u>(93,379)</u>
Net cash (used) by investing activities	<u>(7,900)</u>	<u>(93,379)</u>
Cash flows used in financing activities:		
Principal payments on loan payable	<u>-</u>	<u>(113,169)</u>
Net cash (used) by financing activities	<u>-</u>	<u>(113,169)</u>
Net change in cash and cash equivalents	523,061	205,321
Cash, beginning of year	<u>1,166,345</u>	<u>961,024</u>
Cash, end of year	\$ <u><u>1,689,406</u></u>	\$ <u><u>1,166,345</u></u>
Supplemental disclosures:		
Interest paid	\$ <u>-</u>	\$ <u>1,429</u>

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

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 1. Organization and Purpose:

North County Lifeline, Inc. (doing business as Lifeline Community Services) (the “Organization”) is a non-profit human services agency with five decades of expertise working with youth and families in North San Diego County. The Organization began in 1969 as a drop-in center for North County youth with drug problems. Incorporated in 1973, the Organization expanded to provide a full range of youth, family and community services. North County Lifeline’s mission is to build self-reliance among youth, individuals and families through problem solving, skill-building and accessible community-based services. The Organization offers 40 different programs and services in English and Spanish that assist low-income youth and families, homeless families, families in crisis, youth at risk of entering or continuing in the juvenile justice system, youth diagnosed with mental illness, and families in transition.

The Organization's vision for youth, individuals, and families in North San Diego County is to:

- To develop resilient youth
- To cultivate strong, cohesive families
- To foster leadership in the community
- To build better service access to clients via multi-faceted collaborations
- To generate new funding strategies to expand and enhance services
- To utilize data for program improvement
- To attract and retain exceptional staff and volunteers
- To anticipate and respond to community needs
- And through our vision, to redefine the social service delivery framework

In fiscal year 2020, the organization provided services to 37,185 clients. Of those clients, 5,195 received intensive, long term counseling, case management and/or professional coaching services required to make a lasting difference. With an update to the strategic plan, there was a prioritization to advance specific programs, namely the expansion of our positive youth development and delinquency prevention and intervention services; a push to grow the private and government funding of our services to victims of human trafficking; and the development of greater access by the community to behavioral health services, both mental health and substance abuse treatment. Continued effort was put into stabilizing internal systems to grow and be prepared for new programs. There was also ongoing emphasis on external relations and increasing private fundraising for key program initiatives and a focused capital campaign.

Program Descriptions

Child Abuse and Domestic Violence Prevention & Intervention - The program works with families at greatest risk for child abuse and neglect due to poverty, substance abuse, and domestic violence. The staff works with San Diego County's child welfare services to identify and assist families with voluntary or dependency cases to retain or reunify with their children.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 1. Organization and Purpose, continued:

Child Abuse and Domestic Violence Prevention & Intervention, continued - Lifeline offers a 52-week court and Community Services Bureau (CSB) approved intervention program for male perpetrators of domestic violence. Groups are available in English and Spanish. Lifeline accepts referrals from the courts for individuals who have been convicted of domestic violence offenses. Lifeline also provides court mandated anger management services. Adult substance abuse disorder services are also available for adults with misdemeanors in the criminal justice system.

Behavioral Health - Students age 17 and under in seven north San Diego County school districts who meet medical necessity requirements according to title 9 of the California code of regulations are eligible to receive mental health outpatient services. Youth must be Medi-Cal eligible or designated as AB 2726 on their individualized educational plan (IEP), indicating that their emotional needs exceed the scope of a school counselor or psychologist. Program services are provided primarily on school campuses, in the client's home or at a lifeline clinic, and include individual, group and family therapy; rehabilitation services; medication support; case management brokerage; and crisis intervention as needed. Youth and families are connected with medical, social, rehabilitative, or other community services and supports.

Housing and Self-Sufficiency - A group of programs to help individuals and families in north coastal San Diego county with emergency assistance, financial education, EITC and taxes, housing, and to develop educational and career goals. Participants may be referred to a variety of resources to help them achieve their goals. Housing, development of independent living skills, and mental health services are provided to transitional age youth who have aged out of the foster care system.

Youth Development - Lifeline partners with law enforcement, schools, cities, and other community organizations to reduce truancy/juvenile delinquency and prevent youth from joining local gangs. Lifeline works with youth picked up for minor offenses and misdemeanors and their families, and provides counseling, mentoring, parent education and connects them with services that best meet their needs. Intensive gang prevention and intervention services are provided in the cities of Vista and Oceanside.

Human Trafficking Prevention & Intervention - Lifeline partners with the San Diego County human trafficking task force members and other community partners to provide comprehensive 24-hour response crisis services, ongoing case management and support, and therapeutic services to victims of sex and labor trafficking. Additionally, Lifeline provides public awareness education, prevention groups to young people in the region, and training for professionals entering the field of human trafficking.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies:

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Entities*, and Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958 and ASU No. 2016-14 the Organization reports net assets, revenues, gains, and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statement of activities as net assets released from restrictions.

The Organization had net assets with donor restrictions of \$469,754 at June 30, 2020.

Change in Accounting Principle

In fiscal year 2020, the Organization adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) and ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606). Analysis of various provisions of these updates resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued reviewed financial statements were required on a retrospective basis.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies (continued):

In-kind Contributions

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Recognizable services totaled \$482,234 for the year ended June 30, 2020. In addition, the Organization receives discounts of rent expense from the estimated market value on one of its properties leased from the City of Vista and a property at no cost from the City of Oceanside. In-kind rent expense totaled \$312,121 for the year ended June 30, 2020 (see Note 9).

During the year ended June 30, 2020, the Organization received donations of goods of \$219,375 and food of \$32,194. Total in-kind contributions for the year ending June 30, 2020 were \$1,045,924.

The Organization may also receive a significant amount of contributed time from volunteers that may not meet the recognition criteria described. Accordingly, the value of such contributed time is not reflected in the accompanying financial statements.

Use of Estimates

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

Cash and Cash Equivalents

The Organization has defined cash and cash equivalents as cash in banks and certificates of deposits with an initial maturity of three months or less. At June 30, 2020, the Organization did not have any cash equivalents.

Grants and Contracts Receivable

The Organization's grants and contracts receivable are primarily reimbursements due from contracted government grant reimbursement requests. The Organization provides for an allowance for uncollectible receivables based on historical experience. No allowance for uncollectible grants and contracts receivable was recorded at June 30, 2020.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies (continued):

Property and Equipment

Property and equipment, if any, are stated at cost, or if donated, at the approximate fair market value at the date of donation. The cost of purchased assets or fair market value of donated assets is being depreciated using the straight-line method over the estimated useful lives of the related assets, which are five years for furniture, fixtures and equipment and forty years for the building and improvements. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. The Organization capitalizes all expenditures for and donations of property and equipment with a fair value in excess of \$5,000. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in the accompanying statement of activities.

Certain equipment purchased under grants and contracts are owned by the awarding agency. Consequently, instead of capitalizing the equipment costs, the costs are recorded under small equipment purchases in the accompanying statement of functional expenses.

Impairment of Long-Lived Assets

Management assesses the recoverability of its long-lived assets upon the occurrence of a triggering event by determining whether the depreciation of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which impairment is determined by management. At June 30, 2020, management believes there is no impairment of its long-lived assets. There can be no assurance however, that market conditions will not change or demand for the Organization's services will continue, which could result in impairment of long-lived assets in the future.

Deferred Revenue

Deferred revenue is recorded for non-contribution revenue received in advance of the date earned. In addition, contributions or grants received are recorded as deferred revenue if they are subject to significant conditions which must be met before they become unconditional. The Organization had \$75,279 in deferred revenue at June 30, 2020.

Functional Expenses

A functional classification of expenses has been used to analyze the cost of providing various services or other activities, including program services, and management and general. Certain costs are allocated within the various categories. Program services include all expenses incurred by the Organization for activities directly related to the purposes for which it exists. Management and general include all expenses incurred for supporting services.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 2. Summary of Significant Accounting Policies (continued):

Risks and Uncertainties

Certain of the Organization's services are governed by grant agreements with governmental agencies. All such grant agreements involving the Organization are for fixed terms and expire on an annual or multi-annual basis. There can be no assurances that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Organization's financial position and results of activities. Management believes that they will be able to continue obtaining appropriate agreements to fund future operations based on their historical ability to obtain new grant agreements and based on their relationships with awarding agencies.

The Organization's services are funded primarily by the County of San Diego, which accounted for approximately 76% of total government grants and contracts revenue for the year ended June 30, 2020. Of the Organization's outstanding contracts receivable balance at June 30, 2020, 70% was due from the County of San Diego.

Comparative Information

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 3. Income Tax Status:

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes.

The Organization has reviewed its position for all open tax years and believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state Exempt Organization Tax Returns are subject to examination, generally for three years after they were filed.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 3. Income Tax Status, continued:

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ["Fin 48"]). Under this provision, an Organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained.

The implementation of this provision had no impact on the Organization's financial statements. The Organization does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2020, there were no interest or penalties recorded or included in the financial statements.

Note 4. Concentration of Credit Risk:

The Organization maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Note 5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year end:	
Cash	\$ 1,688,557
Grants and contracts receivable	2,260,096
Prepaid expenses	328,936
Total financial assets	<u>4,277,589</u>
Less amounts not available to be used within one year:	
Restricted by donors for program activities	(469,754)
Rental deposits	(41,584)
Financial assets available to meet general expenses within one year	<u>\$ 3,766,251</u>

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in money market funds.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 6. Property and Equipment:

Property and equipment consist of the following at June 30, 2020:

Land	\$ 888,842
Buildings	572,040
Building improvements	874,421
Trailer and vehicle	43,799
Furniture and equipment	341,189
Leasehold improvements	39,449
	<u>2,759,740</u>
Less: accumulated depreciation	<u>(848,977)</u>
	<u>\$ 1,910,763</u>

Depreciation expense for the year ended June 30, 2020 was \$53,544.

Note 7. Conditional Contribution Paycheck Protection Program:

In April 2020, the Organization entered into term note (“PPP Term Note”) with First Citizens Bank, with a principal amount of \$1,387,900 pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan bears interest at a fixed rate of one percent (1%) per annum, with the first six months of interest deferred. The loan and accrued interest are forgivable after 24 weeks as long as the Organization uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities. The Organization has determined that the loan proceeds represent a conditional contribution as they anticipate forgiveness of the majority of the amount received. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of June 30, 2020, the Organization has partially met these conditions and has recorded contribution income relating to the PPP funding in the amount of \$693,950. The balance of the conditional contribution as of June 30, 2020 is \$693,950 and is included in liabilities on the accompanying statement of financial position.

Note 8. Line of Credit:

The Organization has a secured line of credit agreement with a financial institution, which matures in November 2021. Borrowings under the line of credit agreement are limited to \$100,000. The line of credit bears interest at the rate of 4.00%, subject to fluctuation based on the latest prime rate plus .5%. There was no outstanding balance under the line as of June 30, 2020.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 8. **Line of Credit, continued:**

The Organization has a secured line of credit agreement with a financial institution, which matures in January 2023. Borrowings under the line of credit agreement are limited to \$500,000. The line of credit bears interest at the rate of 5 %, subject to fluctuation based on the latest prime rate plus .5%. There was no outstanding balance under the line as of June 30, 2020.

Note 9. **Commitments and Contingencies:**

Operating Leases

The Organization leases an office facility from the City of Vista under a non-cancelable operating lease that expires June 30, 2022. The Organization is charged \$2,500 per month, which is a below-market rent as the services provided by the Organization benefit the City of Vista and its residents. Monthly rent is set to increase annually.

The Organization also leases a facility from the City of Oceanside under a non-cancelable operating lease that expires April 30, 2023. In exchange for the programs, services and activities provided by the Organization, the City does not charge for the use of this property.

The Organization estimates the fair value of the monthly in-kind rent for the City of Vista facility to be \$18,833 and the City of Oceanside facility to be \$7,177. Accordingly, the Organization has recorded \$312,120 of in-kind rental income and expense for the year ended June 30, 2020 in the accompanying statement of activities.

Vista Way

The Organization entered into a lease agreement in April 2012 to lease office space under a non-cancelable operating lease for a five-year period ending August 2017. The lease was renewed in April 2017 for another five-year period ending November 2022. Monthly rent is \$11,203 and is set to increase annually.

San Marcos

The Organization entered into a new lease agreement in April 2018 to lease office space under a non-cancelable operating lease for a five-year period ending May 2023. Monthly rent is \$9,284 and is set to increase annually.

San Diego

The Organization entered into a new lease agreement in October 2018 to lease office space under a non-cancelable operating lease for a 21-month period ending June 30, 2020. Monthly rent is \$876.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 9. Commitments and Contingencies, continued:

The minimum lease payments under the non-cancelable operating leases are as follows:

Years ending June 30,	
2021	\$ 292,570
2022	299,859
2023	177,178
	<u>\$ 769,607</u>

Rent expense (including in-kind rent) amounted to \$630,822 for the year ended June 30, 2020.

Note 10. Guarantees and Indemnities:

During the normal course of business, the Organization has made certain indemnities and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include certain agreements with the Organization's officers, under which the Organization may be required to indemnify such person for liabilities arising out of their employment relationship. The Organization has also indemnified its lender for certain environmental liability losses which may be incurred related to the corresponding land, building and improvements. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. The majority of these indemnities and guarantees do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. The Organization hedges some of the risk associated with these potential obligations by carrying general liability insurance. Historically, the Organization has not been obligated to make significant payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying statement of financial position.

Note 11. Retirement Plan:

The Organization has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code whereby employees may elect make pre-tax contributions, and Designated Roth contributions. All employees who work more than 20 hours per week are eligible to participate in the plan. Employees must complete at least three months of service to receive employer matching contributions. The Organization will make matching contributions equal to 100% of the amount of the employee contribution during the plan year, not to exceed 2% of the employee's compensation during the plan year. The Organization contributed \$90,570 to the plan during the year ended June 30, 2020.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2020

Note 12. Net Assets with Donor Restrictions:

As of June 30, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specific purpose:

Behavioral Health	\$ 100,657
Housing and Self-Sufficiency	55,611
Youth Development	50,761
Human Trafficking Prevention & Intervention	262,725
Total	<u>\$ 469,754</u>

Net assets totaling \$1,241,121 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended June 30, 2020.

Note 13. Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, utilities, interest, insurance, and other, which are allocated based on the cost center full-time employee ratios.

Note 14. Date of Managements Review:

Management has evaluated subsequent events through November 18, 2020, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.



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Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
North County Lifeline, Inc.

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 North County Lifeline, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North County Lifeline, Inc.'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 North County Lifeline, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North County Lifeline, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 18, 2020



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Leonard C. Sonnenberg, CPA

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

To the Board of Directors of
North County Lifeline, Inc.

Report on Compliance for Each Major Federal Program

We have audited North County Lifeline, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North County Lifeline, Inc.'s major federal programs for the year ended June 30, 2020. North County Lifeline, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North County Lifeline, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, North County Lifeline, Inc. 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, 2020.

Report on Internal Control Over Compliance

Management of North County Lifeline, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North County Lifeline, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North County Lifeline, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 18, 2020

Sonnenberg & Company, CPAs

North County Lifeline, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through the County of San Diego				
Promoting Safe and Stable Families	93.556	551377	\$ 176,728	\$ 33,683
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551377	86,269	16,442
Community Service Block Grant: Administration for Children & Families	93.569	557911	249,579	-
Passed through San Diego Youth Services				
Teen Pregnancy Prevention Program	93.297	TP1AH000110-03-00	190,786	-
Total U.S. Department of Health & Human Services			<u>\$ 703,362</u>	<u>\$ 50,125</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through the City of Vista				
Community Development Block Grant	14.218		\$ 14,950	\$ -
Passed through the City of Oceanside				
Community Development Block Grant	14.218		19,662	-
Subtotal CFDA 14.218			<u>\$ 34,612</u>	<u>\$ -</u>
Passed through the Regional Task Force on the Homeless				
Youth Homeless Demonstration Program	14.276		25,497	-
Total U.S. Department of Housing & Urban Development			<u>\$ 60,109</u>	<u>\$ -</u>
U.S. DEPARTMENT OF JUSTICE				
Direct				
Services for Trafficking Victims	16.320	2017-VT-BX-K016	\$ 311,890	\$ 35,346
Services for Trafficking Victims	16.320	2019-VT-BX-0070	145,851	13,882
Services for Trafficking Victims	16.320	2019-VT-BX-0073	7,218	-
Subtotal CFDA 16.320			<u>\$ 464,959</u>	<u>\$ 49,228</u>
Passed through South Bay Community Services				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	551633	\$ 208,030	\$ -
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	BSCC 383-18	7,372	-
Passed through Board of State and Community Correction				
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2017-JF-FX-0027	268,361	-
Total U.S. Department of Justice			<u>\$ 948,722</u>	<u>\$ 49,228</u>
Total Federal Awards			<u><u>\$ 1,712,193</u></u>	<u><u>\$ 99,353</u></u>

See accompanying notes to schedule of expenditures of federal awards

North County Lifeline, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2020

Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2020

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of North County Lifeline, Inc. under programs of the federal government for the year ended June 30, 2020. 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 North County Lifeline, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of North County Lifeline, Inc.

Note B: Summary of Significant Accounting Policies

Expenditures in 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 to reimbursement. Pass-through entity identifying numbers are presented where available. North County Lifeline, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C: Loans and Loan Guarantees

North County Lifeline, Inc. receive a loan through the Paycheck Protection Program in the amount of \$1,387,900. This loan is not considered a federal expenditure and is not reported on the accompanying Schedule of Expenditures of Federal Awards.

North County Lifeline, Inc.
Schedule of Findings and Questioned Costs
Summary of Auditor's Results
Year Ended June 30, 2020

1 . Summary of Auditor's Results

- (a) Type of report issued on whether the combined financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinion**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **No**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major program: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major program:
 - Department of Justice:
Services for Trafficking Victims– **CFDA 16.320**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

2. Findings - Financial Statement Audit

None identified

3. Findings and Questioned Costs Relating to Federal Awards

None identified

4. Schedule of Prior Year Findings and Questioned Costs

None