

NORTH COUNTY LIFELINE, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

(with summarized comparative totals as of and for the year ended June 30, 2020)



NORTH COUNTY LIFELINE, INC.
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INDEPENDENT AUDITOR'S REPORT

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

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, 2021, 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, 2021, 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

The other CPA firm has previously audited North County Lifeline, Inc.'s 2020 financial statements, and expressed an unmodified audit opinion on those audited financial statements, in their report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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* 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 October 22, 2021, 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, Inc.'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.

Harshwal & Company LLP

San Diego, California
October 22, 2021

FINANCIAL STATEMENTS

NORTH COUNTY LIFELINE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
(with summarized comparative totals as of June 30, 2020)

	<u>FY 2021</u>	<u>FY 2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,080,184	\$ 1,689,406
Grants and contracts receivable	2,144,233	2,260,096
Prepaid expenses and other current assets	360,601	328,935
Property and equipment, net	<u>1,858,281</u>	<u>1,910,763</u>
Total assets	<u>5,443,299</u>	<u>6,189,200</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	254,434	249,600
Accrued payroll, taxes and benefits	677,000	609,018
Deferred revenue	-	75,279
Deferred conditional contribution (PPP)	<u>-</u>	<u>693,950</u>
Total liabilities	<u>931,434</u>	<u>1,627,847</u>
NET ASSETS		
Without donor restrictions	4,206,185	4,091,599
With donor restrictions	<u>305,680</u>	<u>469,754</u>
Total net assets	<u>4,511,865</u>	<u>4,561,353</u>
Total liabilities and net assets	<u>\$ 5,443,299</u>	<u>\$ 6,189,200</u>

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

NORTH COUNTY LIFELINE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total FY 2021</u>	<u>Total FY 2020</u>
<i>SUPPORT AND REVENUE:</i>				
Grants and contracts	\$ 11,604,209	\$ 800,578	\$ 12,404,787	\$ 11,753,015
Paycheck protection program	693,950	-	693,950	693,950
Client fees	201,730	-	201,730	55,105
Contributions	489,830	-	489,830	140,827
Rental income	35,537	-	35,537	28,398
Miscellaneous	9,143	-	9,143	11,407
In-kind contributions	849,177	-	849,177	1,045,924
Net assets released from restrictions	<u>964,652</u>	<u>(964,652)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>14,848,228</u>	<u>(164,074)</u>	<u>14,684,154</u>	<u>13,728,626</u>
<i>EXPENSES:</i>				
Program services	12,490,938	-	12,490,938	11,043,410
Support services				
Management and general	1,848,565	-	1,848,565	1,595,682
Fundraising	<u>394,139</u>	<u>-</u>	<u>394,139</u>	<u>411,372</u>
Total expenses	<u>14,733,642</u>	<u>-</u>	<u>14,733,642</u>	<u>13,050,464</u>
Change in net assets	114,586	(164,074)	(49,488)	678,162
Net assets, beginning of year	<u>4,091,599</u>	<u>469,754</u>	<u>4,561,353</u>	<u>3,883,191</u>
Net assets, end of year	<u><u>\$ 4,206,185</u></u>	<u><u>\$ 305,680</u></u>	<u><u>\$ 4,511,865</u></u>	<u><u>\$ 4,561,353</u></u>

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

NORTH COUNTY LIFELINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	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	FY 2021	FY 2020
Expenses:										
Personnel:										
Salaries and wages	\$ 671,009	\$ 1,567,776	\$ 610,934	\$ 1,614,702	\$ 755,916	\$ 5,220,337	\$ 1,360,067	\$ 237,534	\$ 6,817,938	\$ 6,055,021
Fringe benefits	232,133	487,421	190,778	518,409	219,957	1,648,698	336,879	70,013	2,055,590	1,870,070
In-kind services	-	51,703	51,169	154,020	1,548	258,440	-	-	258,440	482,234
Total personnel	903,142	2,106,900	852,881	2,287,131	977,421	7,127,475	1,696,946	307,547	9,131,968	8,407,325
Operations:										
Admin overhead	-	-	-	-	-	-	14,084	-	14,084	18,824
Advertising	774	10,721	3,520	11,125	5,289	31,429	-	2,028	33,457	24,563
Assistance to individuals	751,310	81,978	940,223	143,969	284,994	2,202,474	-	51	2,202,525	1,065,449
Bad debts	286	-	-	-	1	287	-	-	287	-
Consultants/subcontractors	320,104	211,980	36,631	313,221	331,722	1,213,658	-	33,865	1,247,523	1,290,440
Depreciation	6,646	15,599	6,191	16,476	5,939	50,851	-	1,631	52,482	53,544
Dues and subscriptions	2,019	6,730	6,724	4,309	1,960	21,742	-	8,645	30,387	18,711
Education and training	7,745	13,995	3,823	38,277	22,602	86,442	-	570	87,012	35,716
Facilities rental	37,983	89,518	35,696	95,347	40,221	298,765	49,939	10,876	359,580	318,700
In-kind rent	52,961	122,143	49,407	129,399	47,188	401,098	-	-	401,098	312,121
In-kind food	97,003	7,508	6,021	8,741	4,617	123,890	-	-	123,890	32,194
In-kind non-food	22,727	7,917	10,181	13,382	11,542	65,749	-	-	65,749	219,375
Insurance	7,918	18,595	7,398	19,670	7,079	60,660	10,139	2,268	73,067	68,093
Interest	367	832	377	893	320	2,789	-	85	2,874	-
Mileage and travel	4,581	2,024	3,087	9,241	5,151	24,084	-	208	24,292	120,422
Office supplies	15,941	11,666	11,344	26,710	5,651	71,312	11,920	4,052	87,284	118,206
Other miscellaneous	3,851	997	808	1,034	527	7,217	(29,695)	89	(22,389)	(13,468)
Payroll processing	2,865	6,716	2,704	7,149	2,537	21,971	3,672	812	26,455	21,572
Postage	451	1,140	448	1,081	430	3,550	593	113	4,256	3,250
Printing/copying	251	498	193	387	185	1,514	253	286	2,053	8,000
Repairs and maintenance	330	759	306	824	621	2,840	475	94	3,409	1,320
Small equipment purchase/lease	20,463	20,868	16,320	31,282	38,812	127,745	-	1,552	129,297	204,211
Software	14,597	35,210	14,975	39,403	14,216	118,401	19,791	5,953	144,145	107,835
Space costs	25,156	56,869	20,902	62,122	31,237	196,286	32,810	7,185	236,281	356,446
Telephone	24,689	39,780	17,024	50,365	17,293	149,151	24,340	3,172	176,663	140,576
Utilities	10,684	25,206	10,040	27,182	6,446	79,558	13,298	3,057	95,913	117,039
Total operations	1,431,702	789,249	1,204,343	1,051,589	886,580	5,363,463	151,619	86,592	5,601,674	4,643,139
Total functional expenses 2021	\$ 2,334,844	\$ 2,896,149	\$ 2,057,224	\$ 3,338,720	\$ 1,864,001	\$ 12,490,938	\$ 1,848,565	\$ 394,139	\$ 14,733,642	
Total functional expenses 2020	\$ 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

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

NORTH COUNTY LIFELINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(with summarized comparative totals for the year ended June 30, 2020)

	<u>FY 2021</u>	<u>FY 2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (49,488)	\$ 678,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	52,482	53,544
Change in assets and liabilities:		
Grants and contracts receivables	115,863	(887,595)
Prepaid expenses and other current assets	(31,666)	(101,657)
Accounts payable and accrued expenses	4,834	(99,908)
Accrued payroll, taxes and benefits	67,982	119,186
Deferred revenue	(75,279)	75,279
Deferred conditional contribution (PPP)	<u>(693,950)</u>	<u>693,950</u>
Net cash provided (used) by operating activities	<u>(609,222)</u>	<u>530,961</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(7,900)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(7,900)</u>
Net change in cash and cash equivalents	(609,222)	523,061
Cash and cash equivalents, beginning of year	<u>1,689,406</u>	<u>1,166,345</u>
Cash and cash equivalents, end of year	<u>\$ 1,080,184</u>	<u>\$ 1,689,406</u>
Supplemental disclosure:		
Interest paid	\$ 2,874	\$ -

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

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, Inc.'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 2021, the Organization provided services to 23,390 clients. Of those clients, 4,255 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.

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.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: ORGANIZATION AND PURPOSE - CONT'D

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.

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:

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Financial Statement Presentation - Cont'd

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 \$305,680 and \$469,754 as of June 30, 2021, and 2020, respectively.

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. 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.

	<u>FY 2021</u>	<u>FY 2020</u>
In-kind services	\$ 258,440	\$ 482,234
In-kind rent	401,098	312,121
Donation of goods	65,749	219,375
Donation of Food	<u>123,890</u>	<u>32,194</u>
Total in-kind contributions	<u>\$ 849,177</u>	<u>\$ 1,045,924</u>

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.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 as of June 30, 2021, and 2020.

Property and Equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market value on 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 expenses as incurred. Significant renewals and betterments are capitalized. The Organization capitalizes all expenses 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 on 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. As of June 30, 2021 and 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 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 \$0 and \$75,279 of deferred revenue at June 30, 2021, and 2020, respectively.

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 THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 71% and 76% of total government grants and contracts revenue for the year ended June 30, 2021, and 2020, respectively. Of the Organization's outstanding contracts receivable balance 61% and 70% was due from the County of San Diego at June 30, 2021, and 2020, respectively.

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, 2020, 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.

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, 2021, there were no interest or penalties recorded or included in the financial statements.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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) 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

As of June 30, 2021, and 2020, the 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:

	FY 2021	FY 2020
Financial asset at year end		
Cash and cash equivalents	\$ 1,080,184	\$ 1,689,406
Grants and contract receivable	2,144,233	2,260,096
Total financial assets	3,224,417	3,949,502
Less amounts not available to be used in one year		
Restricted by donors for program activities	(305,680)	(469,754)
Financial assets available to meet general expenses within one year	\$ 2,918,737	\$ 3,479,748

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 the 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.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	FY 2021	FY 2020
Land	\$ 888,842	\$ 888,842
Building	572,040	572,040
Building improvements	874,421	874,421
Trailer and vehicle	43,799	43,799
Furniture and equipment	341,189	341,189
Leasehold improvements	39,449	39,449
	2,759,740	2,759,740
Less: accumulated depreciation	(901,459)	(848,977)
Property and equipment, net	\$ 1,858,281	\$ 1,910,763

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: PROPERTY AND EQUIPMENT - CONT'D

Depreciation expense for the year ended June 30, 2021, and 2020 was \$52,482 and \$53,544, respectively.

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 met these conditions and has recorded contribution income relating to the PPP funding of \$693,950. As of June 30, 2021, the Organization has recorded the balance of conditional contribution as contribution income relating to the PPP funding of \$693,950.

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%, subject to fluctuation based on the latest prime rate plus .50%. There was no outstanding balance under the line of credit as of June 30, 2021, and 2020.

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 .50%. There was no outstanding balance under the line of credit as of June 30, 2021, and 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. The 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 \$401,098 and \$312,120 of in-kind rental income and expense for the year ended June 30, 2021, and 2020, respectively, in the accompanying statement of activities.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: COMMITMENTS AND CONTINGENCIES - CONT'D

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. The 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. The monthly rent is \$9,284 and is set to increase annually.

Gleich Real Estate Co., L.P.

The Organization entered into a new lease agreement in December 2020 to lease office space under a non-cancelable operating lease for a 63-month period ending February 28, 2026. The monthly rent is \$9,744 and is set to increase annually.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 402,527
2023	289,380
2024	126,221
2025	130,009
2026	<u>88,723</u>
	<u>\$ 1,036,860</u>

Rent expense (including in-kind rent) amounted to \$760,678 and \$630,822 for the year ended June 30, 2021, and 2020, respectively.

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.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 to 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 \$92,380 and \$90,570 to the plan during the year ended June 30, 2021, and 2020, respectively.

NOTE 12: NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2021 and 2020, net assets with donor restrictions were restricted for the following purposes or periods:

	FY 2021	FY 2020
<u>Subject to expenditure for specific purpose:</u>		
Behavioral Health	\$ 75,627	\$ 100,657
Housing and Self-Sufficiency	121,881	55,611
Youth Development	59,163	50,761
Human Trafficking Prevention and Intervention	49,009	262,725
Total	\$ 305,680	\$ 469,754

Net assets totaling \$964,652 and \$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, 2021, and 2020, respectively.

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 others, which are allocated based on the cost center full-time employee ratios.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2021, the date at which 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.

As the COVID-19 pandemic is complex and rapidly evolving, at this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

COMPLIANCE SECTION

**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
North County Lifeline, Inc.
Oceanside, California

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, 2021, 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 October 22, 2021.

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 North County Lifeline, Inc.'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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harshmal & Company LLP

San Diego, California
October 22, 2021

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

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

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, 2021. 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 the 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, 2021.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Harshmal & Company LLP

San Diego, California
October 22, 2021

SUPPLEMENTARY INFORMATION

NORTH COUNTY LIFELINE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through the County of San Diego				
Promoting Safe and Stable Families	93.556	551377	\$ 181,780	\$ 35,738
Demonstration Grants for Domestic Victims of Severe Forms of Human Trafficking	93.327	90TV0031-01-00	112,397	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551377	36,736	7,222
Community Service Block Grant: Administration for Children & Families	93.569	557911	438,362	-
Community Service Block Grant: Strive 4 Success & S4S CARES	93.569	558846	<u>94,564</u>	<u>-</u>
Total U.S. Department of Health & Human Services			<u>863,839</u>	<u>42,960</u>
U.S. DEPARTMENT OF TREASURY				
Passed through the County of San Diego				
Coronavirus Relief Fund/ CARES Act	21.019	551377	<u>500,000</u>	<u>-</u>
Total U.S. Department of Treasury			<u>500,000</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through the City of Vista				
Community Development Block Grant	14.218		17,872	-
Vista Rental Assistance Program (RAP) - CDBG	14.218		190,109	-
Vista Homelessness Prevention Program (HPP)	14.218		117,819	-
Passed through the City of Oceanside				
Community Development Block Grant	14.218		19,662	-
Passed through the Regional Task Force on the Homeless				
Youth Homelessness Demonstration Program	14.276		94,884	-
Passed through the City of San Marcos				
San Marcos Rental Assistance	14.218		<u>267,991</u>	<u>-</u>
Total U.S. Department of Housing & Urban Development			<u>708,337</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTH COUNTY LIFELINE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U.S. DEPARTMENT OF JUSTICE				
Direct				
Services for Trafficking Victims	16.320	2017-VT-BX-K016	40,547	21,270
Services for Trafficking Victims	16.320	2019-VT-BX-0070	358,474	102,962
Services for Trafficking Victims	16.320	2019-VT-BX-0073	14,400	-
Services for Trafficking Victims	16.320	2020-VT-BX-0062	169,727	3,855
Services for Trafficking Victims	16.320	2020-VT-BX-K018	105,042	-
Passed through Board of State and Community Correction				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2017-JF-FX-0027	<u>359,899</u>	<u>-</u>
Total U.S. Department of Justice			<u>1,048,089</u>	<u>128,087</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 3,120,265</u>	<u>\$ 171,047</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTH COUNTY LIFELINE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 - 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, 2021. 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 2 - 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.

NOTE 3 - INDIRECT COST RATE

North County Lifeline, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NORTH COUNTY LIFELINE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Relief Fund / CARES Act
93.569	Community Service Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**NORTH COUNTY LIFELINE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings related to financial statements.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There are no findings related to federal awards.

**NORTH COUNTY LIFELINE, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

No findings were reported in the prior year that requires a status update.