

**CARRILLO COUNSELING SERVICES, INC.  
DBA NEW BEGINNINGS COUNSELING CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**CARRILLO COUNSELING SERVICES, INC.**  
**DBA NEW BEGINNINGS COUNSELING CENTER**

June 30, 2016

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Carrillo Counseling Service, Inc.  
dba New Beginnings Counseling Center  
Santa Barbara, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Carrillo Counseling Services, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, 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 statement 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 of 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 Carrillo Counseling Services, Inc. as of June 30, 2016, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017 on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited the Carrillo Counseling Services, Inc. June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated March 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script, reading "McGowan Guntermann".

Santa Barbara, California  
February 21, 2017

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

STATEMENT OF FINANCIAL POSITION  
June 30, 2016  
(With Comparative Totals for June 30, 2015)

	<u>2016</u>	<u>(Memo)</u> <u>2015</u>
<b><u>Assets</u></b>		
<b><u>Current Assets:</u></b>		
Cash and Equivalents	\$ 95,322	\$ 88,337
Grants and Other Receivables, net	155,900	43,546
Prepaid Expenses	<u>13,984</u>	<u>5,612</u>
Total Current Assets	265,206	137,495
Property and Equipment, Net	<u>21,103</u>	<u>23,161</u>
<b>Total Assets</b>	<b><u><u>\$ 286,309</u></u></b>	<b><u><u>\$ 160,656</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	\$ 8,379	\$ 7,681
Accrued Expenses	<u>69,427</u>	<u>37,766</u>
Total Current Liabilities	77,806	45,447
<b><u>Net Assets</u></b>		
Unrestricted	152,163	115,209
Temporarily Restricted	<u>56,340</u>	<u>-</u>
Total Net Assets	<u>208,503</u>	<u>115,209</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 286,309</u></u></b>	<b><u><u>\$ 160,656</u></u></b>

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

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	(Memo) Total 2015
Public Support:					
Contributions, Contracts and Grants	\$ 944,854	\$ 78,656	\$ -	\$ 1,023,510	\$ 829,958
In-Kind Contributions	15,364	-	-	15,364	12,544
Total Revenues and Support	<u>960,218</u>	<u>78,656</u>	<u>-</u>	<u>1,038,874</u>	<u>842,502</u>
Revenue:					
Program Service Fees	125,544	-	-	125,544	144,612
Special Events, net expenses of \$29,865 and \$28,814	49,390	-	-	49,390	21,037
Interest Income	68	-	-	68	48
Net Assets Released From Restrictions	22,316	(22,316)	-	-	-
Total Revenue	<u>197,318</u>	<u>(22,316)</u>	<u>-</u>	<u>175,002</u>	<u>165,697</u>
Total Public Support and Revenue	<u>1,157,536</u>	<u>56,340</u>	<u>-</u>	<u>1,213,876</u>	<u>1,008,199</u>
Expenses:					
Program Services	997,121	-	-	997,121	871,827
Supporting Services:					
Management and General	76,675	-	-	76,675	73,857
Fundraising	46,786	-	-	46,786	63,597
Total Supporting Services	<u>123,461</u>	<u>-</u>	<u>-</u>	<u>123,461</u>	<u>137,454</u>
Total Expenses	<u>1,120,582</u>	<u>-</u>	<u>-</u>	<u>1,120,582</u>	<u>1,009,281</u>
Change in Net Assets	36,954	56,340	-	93,294	(1,082)
Net Assets - Beginning of Year	<u>115,209</u>	<u>-</u>	<u>-</u>	<u>115,209</u>	<u>116,291</u>
<b>Net Assets - End of Year</b>	<b><u>\$ 152,163</u></b>	<b><u>\$ 56,340</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 208,503</u></b>	<b><u>\$ 115,209</u></b>

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

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	Program Services	Supporting Services		Total 2016	(Memo)
		Management and General	Fundraising		Total 2015
Salaries and Wages	\$ 500,400	\$ 24,590	\$ 14,568	\$ 539,558	\$ 502,426
Payroll Taxes	46,123	1,183	1,418	48,724	46,120
Employee Benefits	31,852	2,522	2,390	36,764	32,167
<b>Total Salaries and Related Expenses</b>	<b>578,375</b>	<b>28,295</b>	<b>18,376</b>	<b>625,046</b>	<b>580,713</b>
Grants and Other Assistance	235,741	-	-	235,741	213,002
Accounting	-	22,500	-	22,500	8,260
Advertising and Promotion	2,068	201	3,670	5,939	5,919
Consulting	10,692	322	250	11,264	2,950
Information Technology	3,137	292	1,198	4,627	10,008
Legal	1,358	150	15	1,523	2,111
Office Expense	30,519	3,330	4,723	38,572	29,757
Occupancy	66,774	4,160	4,175	75,109	75,183
Depreciation	-	2,058	-	2,058	2,058
Insurance	14,560	782	726	16,068	10,265
Conference and Meetings	7,649	119	215	7,983	3,535
Travel	32,424	147	224	32,795	24,763
Small Equipment and Tools	1,824	410	2,313	4,547	4,270
Grant Writer	-	-	10,901	10,901	8,904
Bookkeeping	-	13,909	-	13,909	15,560
In-Kind Expenses	12,000	-	-	12,000	12,000
Interest Expense	-	-	-	-	23
<b>Total Expenses 2016</b>	<b>\$ 997,121</b>	<b>\$ 76,675</b>	<b>\$ 46,786</b>	<b>\$ 1,120,582</b>	
Total Expenses 2015 (Memo)	\$ 871,827	\$ 73,857	\$ 63,597		\$ 1,009,281

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

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	(Memo) 2015
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 93,294	\$ (1,082)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,058	2,058
(Increase) Decrease in:		
Grants and Other Receivables	(112,354)	19,342
Prepaid Expenses	(8,372)	(3,115)
Increase in:		
Accounts Payable	697	1,542
Accrued Expenses	31,662	9,897
	6,985	28,642
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	-	(1,307)
	-	(1,307)
Net Increase in Cash and Equivalents	6,985	27,335
Cash and Equivalents at the Beginning of Year	88,337	61,002
	88,337	61,002
<b>Cash and Equivalents at the End of Year</b>	<b>\$ 95,322</b>	<b>\$ 88,337</b>
Supplemental Information:		
Cash Paid for Interest	\$ -	\$ 23

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



**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION

Carrillo Counseling Services, Inc. (the Organization), a not-for-profit corporation, provides personal counseling and community outreach programs for those who need help and support. The Organization is primarily supported through foundation grants, government funding, contracts and contributions. The major programs offered include:

Community Counseling Clinic

This program has over 25 experienced counselors available to assist those who are struggling with a wide range of issues, such as life transitions, relationship challenges, anxiety, depression, grief loss, parenting skills, compulsive behaviors, codependency, relapse prevention, job loss and stress, aging, loneliness and isolation. The counseling clinic offers confidential individual, couples, family and group counseling services.

Life Skills Parenting and Education Program

This program provides a series of eight-week psycho-educational classes and hands-on parenting skills, mindfulness strategies, and overall life skills to families throughout the Santa Barbara Community. The classes are culturally based and provided in both English and Spanish.

Safe Parking and Homeless Outreach Program

This program provides outreach, temporary housing and vehicle financial assistance, connection to medical and dental services, and food distribution to the homeless population and safe overnight parking shelter at multiple sites throughout Santa Barbara and Goleta to individuals and families living in their vehicles. In addition, case management services focus on locating jobs and housing for the homeless.

Supportive Services for Veteran Families Program

This program is designed to help end homelessness among the Veteran population in Santa Barbara County. This *housing first* model aims to provide housing stability by providing cash assistance to those in danger of losing their housing and to rapidly transition into stable housing those who are homeless and scheduled to become residents of permanent housing within 90 days.

Supportive Services

This program provides case management and mental health counseling for families and individuals housed through the City of Santa Barbara Housing Authority, helping to keep those most vulnerable secure in their housing.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Organization has adopted GAAP provided for not-for-profit organizations, in order to enhance the relevance, understandability, and comparability of financial statements issued by the Organization. Those principles require that net assets and revenue, gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted as follows:

*Unrestricted net assets* represent the portion of expendable funds that are available for support of the operations of the Organization.

*Temporarily restricted net assets* consist of contributions that are subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

*Permanently restricted net assets* consist of contributions subject to donor-imposed stipulations that must be maintained permanently by the Organization. There are no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization consider all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment in excess of \$500 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. All property and equipment are being depreciated under an accelerated method, generally over their useful lives as follows:

Furniture and equipment	5 to 7 years
Leasehold improvements	39 years

Advertising

The Organization uses advertising to inform the community about the programs it offers. Advertising costs are expensed as they are incurred.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted according to methods developed by management to appropriately reflect costs and efforts expended on each program or supporting service.

Income Taxes

The Organization is a nonprofit corporation exempt from Federal income taxes under IRC 501 (c) (3) and State income taxes under Revenue and Taxation Code Section 23701 (d), therefore no amounts for income taxes are reflected in the accompanying financial statements. The Organization is not a private foundation for income tax purposes. The Organization is not aware of any transactions that would affect its tax-exempt status.

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2016, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2012 and 2011, respectively.

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the support is reported as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions receivable are recognized as revenue when the donor makes a promise to give that is unconditional.

In-Kind Contributions

Donated goods and services are recognized as in-kind contributions in accordance with generally accepted accounting principles for not-for-profit organization, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Organization. The amount of in-kind contributions of goods and services received for June 30, 2016 totaled \$15,364.

Note 3 – GRANTS AND OTHER RECEIVABLES

Accounts and pledges receivable consist of the following amount at June 30, 2016:

Government Grants Receivable	\$ 82,357
Other Grants Receivable	55,352
Contract Receivable	20,798
Other Receivables	4,843
	<hr/>
	163,350
Less: Allowance for Doubtful Accounts	(7,450)
Total	<hr/> <u>\$ 155,900</u>

Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016, with depreciation expense of \$2,058:

Furniture and Equipment	\$ 26,416
Leasehold Improvements	21,258
	<hr/>
	47,674
Less: Accumulated Depreciation	(26,571)
Property and Equipment, Net	<hr/> <u>\$ 21,103</u>

**CARRILLO COUNSELING SERVICES, INC.**  
**dba NEW BEGINNINGS COUNSELING CENTER**

NOTES TO FINANCIAL STATEMENTS

Note 5 – PREPAID EXPENSES

Prepaid expenses consist of the following at June 30, 2016:

Prepaid Insurance	\$ 3,910
Prepaid Event Expenses	9,393
Various Prepaid Expenses	<u>681</u>
Total	<u>\$ 13,984</u>

Note 6 – LINE OF CREDIT

Carrillo Counseling Center, Inc. has a line of credit arrangement with a maximum borrowing allowed of \$30,000, due May 20, 2017. As of June 30, 2016, the line of credit had a zero balance. The interest rate for the line of credit is the Prime Rate plus 3.5%.

Note 7 – OPERATING LEASE

Carrillo Counseling Center, Inc. has a location that is leased under an operating lease that expires December 31, 2018. Rent expense amounted to \$60,250 for the year ended June 30, 2016. The following is a schedule of future minimum rental payments required under the above operating lease in effect as of June 30, 2016.

2017	\$ 48,600
2018	52,200
2019	26,100
Thereafter	<u>-</u>
Total minimum payments required	<u>\$ 126,900</u>

Note 8 – CONCENTRATION OF RISK

The Organization maintains a cash balance at a financial institution that is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the cash balances did not exceed the federally insured limits.

The Organization relies on grants from the U.S. Department of Veterans Affairs under the Supportive Services for Veteran Families Program (SSVF) for a significant portion of its financial support. For the year ended June 30, 2016, total grants received from the SSVF Program accounted for approximately 30% of total revenue, gains and other support.

Note 9 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 21, 2017, the date which the financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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111 E. Victoria Street 2<sup>nd</sup> Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: 1 (805) 880-0350, www.mcgowan.com

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  
Carrillo Counseling Services, Inc.  
dba New Beginnings Counseling Center

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 Carrillo Counseling Services, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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 determination of financial statement amounts. 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.

A handwritten signature in cursive script that reads "McGowan Guntermann".

Santa Barbara, California  
February 21, 2017