

NBCC

FINANCIAL STATEMENTS

JUNE 30, 2018

NBCC

June 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NBCC
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of NBCC (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, 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 NBCC as of June 30, 2018, 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 April 4, 2019 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 NBCC June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated February 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Santa Barbara, California
April 4, 2019

NBCC

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>(Memo)</u> <u>2017</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash and Equivalents	\$ 147,462	\$ 114,837
Grants and Other Receivables, net	143,017	85,685
Prepaid Expenses	<u>12,618</u>	<u>27,260</u>
Total Current Assets	303,097	227,782
Property and Equipment, Net	<u>17,285</u>	<u>19,045</u>
Total Assets	<u>\$ 320,382</u>	<u>\$ 246,827</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 24,124	\$ 19,542
Accrued Expenses	<u>74,787</u>	<u>79,992</u>
Total Current Liabilities	<u>98,911</u>	<u>99,534</u>
<u>Net Assets</u>		
Unrestricted	<u>221,471</u>	<u>147,293</u>
Total Net Assets	<u>221,471</u>	<u>147,293</u>
Total Liabilities and Net Assets	<u>\$ 320,382</u>	<u>\$ 246,827</u>

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

NBCC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	(Memo) Total 2017
Public Support:					
Contributions, Contracts and Grants	\$ 1,308,800	\$ -	\$ -	\$ 1,308,800	\$ 951,755
In-Kind Contributions	13,381	-	-	13,381	15,134
Total Revenues and Support	<u>1,322,181</u>	<u>-</u>	<u>-</u>	<u>1,322,181</u>	<u>966,889</u>
Revenue:					
Program Service Fees	151,105	-	-	151,105	110,292
Special Events, net expenses of \$40,719 and \$29,083	22,594	-	-	22,594	36,882
Interest Income	121	-	-	121	102
Net Assets Released From Restrictions	-	-	-	-	-
Total Revenue	<u>173,820</u>	<u>-</u>	<u>-</u>	<u>173,820</u>	<u>147,276</u>
Total Public Support and Revenue	<u>1,496,001</u>	<u>-</u>	<u>-</u>	<u>1,496,001</u>	<u>1,114,165</u>
Expenses:					
Program Services	1,290,153	-	-	1,290,153	1,032,970
Supporting Services:					
Management and General	82,868	-	-	82,868	75,764
Fundraising	48,802	-	-	48,802	66,641
Total Supporting Services	<u>131,670</u>	<u>-</u>	<u>-</u>	<u>131,670</u>	<u>142,405</u>
Total Expenses	<u>1,421,823</u>	<u>-</u>	<u>-</u>	<u>1,421,823</u>	<u>1,175,375</u>
Change in Net Assets	74,178	-	-	74,178	(61,210)
Net Assets - Beginning of Year	<u>147,293</u>	<u>-</u>	<u>-</u>	<u>147,293</u>	<u>208,503</u>
Net Assets - End of Year	<u><u>\$ 221,471</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 221,471</u></u>	<u><u>\$ 147,293</u></u>

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

NBCC

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Program Services	Supporting Services		Total 2018	(Memo) Total 2017
		Management and General	Fundraising		
Salaries and Wages	\$ 664,786	\$ 19,173	\$ 19,461	\$ 703,420	\$ 644,549
Payroll Taxes	59,432	1,705	2,049	63,186	56,243
Employee Benefits	51,705	387	1,496	53,588	46,198
Total Salaries and Related Expenses	775,923	21,265	23,006	820,194	746,990
Grants and Other Assistance	282,740	250	575	283,565	148,417
Accounting	-	18,500	-	18,500	18,500
Advertising and Promotion	3,623	277	3,656	7,556	12,455
Consulting	1,624	4,414	1,125	7,163	25,490
Information Technology	7,105	1,821	2,812	11,738	3,627
Legal	849	2,904	-	3,753	1,470
Office Expense	36,785	5,461	10,773	53,019	39,697
Occupancy	72,672	5,063	1,887	79,622	75,845
Depreciation	-	1,760	-	1,760	2,058
Insurance	21,647	571	509	22,727	17,721
Conference and Meetings	7,471	100	60	7,631	9,857
Travel	54,218	142	165	54,525	27,726
Small Equipment and Tools	4,422	1,170	2,449	8,041	9,333
Grant Writer	7,693	170	1,785	9,648	9,329
Bookkeeping	-	18,940	-	18,940	13,405
In-Kind Expenses	13,381	60	-	13,441	13,455
Total Expenses 2018	\$ 1,290,153	\$ 82,868	\$ 48,802	\$ 1,421,823	
Total Expenses 2017 (Memo)	\$ 1,032,970	\$ 75,764	\$ 66,641		\$ 1,175,375

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

NBCC

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>	<u>(Memo)</u> <u>2017</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 74,178	\$ (61,210)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,760	2,058
(Increase) Decrease in:		
Grants and Other Receivables	(57,332)	70,215
Prepaid Expenses	14,642	(13,276)
Increase in:		
Accounts Payable	4,582	11,162
Accrued Expenses	(5,205)	10,566
	<u>32,625</u>	<u>19,515</u>
Net Cash Provided by Operating Activities		
	<u>32,625</u>	<u>19,515</u>
Net Increase in Cash and Equivalents	114,837	95,322
Cash and Equivalents at the Beginning of Year	<u>114,837</u>	<u>95,322</u>
Cash and Equivalents at the End of Year	<u><u>\$ 147,462</u></u>	<u><u>\$ 114,837</u></u>

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

NBCC

NOTES TO FINANCIAL STATEMENTS

Note 1 - ORGANIZATION

NBCC (the Organization), a not-for-profit corporation, provides personal counseling and community outreach programs for those who need help and support. During the year ended June 30, 2018, the Organization changed its name from Carrillo Counseling Services, Inc., DBA New Beginnings Counseling Center to NBCC. 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.

NBCC

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.

NBCC

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, 2018, 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 2014 and 2013, respectively.

NBCC

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, 2018, totaled \$13,381.

Note 3 – GRANTS AND OTHER RECEIVABLES

Accounts and pledges receivable consist of the following amount at June 30, 2018:

Government Grants Receivable	\$ 57,817
Contract Receivable	49,602
Bequest Receivable	37,776
Other Receivables	<u>14,622</u>
	159,817
Less: Allowance for Doubtful Accounts	<u>(16,800)</u>
Total	<u>\$ 143,017</u>

Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018, with depreciation expense of \$1,760:

Furniture and Equipment	\$ 26,416
Leasehold Improvements	<u>21,258</u>
	47,674
Less: Accumulated Depreciation	<u>(30,389)</u>
Property and Equipment, Net	<u>\$ 17,285</u>

NBCC

NOTES TO FINANCIAL STATEMENTS

Note 5 – PREPAID EXPENSES

Prepaid expenses consist of the following at June 30, 2018:

Prepaid Accreditation Expenses	\$ 8,748
Prepaid Travel Expenses	1,814
Various Prepaid Expenses	<u>2,056</u>
Total	<u>\$ 12,618</u>

Note 6 – LINE OF CREDIT

NBCC has a line of credit arrangement with a maximum borrowing allowed of \$30,000, due May 20, 2019. As of June 30, 2018, the line of credit had a zero balance. The interest rate for the line of credit is 2.5% over the bank's lending index. At no time will the effective interest rate be less than 7.00%

Note 7 – OPERATING LEASE

NBCC has a location that is leased under an operating lease that expires December 31, 2020. Rent expense amounted to \$63,548 for the year ended June 30, 2018. The following is a schedule of future minimum rental payments required under the above operating lease in effect as of June 30, 2018.

2019	\$ 52,980
2020	54,570
2021	<u>27,690</u>
Total minimum payments required	<u>\$ 135,240</u>

Note 8 – CONCENTRATION OF RISK

The Organization maintains cash balances at a financial institution that is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, the cash balances did not exceed the federally insured limit.

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, 2018, total grants received from the SSVF Program accounted for approximately 27% 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 April 4, 2019, the date which the financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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
NBCC

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 NBCC (the Organization), which comprise the statement of financial position as of June 30, 2018, 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 April 4, 2019.

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
April 4, 2019