

**NBCC**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

# NBCC

June 30, 2019

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1 – 2       |
| Financial statements:  |             |
| Statement of Financial Position  | 3           |
| Statement of Activities and Changes in Net Assets  | 4           |
| Statement of Functional Expenses   | 5           |
| Statement of Cash Flows  | 6           |
| Notes to Financial Statements  | 7 – 13      |
| Supplementary Information:   |             |
| Schedule of Expenditures of Federal Awards   | 14          |
| Notes to the Schedules of Expenditures of Federal Awards   | 15          |
| Other Auditor's Reports  |             |
| Independent Auditor's Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 16 – 17     |
| Independent Auditor's Report on Compliance for Each Major<br>Federal Program and Report on Internal Control over Compliance Required<br>by the Uniform Guidance  | 18 – 19     |
| Schedules of Findings and Questioned Costs   | 20 – 21     |



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **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, 2019, 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, 2019, 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**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state 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 July 28, 2020, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated April 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Santa Barbara, California  
July 28, 2020

**NBCC**

STATEMENT OF FINANCIAL POSITION  
 June 30, 2019  
 (With Comparative Totals for June 30, 2018)

|  | <u>2019</u>              | <u>(Memo)</u><br><u>2018</u> |
|--|--------------------------|------------------------------|
| <b><u>Assets</u></b>                     |                          |                              |
| <b><u>Current Assets:</u></b>            |                          |                              |
| Cash and Equivalents                     | \$ 171,026               | \$ 147,462                   |
| Grants and Other Receivables, net        | 192,243                  | 143,017                      |
| Prepaid Expenses                         | <u>11,525</u>            | <u>12,618</u>                |
| Total Current Assets                     | 374,794                  | 303,097                      |
| Property and Equipment, Net              | <u>16,005</u>            | <u>17,285</u>                |
| <b>Total Assets</b>                      | <b><u>\$ 390,799</u></b> | <b><u>\$ 320,382</u></b>     |
| <b><u>Liabilities and Net Assets</u></b> |                          |                              |
| <b><u>Current Liabilities:</u></b>       |                          |                              |
| Accounts Payable                         | \$ 2,130                 | \$ 24,124                    |
| Accrued Expenses                         | 70,430                   | 74,787                       |
| Deferred Revenue                         | <u>25,744</u>            | <u>-</u>                     |
| Total Current Liabilities                | <u>98,304</u>            | <u>98,911</u>                |
| <b><u>Net Assets</u></b>                 |                          |                              |
| Without Donor Restrictions               | <u>292,495</u>           | <u>221,471</u>               |
| Total Net Assets                         | <u>292,495</u>           | <u>221,471</u>               |
| <b>Total Liabilities and Net Assets</b>  | <b><u>\$ 390,799</u></b> | <b><u>\$ 320,382</u></b>     |

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, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total<br>2019            | (Memo)<br>Total<br>2018  |
|---|-------------------------------|----------------------------|--------------------------|--------------------------|
| Public Support:                                       |                               |                            |                          |                          |
| Contributions, Contracts and Grants                   | \$ 1,293,968                  | \$ -                       | \$ 1,293,968             | \$ 1,308,800             |
| In-Kind Contributions                                 | 40,185                        | -                          | 40,185                   | 13,381                   |
| Total Revenues and Support                            | <u>1,334,153</u>              | <u>-</u>                   | <u>1,334,153</u>         | <u>1,322,181</u>         |
| Revenue:  |                               |                            |                          |                          |
| Program Service Fees                                  | 223,792                       | -                          | 223,792                  | 151,105                  |
| Special Events, net expenses of \$57,176 and \$40,719 | 57,064                        | -                          | 57,064                   | 22,594                   |
| Interest Income                                       | 736                           | -                          | 736                      | 121                      |
| Net Assets Released From Restrictions                 | -                             | -                          | -                        | -                        |
| Total Revenue   | <u>281,592</u>                | <u>-</u>                   | <u>281,592</u>           | <u>173,820</u>           |
| Total Public Support and Revenue                      | <u>1,615,745</u>              | <u>-</u>                   | <u>1,615,745</u>         | <u>1,496,001</u>         |
| Expenses:   |                               |                            |                          |                          |
| Program Services                                      | 1,391,860                     | -                          | 1,391,860                | 1,290,153                |
| Supporting Services:                                  |                               |                            |                          |                          |
| Management and General                                | 81,178                        | -                          | 81,178                   | 82,868                   |
| Fundraising   | 71,683                        | -                          | 71,683                   | 48,802                   |
| Total Supporting Services                             | <u>152,861</u>                | <u>-</u>                   | <u>152,861</u>           | <u>131,670</u>           |
| Total Expenses  | <u>1,544,721</u>              | <u>-</u>                   | <u>1,544,721</u>         | <u>1,421,823</u>         |
| Change in Net Assets                                  | 71,024                        | -                          | 71,024                   | 74,178                   |
| Net Assets - Beginning of Year                        | <u>221,471</u>                | <u>-</u>                   | <u>221,471</u>           | <u>147,293</u>           |
| <b>Net Assets - End of Year</b>                       | <u><b>\$ 292,495</b></u>      | <u><b>\$ -</b></u>         | <u><b>\$ 292,495</b></u> | <u><b>\$ 221,471</b></u> |

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

**NBCC**

**STATEMENT OF FUNCTIONAL EXPENSES**  
 For the Year Ended June 30, 2019  
 (With Comparative Totals for the Year Ended June 30, 2018)

|  | Program<br>Services | Supporting Services       |                  | Total<br>2019       | (Memo)<br>Total<br>2018 |
|--|---------------------|---------------------------|------------------|---------------------|-------------------------|
|  |                     | Management<br>and General | Fundraising      |                     |                         |
| Salaries and Wages                         | \$ 642,352          | \$ 21,057                 | \$ 25,440        | \$ 688,849          | \$ 703,420              |
| Payroll Taxes                              | 56,775              | 1,833                     | 2,369            | 60,977              | 63,186                  |
| Employee Benefits                          | 43,760              | 1,034                     | 1,381            | 46,175              | 53,588                  |
| <b>Total Salaries and Related Expenses</b> | <b>742,887</b>      | <b>23,924</b>             | <b>29,190</b>    | <b>796,001</b>      | <b>820,194</b>          |
| Grants and Other Assistance                | 370,429             | -                         | 497              | 370,926             | 283,565                 |
| Accounting                                 | -                   | 18,500                    | -                | 18,500              | 18,500                  |
| Advertising and Promotion                  | 17,137              | 3,169                     | 8,114            | 28,420              | 7,556                   |
| Consulting                                 | 29,200              | 664                       | 11,663           | 41,527              | 7,163                   |
| Information Technology                     | 9,010               | 1,085                     | 1,382            | 11,477              | 11,738                  |
| Legal                                      | 416                 | 398                       | -                | 814                 | 3,753                   |
| Office Expense                             | 38,574              | 7,739                     | 8,934            | 55,247              | 53,019                  |
| Occupancy                                  | 67,039              | 4,662                     | 1,821            | 73,522              | 79,622                  |
| Depreciation                               | -                   | 1,280                     | -                | 1,280               | 1,760                   |
| Insurance                                  | 18,354              | 472                       | 560              | 19,386              | 22,727                  |
| Conference and Meetings                    | 12,575              | 228                       | 3,178            | 15,981              | 7,631                   |
| Travel                                     | 54,573              | 576                       | 270              | 55,419              | 54,525                  |
| Small Equipment and Tools                  | 3,043               | 148                       | 168              | 3,359               | 8,041                   |
| Grant Writer                               | 15,683              | -                         | 2,996            | 18,679              | 9,648                   |
| Bookkeeping                                | -                   | 18,333                    | -                | 18,333              | 18,940                  |
| In-Kind Expenses                           | 12,940              | -                         | 2,910            | 15,850              | 13,441                  |
| <b>Total Expenses 2019</b>                 | <b>\$ 1,391,860</b> | <b>\$ 81,178</b>          | <b>\$ 71,683</b> | <b>\$ 1,544,721</b> |                         |
| Total Expenses 2018 (Memo)                 | \$ 1,290,153        | \$ 82,868                 | \$ 48,802        |                     | \$ 1,421,823            |

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

**NBCC**

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

|   | 2019              | (Memo)<br>2018    |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities:   |                   |                   |
| Increase in Net Assets  | \$ 71,024         | \$ 74,178         |
| Adjustments to reconcile changes in net assets to<br>net cash provided by operating activities: |                   |                   |
| Depreciation  | 1,280             | 1,760             |
| Decrease (Increase) in:   |                   |                   |
| Grants and Other Receivables  | (49,226)          | (57,332)          |
| Prepaid Expenses  | 1,093             | 14,642            |
| Increase (Decrease) in:   |                   |                   |
| Accounts Payable  | (21,994)          | 4,582             |
| Accrued Expenses  | (4,357)           | (5,205)           |
| Deferred Revenue  | 25,744            | -                 |
| Net Cash Provided by Operating Activities   | 23,564            | 32,625            |
| Net Increase in Cash and Equivalents  | 23,564            | 32,625            |
| Cash and Equivalents at the Beginning of Year   | 147,462           | 114,837           |
| <b>Cash and Equivalents at the End of Year</b>  | <b>\$ 171,026</b> | <b>\$ 147,462</b> |

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)

#### New Accounting Pronouncements

During 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet (statement of financial position) date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Due to the adoption of ASU 2016-14 as of June 30, 2019, net assets have been reclassified as of June 30, 2018 as follows:

| Net Asset Classification<br>6/30/2018                   | ASU 2016-14 Classifications           |                                    | Total<br><u>Net Assets</u> |
|---|---------------------------------------|------------------------------------|----------------------------|
|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> |                            |
| Unrestricted  | \$ 221,471                            | \$ -                               | \$ 221,471                 |
| Temporarily Restricted                                  | -                                     | -                                  | -                          |
| Permanently Restricted                                  | -                                     | -                                  | -                          |
| Net Assets as previously presented                      | 221,471                               | -                                  | 221,471                    |
| Net assets as reported<br>after adoption of ASU 2016-14 | \$ 221,471                            | \$ -                               | \$ 221,471                 |

#### Description of Net Assets

The Agency reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

#### Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

# NBCC

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Description of Net Assets (continued)

##### With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests. As of June 30, 2019, NBCC did not have any assets with donor restrictions.

##### 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.

##### 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.

# NBCC

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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, 2019, 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 2015 and 2014, respectively.

#### Contributions

All contributions are considered to be available for 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 support with donor restrictions that increases net assets with donor restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the support is reported as without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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, 2019, totaled \$40,185.

# NBCC

## NOTES TO FINANCIAL STATEMENTS

### Note 3 – GRANTS AND OTHER RECEIVABLES

Accounts and pledges receivable consist of the following amount at June 30, 2019:

|                                       |                   |
|---------------------------------------|-------------------|
| Government Grants Receivable          | \$ 84,333         |
| Contract Receivable                   | 102,831           |
| Other Receivables                     | <u>21,879</u>     |
|                                       | 209,043           |
| Less: Allowance for Doubtful Accounts | <u>(16,800)</u>   |
| Total                                 | <u>\$ 192,243</u> |

### Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019, with depreciation expense of \$1,280:

|                                |                  |
|--------------------------------|------------------|
| Furniture and Equipment        | \$ 26,416        |
| Leasehold Improvements         | <u>21,258</u>    |
|                                | 47,674           |
| Less: Accumulated Depreciation | <u>(31,669)</u>  |
| Property and Equipment, Net    | <u>\$ 16,005</u> |

### Note 5 – PREPAID EXPENSES

Prepaid expenses consist of the following at June 30, 2019:

|                                |                  |
|--------------------------------|------------------|
| Prepaid Accreditation Expenses | \$ 7,655         |
| Prepaid Travel Expenses        | 1,814            |
| Various Prepaid Expenses       | <u>2,056</u>     |
| Total                          | <u>\$ 11,525</u> |

### Note 6 – LINE OF CREDIT

NBCC has a line of credit arrangement with a maximum borrowing allowed of \$30,000, due May 20, 2020. As of June 30, 2019, 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%. NBCC is currently in the process of extending the line of credit arrangement.

# NBCC

## NOTES TO FINANCIAL STATEMENTS

### Note 7 – OPERATING LEASE

NBCC has a location that is leased under an operating lease that expires December 31, 2020. Rent expense amounted to \$65,939 for the year ended June 30, 2019. The following is a schedule of future minimum rental payments required under the above operating lease in effect as of June 30, 2019.

|                                 |                  |
|---------------------------------|------------------|
| 2020                            | \$ 54,570        |
| 2021                            | <u>27,690</u>    |
| Total minimum payments required | <u>\$ 82,260</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, 2019, 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, 2019, total grants received from the SSVF Program accounted for approximately 27% of total revenue, gains and other support.

### Note 9 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2019:

|  |                   |
|--|-------------------|
| Current assets   |                   |
| Cash and cash equivalents available within one year  | \$ 171,026        |
| Grants and other receivable  | 192,243           |
| Other current assets   | <u>11,525</u>     |
| Total Current Assets   | <u>374,794</u>    |
| Current liabilities  | <u>(72,560)</u>   |
| Financial assets available to meet cash needs for<br>general expenditures within one year as of June<br>30, 2019 | <u>\$ 302,234</u> |

# NBCC

## NOTES TO FINANCIAL STATEMENTS

### Note 10 – SBA LOAN UNDER PAYROLL PROTECTION PROGRAM

On May 4, 2020, NBCC received loan funding of \$147,470 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for NBCC.

The loan will be fully forgiven if the funds are used for payroll costs, rent and utilities and at least 75% of the forgiven amount must be used for payroll. Loan payments will also be deferred for six months. No collateral or guarantees were required.

Forgiveness will be based on maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. The loan has a maturity of two years and an interest rate of 1%. NBCC intends to comply with all regulations to allow for the loan to be fully forgiven.

### Note 11 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 28, 2020, the date which the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of July 28, 2020, NBCC's office remains open, subject to regulated and reduced hours.

NBCC cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact NBCC's financial position, changes in net assets and cash flows in 2020 and the future.

## SUPPLEMENTARY INFORMATION



NBCC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

| <u>Federal Grantor/Pass Through Grantor</u>               | <u>Federal<br/>CFDA Number</u> | <u>Pass Through<br/>Grantor's Number</u> | <u>Total Federal<br/>Expenditures</u> | <u>Passed Through<br/>to Subrecipients</u> |
|---|--------------------------------|--|---------------------------------------|--|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>   |                                |  |                                       |  |
| Direct Award:   |                                |  |                                       |  |
| Continuum of Care   | 14.267                         |  | \$ 67,637                             | \$ -                                       |
| Total direct awards                                       |                                |  | <u>67,637</u>                         | <u>-</u>                                   |
| Passed through Community Development Block Grant          |                                |  |                                       |  |
| City of Goleta  | 14.218                         | #2014-080                                | 6,454                                 | -  |
| County of Santa Barbara                                   | 14.218                         | CN17410 17413                            | <u>20,000</u>                         | <u>-</u>                                   |
| Total passed through Community Development Block Grant    |                                |  | <u>26,454</u>                         | <u>-</u>                                   |
| Passed through Section 8 Housing Choice Vendors           |                                |  |                                       |  |
| City of Santa Barbara Housing Authority                   | 14.871                         |  | 25,538                                | -  |
| Passed through Emergency Solutions Grant                  |                                |  |                                       |  |
| State of California                                       | 14.231                         | 13-ESG-8783                              | 115,077                               | -  |
| Passed through Home Investment Partnerships Program       |                                |  |                                       |  |
| City of Santa Barbara - Tenant-Based Rental Assistance    | 14.239                         | #25,911                                  | 157,143                               | -  |
| Total passed through                                      |                                |  | <u>324,212</u>                        | <u>-</u>                                   |
| Total U.S. Department of Housing and Urban Development    |                                |  | <u>391,849</u>                        | <u>-</u>                                   |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>       |                                |  |                                       |  |
| Passed through Substance Abuse and Mental Health Services |                                |  |                                       |  |
| County of Santa Barbara Probation Contract                | 93.243                         |  | <u>22,838</u>                         | <u>-</u>                                   |
| Total U.S. Department of Housing and Urban Development    |                                |  | <u>22,838</u>                         | <u>-</u>                                   |
| <u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>                |                                |  |                                       |  |
| Direct Award:   |                                |  |                                       |  |
| Supportive Services for Veteran Families (SSVF) Program   | 64.033                         |  | <u>375,754</u>                        | <u>-</u>                                   |
| Total direct awards                                       |                                |  | <u>375,754</u>                        | <u>-</u>                                   |
| Total Federal Awards                                      |                                |  | <u>\$ 790,441</u>                     | <u>\$ -</u>                                |

## NBCC

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2019

#### Note 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal award activity of the Organization, under programs of the federal government for the year ended June 30, 2019, 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

#### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance\*, wherein certain types of expenditures are not allowed or are limited as a reimbursement. The Organization has elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

\*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122 Cost Principles for Non Profit Organizations, or the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

## OTHER AUDITOR'S REPORTS



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2<sup>nd</sup> Floor, Santa Barbara, CA 93101, (805) 962-9175, 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  
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, 2019, 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 July 28, 2020.

**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  
July 28, 2020



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditor’s Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance

To the Board of Directors  
NBCC

**Report on Compliance for Each Major Federal Program**

We have audited NBCC’s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2019. The Organization’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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization’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 the Organization’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 the Organization’s compliance.

## **Opinion on Compliance for Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

## **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization'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 the Organization's internal control over compliance.

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

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

## **Purpose of this Report**

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.



Santa Barbara, California  
July 28, 2020

NBCC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2019

**Section I—Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **None reported**

No instances of noncompliance material to financial statements were disclosed by the audit.

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **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 Uniform Guidance? **No**

Identification of major programs:

| CFDA Number | Program Name                                     | Expenditures |
|-------------|--|--------------|
| 64.033      | Supportive Services for Veteran Families Program | \$375,754    |

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? **Yes**

**Section II—Financial Statement Findings**

None

**Section III—Federal Award Findings and Questioned Costs**

None



**NBCC**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019**

**Section III—Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for the year ended June 30, 2018.