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Leonard C. Sonnenberg, CPA

NORTH COUNTY LIFELINE, INC.

Audited Financial Statements

Single Audit Reports

June 30, 2014

NORTH COUNTY LIFELINE, INC.
Audited Financial Statements
Single Audit Reports
June 30, 2014

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of North County Lifeline, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North County Lifeline, Inc. as of June 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the North County Lifeline, Inc.'s June 30, 2013 financial statements, and our report dated September 3, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 September 26, 2014, on our consideration of North County Lifeline, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 North County Lifeline, Inc.'s internal control over financial reporting and compliance.

September 26, 2014


Sonnenberg & Company, CPAs

North County Lifeline, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Comparative Totals for June 30, 2013)

	2014	Restated 2013
Assets		
Operating assets		
Cash	\$ 588,109	\$ 280,118
Grants and contracts receivable	925,393	1,388,171
Prepaid expenses and other current assets	186,253	167,503
Total operating assets	<u>1,699,755</u>	<u>1,835,792</u>
Property and equipment, at cost		
Land	888,842	888,842
Buildings	1,419,631	1,379,341
Equipment	316,847	316,847
Sub-total	<u>2,625,320</u>	<u>2,585,030</u>
Less: accumulated depreciation	<u>(591,894)</u>	<u>(558,234)</u>
Total property and equipment, net	<u>2,033,426</u>	<u>2,026,796</u>
Total assets	<u>\$ 3,733,181</u>	<u>\$ 3,862,588</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 178,568	\$ 165,586
Accrued payroll, taxes and benefits	406,266	410,921
Deferred Revenue	17,244	96,240
Loan Payable	534,714	601,490
Total liabilities	<u>1,136,792</u>	<u>1,274,237</u>
Net assets		
Unrestricted net assets	2,574,940	2,581,281
Temporarily restricted net assets	21,449	7,070
Total net assets	<u>2,596,389</u>	<u>2,588,351</u>
Total liabilities and net assets	<u>\$ 3,733,181</u>	<u>\$ 3,862,588</u>

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

North County Lifeline, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

	2014			Restated
	Unrestricted	Temporarily Restricted	Total	2013
Revenue and support:				
Grants and contracts	\$ 6,973,968	\$	\$ 6,973,968	\$ 8,078,085
Client fees	66,444		66,444	103,331
Contributions	2,052	51,500	53,552	11,925
Rental income	4,630		4,630	11,688
Miscellaneous	60,577		60,577	12,796
Special events, net			-	17,181
Interest			-	1,225
In-kind contributions	982,157		982,157	728,531
Net assets released from restrictions	37,121	(37,121)	-	
Total revenue and support	<u>8,126,949</u>	<u>14,379</u>	<u>8,141,328</u>	<u>8,964,762</u>
Expenses				
Program services	6,833,364		6,833,364	7,569,709
Support Services				
Management and general	1,142,569		1,142,569	1,323,099
Fundraising	157,357		157,357	-
Total support services	<u>1,299,926</u>	<u>-</u>	<u>1,299,926</u>	<u>1,323,099</u>
Total expenses	8,133,290	-	8,133,290	8,892,808
Change in net assets	(6,341)	14,379	8,038	71,954
Net assets, beginning of year	<u>2,581,281</u>	<u>7,070</u>	<u>2,588,351</u>	<u>2,516,397</u>
Net assets, end of year	\$ <u><u>2,574,940</u></u>	\$ <u><u>21,449</u></u>	\$ <u><u>2,596,389</u></u>	\$ <u><u>2,588,351</u></u>

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

North County Lifeline, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

	Support Services				
	Program Services	Management and General	Fundraising Activities	2014 Totals	2013 Totals
Expenses					
Personnel					
Salaries and wages	\$ 3,390,116	\$ 754,006	\$ 106,958	\$ 4,251,080	\$ 4,864,286
Fringe benefits	778,909	174,158	24,676	977,743	1,126,768
In-kind services	586,242	38,636	3,328	628,206	516,591
Total personnel	4,755,267	966,800	134,962	5,857,029	6,507,645
Operations					
Advertising	1,897	429	75	2,401	3,717
Assistance to individuals	151,817		167	151,984	215,040
Bad debts	80			80	5,848
Consultants/subcontractors	864,634	24,689	1,420	890,743	1,028,556
Depreciation	27,571	6,074	15	33,660	32,474
Dues and subscriptions	20,528	4,441	255	25,224	45,354
Education and training	18,236	3,858	222	22,316	36,419
Facilities Rental	146,954	30,549	3,258	180,761	135,483
In-kind rent	272,041			272,041	164,925
In-kind food	14,876			14,876	1,161
In-kind Non food	67,032			67,032	45,852
Insurance	36,099	7,514	432	44,045	33,243
Interest	29,646	6,171	355	36,172	44,451
Mileage and travel	82,605	17,158	987	100,750	143,153
Office supplies	75,023	16,434	1,617	93,074	120,672
Other miscellaneous	500	187	8,127	8,814	757
Payroll processing	11,212	2,470	142	13,824	15,191
Postage	5,117	1,081	139	6,337	5,901
Printing/copying	15,297	3,232	412	18,941	26,040
Repairs and maintenance	77,352	17,746	1,021	96,119	105,791
Small equipment purchases/leases	33,452	5,948	2,153	41,553	15,798
Telephone	67,409	14,851	854	83,114	124,351
Utilities	58,719	12,937	744	72,400	58,009
Total operating	2,078,097	175,769	22,395	2,276,261	2,408,186
Total functional expenses	\$ 6,833,364	\$ 1,142,569	\$ 157,357	\$ 8,133,290	\$ 8,915,831

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

North County Lifeline, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,038	\$ 71,954
Adjustments to reconcile net increase (decrease) in net assets to net cash used by operating activities:		
Bad debt expense	80	1,948
Depreciation	33,660	32,474
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contracts receivables	462,698	(582,200)
(Increase) decrease in prepaid expenses and other current assets	(18,750)	(43,031)
Increase (decrease) in accounts payable and accrued expenses	12,982	(37,074)
Increase (decrease) in accrued payroll, taxes and benefits	(4,655)	12,003
Increase (decrease) in deferred revenue	(78,996)	(55,236)
Net cash provided (used) by operating activities	<u>415,057</u>	<u>(599,162)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(40,290)</u>	<u>(36,734)</u>
Net cash (used) by investing activities	<u>(40,290)</u>	<u>(36,734)</u>
Cash flows used in financing activities:		
Principal payments on loan payable	<u>(66,776)</u>	<u>(62,691)</u>
Net cash (used) by financing activities	<u>(66,776)</u>	<u>(62,691)</u>
Net change in cash and cash equivalents	307,991	(698,587)
Cash , beginning of year	<u>280,118</u>	<u>978,705</u>
Cash , end of year	<u>\$ 588,109</u>	<u>\$ 280,118</u>
Supplemental disclosures:		
Interest paid	<u>\$ 36,172</u>	<u>\$ 44,451</u>

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

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

Note 1. Organization and Purpose:

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

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

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

In fiscal year 2014, the organization provided services to 23,562 clients during 104,757 service contacts. Of those clients, 7,533 received intensive, long term counseling, case management and professional coaching services required to make a lasting difference. This year was a year that brought stabilization after significant growth in funds, funding sources, and new programs. There was increased emphasis on external relations and expanding private fundraising sources, and the Board of Directors led a strategic planning process setting new direction for the future and a plan for internal capacity building.

Note 2. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

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

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted. Net assets that are not subject to donor-imposed stipulations. These generally result from revenues generated by receiving unrestricted contributions, providing services, raising contributions, and performing administrative functions.

Temporarily Restricted. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions. Restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. The Organization had temporarily restricted net assets of \$21,449 at June 30, 2014.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization had no permanently restricted net assets at June 30, 2014.

In-kind Contributions

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Recognizable services totaled \$628,207 for the year ended June 30, 2014. In addition, the Organization receives discounts of rent expense from the estimated market value on one of its properties leased from the City of Vista and a property at no cost from the City of Oceanside. In-kind rent expense totaled \$272,041 for the year ended June 30, 2014 (see Note 8).

During the year ended June 30, 2014, the Organization received donations of goods of \$67,032 and food of \$14,876. Total in-kind contributions for the year ending June 30, 2014 were \$982,157.

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

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

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

Use of Estimates

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

Grants and Contracts Receivable

The Organization's grants and contracts receivable are primarily reimbursements due from contracted government grant reimbursement requests. The Organization provides for an allowance for uncollectible receivables based on historical experience. No allowance for uncollectible grants and contracts receivable was recorded at June 30, 2014.

Property and Equipment

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

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

Impairment of Long-Lived Assets

Management assesses the recoverability of its long-lived assets upon the occurrence of a triggering event by determining whether the depreciation of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which impairment is determined by management. At June 30, 2014, management believes there is no impairment of its long-lived assets. There can be no assurance however, that market conditions will not change or demand for the Organization's services will continue, which could result in impairment of long-lived assets in the future. 9

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

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

Deferred Revenue

Deferred revenue is recorded for non-contribution revenue received in advance of the date earned. In addition, contributions or grants received are recorded as deferred revenue if they are subject to significant conditions which must be met before they become unconditional.

Functional Expenses

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

Risks and Uncertainties

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

The Organization's services are funded primarily by HHS, which accounted for approximately 51% of total grants and contracts revenue for the year ended June 30, 2014. Of the Organization's outstanding contracts receivable balance at June 30, 2014, 44% was due from HHS.

Comparative Information

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United State of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived. Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

Note 3. Income Tax Status:

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

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

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ["Fin 48"]). Under FASB ASC 740-10-25, an Organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the Organization's financial statements. The Organization does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2014, there were no interest or penalties recorded or included in the financial statements.

Note 4. Concentration of Credit Risk:

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

Note 5. Property and Equipment:

Property and equipment consist of the following at June 30, 2014

Land	\$	888,842
Buildings		572,040
Building improvements		812,591
Trailer and vehicle		43,799
Furniture and equipment		308,048
		<u>2,625,320</u>
Less: accumulated depreciation		<u>(591,894)</u>
	\$	<u><u>2,033,426</u></u>

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

Note 6. Loan Payable:

On June 27, 2006, the Organization entered into a business loan agreement with California Community Bank ("CCB") in the amount of \$971,250 to fund the acquisition of an office building. The daily outstanding principal balance bears interest at 6.25%. Accrued principal and interest are payable in monthly installments of \$8,377 through June 27, 2021. The note is secured by, among other collateral, a Deed of Trust on the building and building improvements dated June 27, 2006. As of June 30, 2014 the outstanding balance on the note was \$534,714.

Future minimum annual principal payments on the loan payable are as follows:

Years Ending June 30,	
2015	\$ 66,493
2016	70,751
2017	75,447
2018	80,369
2019	85,613
Thereafter	<u>156,041</u>
	<u><u>\$ 534,714</u></u>

Note 7. Line of Credit:

The Organization has an unsecured line of credit agreement with a financial institution, which matures in July 2014. Borrowings under the line of credit agreement are limited to \$250,000. The line of credit bears interest at the rate of 5.0%, subject to fluctuation based on the lender's "Index rate" as defined. There was no outstanding balance under the line as of June 30, 2014.

Note 8. Commitments and Contingencies:

Operating Leases

The Organization leases an office facility from the City of Vista under a non-cancelable operating lease that expires in June 30, 2017. The Organization is charged \$1,500 per month, which is a below-market rent as the services provided by the Organization benefit the City of Vista and its residents. The Organization also leases a facility from the City of Oceanside under a non-cancelable operating lease that expires April 30, 2018. In exchange for the programs, services and activities provided by the Organization, the City does not charge for the use of this property.

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

Note 8. Commitments and Contingencies (continued):

The Organization estimates the fair value of the monthly rent for the City of Vista facility to be \$15,244 and the City of Oceanside facility to be \$6,644. Accordingly, the Organization has recorded \$272,041 of in-kind rental income and expense for the year ended June 30, 2014, in the accompanying statement of activities.

Vista Way

The Organization entered into a new lease agreement in April 2012 to lease office space under a non-cancelable operating lease for a five year period ending August 2017. The organization is charged \$11,557 per month and is set to increase each year on September 1.

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

Years ending June 30,	
2015	\$ 164,939
2016	170,718
2017	175,671
2018	26,416
Total	<u>\$ 537,744</u>

Rent expense (including in-kind rent) amounted to \$452,402 for the year ended June 30, 2014.

Note 9. Guarantees and Indemnities:

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

North County Lifeline, Inc.
Notes to Financial Statements
June 30, 2014

Note 10. Retirement Plan:

The Organization has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code whereby employees may elect to defer a portion of their compensation to be invested in annuity contracts on their behalf. The Organization did not contribute to the plan during the year ended June 30, 2014.

Note 11. Temporarily Restricted Net Assets:

Temporarily Restricted Net Assets are as follows:

	Balance 06/30/13	Received	Used	Balance 06/30/14
Food Pantry	\$ 7,070	\$ 2,500	\$ (3,984)	\$ 5,586
Reading Rocks	-	2,000	(1,686)	314
Healing Though Art	-	17,000	(12,496)	4,504
Project LIFE	-	30,000	(18,955)	11,045
Total	<u>\$ 7,070</u>	<u>\$ 51,500</u>	<u>\$ (37,121)</u>	<u>\$ 21,449</u>

Note 12. Prior period Adjustment:

Management reclassified some prior period amounts due to an adjustment made at the end of fiscal year ended June 30, 2013.

Composition of and changes in net assets, by net asset classification and total, for the year ended June 30, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Total Net Assets
Net assets, June 30, 2013	\$ 2,588,281	\$ -	\$ 2,588,281
Transfers	(7,070)	7,070	-
Net assets, June 30, 2013	<u>\$ 2,581,211</u>	<u>\$ 7,070</u>	<u>\$ 2,588,281</u>

Note 13. Date of Managements Review:

The Organization's management has evaluated subsequent events through September 26, 2014 the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.



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Leonard C. Sonnenberg, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North County Lifeline, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North County Lifeline, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North County Lifeline, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North County Lifeline, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 26, 2014



Sonnenberg & Company, CPAs



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Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited North County Lifeline, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North County Lifeline, Inc.'s major federal programs for the year ended June 30, 2014. North County Lifeline, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 North County Lifeline, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North County Lifeline, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, North County Lifeline, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of North County Lifeline, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North County Lifeline, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North County Lifeline, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

September 26, 2014



Sonnenberg & Company, CPAs

North County Lifeline, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-Thru Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES/ PASS-THROUGH THE COUNTY OF SAN DIEGO			
Teen Pregnancy Prevention Program	93.297	San Diego Youth Services	\$ 168,476
Community-Based Child Abuse Prevention Grants	93.590	County of San Diego	20,811
Promoting Safe and Stable Families	93.556	County of San Diego	240,013
Stephanie Tubbs Jones Child Welfare Services Program	93.645	County of San Diego	35,952
ACA Health Profession Opportunity ACT	93.093	San Diego Workforce Partnership	392,225
Total U.S. Department of Health and Human Services			<u>\$ 857,477</u>
U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICES/PASS-THROUGH THE SAN DIEGO HUNGER COALITION			
State Matching Funds for SNAP	10.561	San Diego Hunger Coalition	\$ 4,384
Total U.S. Department of Agriculture Food and Nutrition Services			<u>\$ 4,384</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Supportive Housing Program	14.235	Community Housing Works	\$ 64,383
Community Development Block Grant	14.218	City of Vista	16,780
Community Development Block Grant	14.218	City of Encinitas	10,755
Community Development Block Grant	14.218	City of San Marcos	27,630
Community Development Block Grant	14.218	City of Vista	40,000
Community Development Block Grant	14.218	County of San Diego	133,855
Community Development Block Grant	14.218	City of Oceanside	17,572
Community Development Block Grant	14.218	City of Escondido	27,546
Total U.S. Department of Housing and Urban Development			<u>\$ 338,521</u>
U.S. DEPARTMENT OF EDUCATION			
Education for Homeless Children and Youth	84.196	City of Vista	\$ 95,986
Total U.S. Department of Education			<u>\$ 95,986</u>
U.S. DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	County of San Diego	\$ 73,158
Total U.S. Department of Justice			<u>\$ 73,158</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Social Innovation Fund	94.019	LISC San Diego	\$ 71,493
Total Corporation for National and Community Services			<u>\$ 71,493</u>
Total Federal Awards			<u><u>\$ 1,441,019</u></u>

See Independent Auditors Report

North County Lifeline, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2014

Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2014

Note A: Basis of Presentation

The Schedule presents total federal awards expended for each individual federal program in accordance with OMB Circular A-133. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA).

Note B: Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the Schedule on the accrual basis of accounting.

North County Lifeline, Inc.
Schedule of Findings and Questioned Costs
Summary of Auditor's Results
Year Ended June 30, 2014

A . Summary of Auditor's Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of North County Lifeline, Inc.
2. No material weaknesses relating to the audit of the financial statements were identified in the Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No significant deficiencies relating to the audit of the financial statements were identified in the Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No instances of noncompliance material to the financial statement were noted.
5. No material weaknesses relating to the major federal award programs were identified in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133.
6. No significant deficiencies relating to the major federal award programs were identified in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required By OMB Circular A-133.
7. The independent auditors' report on compliance for the major federal award programs for the auditee expresses an unmodified opinion.
8. There were no findings relative to the major federal award programs for the auditee that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
9. The programs tested as major programs include:

	<u>CFDA Number</u>
U.S. Department of Health and Human Services/Pass-through the San Diego Youth Services: Teen Pregnancy Prevention Program	93.297
U.S. Department of Health and Human Services/Pass-through the San Diego Workforce Partnership: ACA Health Profession Opportunity ACT	93.093

North County Lifeline, Inc.
Schedule of Findings and Questioned Costs (continued)
Summary of Auditor's Results
Year Ended June 30, 2014

10. The threshold for distinguishing Type A and B programs was \$300,000.
11. The auditee was considered to be a low-risk auditee for the year ended June 30, 2014.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

D. Schedule of Prior Year Findings and Questioned Costs

None.