



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

December 14, 2023

Birthline of San Diego County, Inc.
3660 Clairemont Drive
San Diego, CA 92117

Transmittal Letter

Bob,

Enclosed is a copy of the audited financial statements. Please give us a call if you have any questions. We look forward to providing continued services in future years.

Very truly yours,

Sonnenberg & Company, CPAs



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Birthline of San Diego County, Inc. Audited Financial Statements December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Birthline of San Diego County, Inc.

Opinion

We have audited the accompanying financial statements of Birthline of San Diego County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birthline of San Diego County, Inc. as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Birthline of San Diego County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Birthline of San Diego County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Birthline of San Diego County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Birthline of San Diego County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Birthline of San Diego County, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 30, 2023

Sonnenberg & Company, CPAs

Birthline of San Diego County, Inc.
Statement of Financial Position
December 31, 2022
(With Comparative Totals for December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS:		
	\$ 388,875	\$ 292,135
Cash	-	22,425
Accounts receivable	-	2,875
Prepaid expenses	<u>388,875</u>	<u>317,435</u>
TOTAL ASSETS		
 LIABILITIES:		
	\$ 3,600	\$ -
Accounts payable	<u>7,244</u>	<u>7,503</u>
Accrued payroll	<u>10,844</u>	<u>7,503</u>
TOTAL LIABILITIES		
 NET ASSETS:		
Without donor restrictions	373,210	309,932
With donor restrictions	<u>4,821</u>	<u>-</u>
TOTAL NET ASSETS	<u>378,031</u>	<u>309,932</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 388,875</u>	<u>\$ 317,435</u>

See Accompanying Notes and Independent Auditor's Report

Birthline of San Diego County, Inc.

Statement of Activities

For the Year Ended December 31, 2022

(With Summarized Comparative Financial Information for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
REVENUE:				
Contributions	\$ 270,700	\$ 7,000	\$ 277,700	\$ 208,701
Grants	58,745		58,745	122,911
Paycheck protection program	-		-	13,025
Gifts in-kind	258,594		258,594	317,507
Interest	43		43	10
Released from restriction	2,179	(2,179)	-	-
TOTAL REVENUE	<u>590,261</u>	<u>4,821</u>	<u>595,082</u>	<u>662,154</u>
EXPENSES:				
PROGRAM SERVICES:	475,170		475,170	482,430
SUPPORT SERVICES:				
Management and general	23,305		23,305	71,197
Fundraising	28,508		28,508	11,812
TOTAL SUPPORT SERVICES	<u>51,813</u>	<u>-</u>	<u>51,813</u>	<u>83,009</u>
TOTAL EXPENSES	<u>526,983</u>	<u>-</u>	<u>526,983</u>	<u>565,439</u>
CHANGE IN NET ASSETS	63,278	4,821	68,099	96,715
NET ASSETS				
BEGINNING NET ASSETS	<u>309,932</u>	<u>-</u>	<u>309,932</u>	<u>216,238</u>
ADJUSTMENT FOR ACCRUED EXPENSES	-	-	-	(3,021)
RESTATED BEGINNING NET ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,217</u>
ENDING NET ASSETS	<u>\$ 373,210</u>	<u>\$ 4,821</u>	<u>\$ 378,031</u>	<u>\$ 309,932</u>

See Accompanying Notes and Independent Auditor's Report

Birthline of San Diego County, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	Program Services	Management & General	Fundraising	Total 2022	2021
Salary and wages	\$ 155,399	\$ -	\$ -	\$ 155,399	\$ 162,519
Payroll taxes	13,855	-	-	13,855	15,997
Benefits	3,980	-	-	3,980	1,937
	173,234	-	-	173,234	180,453
Accounting services		7,500		7,500	6,400
Advertising and promotion			11,515	11,515	665
Bank fees			5,636	5,636	2,078
Client services	5,600			5,600	2,523
Contract Services	2,853	2,100		4,953	-
Information technology		763		763	2,259
Insurance	1,725	2,499		4,224	4,680
Miscellaneous		660		660	1,645
Printing and postage			11,357	11,357	9,807
Rent	27,416	3,047		30,463	27,515
Staff development		4,750		4,750	2,966
Supplies		1,347		1,347	1,099
Utilities	5,748	639		6,387	5,842
Gifts in-kind - program supplies	258,594			258,594	317,507
Total Expenses	\$ 475,170	\$ 23,305	\$ 28,508	\$ 526,983	\$ 565,439

See Accompanying Notes and Independent Auditor's Report

Birthline of San Diego County, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS	\$ 68,099	\$ 96,715
 CASH FLOWS FROM OPERATING ACTIVITIES:		
Adjustments to reconcile Change in Net Assets to net cash provided (used) by operations:		
Decrease (increase) in:		
Accounts receivable	22,425	(22,425)
Prepaid expense and deposits	2,875	(2,875)
Increase (decrease) in:		
Accounts payable	3,600	-
Accrued payroll	<u>(259)</u>	<u>4,482</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>96,740</u>	 <u>75,897</u>
 NET CHANGE IN CASH	 96,740	 75,897
CASH AT BEGINNING OF YEAR	<u>292,135</u>	<u>216,238</u>
CASH AT END OF YEAR	<u>\$ 388,875</u>	<u>\$ 292,135</u>

See Accompanying Notes and Independent Auditor's Report

Birthline of San Diego County, Inc.

Notes to Financial Statements

December 31, 2022

Note 1. Organization and Purpose:

Nature of Activities

Birthline of San Diego County, Inc. (the Organization) is a nonprofit organization incorporated on August 17, 1982 in California. The Organization provides life-affirming support and resources to low-income pregnant women and families with young children, many of whom are facing extreme hardships in addition to poverty. The Organization helps bridge the gap for families who are struggling with resources. During monthly visits, each client's needs are assessed during confidential, one-on-one case management consults. Free supplies like diapers, clothing, food, formula, breastfeeding supplies and many other baby items are distributed. In addition, clients are referred to other public and private organizations for help with the most basic of needs like safe housing, education, job training, food and medical care.

The Organization is funded primarily through donor contributions with approximately two thirds from individuals and one third from other organizations.

Income Taxes

Birthline of San Diego County, Inc. is a not-for-profit corporation organized under the laws of the State of California. The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California State Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

Management has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the year ended December 31, 2022. The Organization's management has evaluated its tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. Accordingly, there are no tax positions that qualify for recognition or disclosure in the financial statements.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). As such, they reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2022

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

Basis of Presentation, continued

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreased in net assets without donor restrictions. When a restriction expires (that is, when the stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the Statement of Activities as net assets released from restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restrictions or by law.

The Organization had \$4,821 in net assets with donor restrictions as of December 31, 2022.

Recently Adopted Accounting Pronouncements

Leases

During 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expiring or existing contracts to determine whether that are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not result in a significant effect on financial statements for the year ended December 31, 2022.

Contributed Nonfinancial Assets

In September 2020, FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

In 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended December 31, 2022.

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 and disclosures, actual results could differ from those estimates under different assumptions or conditions.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2022

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

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible amounts. The allowance, if any, is established based on factors such as historical experience and the age of the account balances. Accounts receivable as of December 31, 2022 are fully collectible, therefore, no allowance for uncollectible accounts has been recorded. All amounts are due within one year.

Equipment

Equipment is carried at cost or, if donated, at the approximate fair market value at date of donation. The Organization capitalizes expenditures for equipment in excess of \$2,000. Depreciation is calculated on the straight-line method over the useful lives of the assets.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give that is in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grant and contract revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of space utilized and estimates made by the Organization's management. During 2022, all paid employees were program staff. Management and fundraising activities were performed by volunteers.

Fundraising Costs

Fundraising costs are expensed as incurred.

Leases

The Organization determines if an arrangement is or contains a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefit from, the use of an asset for a period of time in exchange for consideration.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2022

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

Leases (continued)

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Donated Services and Material

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America.

Donated professional services are recorded at the respective fair values of the services received if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Contributed goods are recorded at fair value on the date of donation. (See Note 6)

Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principal generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Note 3. Concentration of Credit Risk

The Organization maintains cash balances at one financial institution located in San Diego, California. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balance in the Organization's bank accounts may exceed federally insured deposit limits. The Organization has not experienced any losses in such accounts.

Note 4. Liquidity and Availability

The Organization has financial assets of \$384,054 available within one year of the statement of financial position date to meet cash needs for general expenditures. This consists of cash of \$388,875 less donor restricted funds of \$4,821.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2022

Note 4. Liquidity and Availability (continued)

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

Note 5. Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization uses the risk-free rate in determining the present value of future lease payments. The discount rate applied to calculate lease liabilities as of January 1, 2022, was 1.7%.

The Organization entered into a short-term lease agreement for office space through November 2023.

For the year ended December 31, 2022, the total short term lease cost is \$30,463.

Note 6. Contributed Non-Financial Assets

For the year ended December 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Diapers and wipes	\$ 88,522
Baby items	54,700
Clothing and toys	48,900
Food and formula	41,472
Baby equipment	15,000
Feminine products	<u>10,000</u>
Total	<u>\$ 258,594</u>

Donated supplies were used for client services. Donated items are valued and reported at the estimated fair value in the financial statements based on current rates for similar products.

The Organization's policy related to gifts-in-kind is to utilize the assets received to carry out the mission of the Organization. All gifts-in-kind received by the Organization for the year ended December 31, 2022, were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2022

Note 7. Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions are for the following purposes or periods:

Subject to expenditure for specific purpose:

Car seats and cribs	\$ 4,785
Formula	36
	<u>\$ 4,821</u>

Note 8. Prior Period Adjustment

Previously issued financial statements were presented on the cash basis of accounting. In 2021, the Organization adopted the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The result was an understatement of previously reported expenses. Accordingly, an adjustment of \$3,021 was made during 2021 to correct expenses as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets.

Note 9. Date of Managements Review:

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the statement of financial position date and before the financial statements are available to be issued.

Management evaluated subsequent events through November 30, 2023, the date on which the financial statements were available to be issued and determined that no additional disclosures are required.