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Leonard C. Sonnenberg, CPA

Birthline of San Diego County, Inc. Audited Financial Statements December 31, 2023

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Sonnenberg & Company, CPAs

December 2, 2024

Birthline of San Diego County, Inc.
Statement of Financial Position
December 31, 2023
(With Comparative Totals for December 31, 2022)

ASSETS:	<u>2023</u>	<u>2022</u>
Cash	\$ 419,015	\$ 388,875
Prepaid expenses	<u>6,320</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 425,335</u>	<u>\$ 388,875</u>
LIABILITIES:		
Accounts payable	\$ 1,859	\$ 3,600
Accrued payroll	<u>7,914</u>	<u>7,244</u>
TOTAL LIABILITIES	<u>9,773</u>	<u>10,844</u>
NET ASSETS:		
Without donor restrictions	407,942	373,210
With donor restrictions	<u>7,620</u>	<u>4,821</u>
TOTAL NET ASSETS	<u>415,562</u>	<u>378,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 425,335</u>	<u>\$ 388,875</u>

See notes to the financial statements

Birthline of San Diego County, Inc.

Statement of Activities

For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Total 2022</u>
REVENUE:				
Contributions	\$ 286,051	\$ -	\$ 286,051	\$ 277,700
Grants	20,000	5,250	25,250	58,745
Contributed nonfinancial assets	274,530	-	274,530	258,594
Interest	3,809	-	3,809	43
Released from restriction	2,451	(2,451)	-	-
TOTAL REVENUE	<u>586,841</u>	<u>2,799</u>	<u>589,640</u>	<u>595,082</u>
EXPENSES:				
PROGRAM SERVICES:	450,089	-	450,089	475,170
SUPPORT SERVICES:				
Management and general	69,691	-	69,691	23,305
Fundraising	32,329	-	32,329	28,508
TOTAL SUPPORT SERVICES	<u>102,020</u>	<u>-</u>	<u>102,020</u>	<u>51,813</u>
TOTAL EXPENSES	<u>552,109</u>	<u>-</u>	<u>552,109</u>	<u>526,983</u>
CHANGE IN NET ASSETS	34,732	2,799	37,531	68,099
NET ASSETS				
BEGINNING NET ASSETS	<u>373,210</u>	<u>4,821</u>	<u>378,031</u>	<u>309,932</u>
ENDING NET ASSETS	<u>\$ 407,942</u>	<u>\$ 7,620</u>	<u>\$ 415,562</u>	<u>\$ 378,031</u>

See notes to the financial statements

Birthline of San Diego County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total 2023</u>	<u>Total 2022</u>
Salary and wages	\$ 117,933	\$ 40,385	\$ -	\$ 158,318	\$ 155,399
Payroll taxes	10,601	3,634	-	14,235	13,855
Benefits	688	-	-	688	3,980
	<u>129,222</u>	<u>44,019</u>	<u>-</u>	<u>173,241</u>	<u>173,234</u>
Accounting services	-	5,750	-	5,750	7,500
Advertising and promotion	-	-	25,706	25,706	11,515
Bank/Service fees	-	830	942	1,772	5,636
Client services	11,602	-	-	11,602	5,600
Contract Services	-	5,692	-	5,692	4,953
Information technology	-	333	-	333	763
Insurance	-	1,084	-	1,084	4,224
Miscellaneous	-	1,046	-	1,046	660
Printing and postage	-	1,485	1,536	3,021	11,357
Occupancy	34,735	3,859	-	38,594	36,850
Staff development	-	-	4,145	4,145	4,750
Supplies	-	5,593	-	5,593	1,347
Gifts in-kind - program supplies	274,530	-	-	274,530	258,594
	<u>450,089</u>	<u>69,691</u>	<u>32,329</u>	<u>552,109</u>	<u>526,983</u>
Total Expenses	<u>\$ 450,089</u>	<u>\$ 69,691</u>	<u>\$ 32,329</u>	<u>\$ 552,109</u>	<u>\$ 526,983</u>

See notes to the financial statements

Birthline of San Diego County, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for December 31, 2022)

	<u>2023</u>	<u>2022</u>
CHANGE IN NET ASSETS	\$ 37,531	\$ 68,099
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
Prepaid expense and deposits	(6,320)	2,875
Increase (decrease) in:		
Accounts payable	(1,741)	3,600
Accrued payroll	<u>670</u>	<u>(259)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>30,140</u>	 <u>96,740</u>
 NET CHANGE IN CASH	 30,140	 96,740
 CASH AT BEGINNING OF YEAR	 <u>388,875</u>	 <u>292,135</u>
 CASH AT END OF YEAR	 <u>\$ 419,015</u>	 <u>\$ 388,875</u>

See notes to the financial statements

Birthline of San Diego County, Inc.

Notes to Financial Statements

December 31, 2023

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, baby 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 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, 2023. 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, 2023

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 \$7,620 in net assets with donor restrictions as of December 31, 2023.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

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, 2023 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.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2023

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

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.

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.

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 lease 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.

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated items. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to 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 generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Birthline of San Diego County, Inc.
Notes to Financial Statements
December 31, 2023

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

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, 2022, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326). The guidance requires entities to record an allowance for expected credit losses over the contractual term of certain financial assets, including trade receivables and contract assets, and expands disclosure requirements for credit quality of financial assets. The Organization adopted this standard effective January 1, 2023 using the modified retrospective method. The adoption of this standard did not have a material impact on the financial statements and disclosures.

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 \$411,395 available within one year of the statement of financial position date to meet cash needs for general expenditures. This consists of cash of \$419,015 less donor restricted funds of \$7,620.

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.

Birthline of San Diego County, Inc.

Notes to Financial Statements

December 31, 2023

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, 2023, the total short term lease cost is \$31,200.

Note 6. Contributed Non-Financial Assets

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the statement of activities included:

Baby gift bags	\$	90,750
Clothing and toys		61,046
Food and formula		46,152
Diapers and wipes		41,972
Baby Furniture		26,675
Baby equipment		3,685
Gift cards		2,480
Hygiene products		1,770
Total	\$	<u>274,530</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, 2023, 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, 2023

Note 7. Net Assets With Donor Restrictions

As of December 31, 2023, net assets with donor restrictions are for the following purposes or periods:

Subject to expenditure for specific purpose:

Furniture	\$	5,250
Car seats and cribs		2,370
	\$	<u>7,620</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors, are as follows for the year ended December 31, 2023:

Purpose restriction accomplished:

Car seats and cribs	\$	2,415
Formula		36
	\$	<u>2,451</u>

Note 8. Subsequent Event and Date of Management's 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 December 2, 2024, the date on which the financial statements were available to be issued.

In March 2024, the Organization entered into a 63 month lease for office space, commencing June 1, 2024.

Management is not aware of any other subsequent events or transactions that would have a material impact on, or require disclosure in, the current financial statements.