

SOUTH COUNTY OUTREACH

Financial Statements
With Independent Auditors' Report
and
Federal Awards
In Accordance with the Uniform Guidance

Year Ended December 31, 2021

SOUTH COUNTY OUTREACH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South County Outreach
Irvine, California



Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of South County Outreach, which comprise the statement of financial position as of December 31, 2021 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 South County Outreach as of December 31, 2021 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of South County Outreach 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.

Emphasis of Matter

As described in Note 10 to the financial statements, South County Outreach, identified an adjustment pertaining to government grants receivable, revenue, and change in net assets for the year ended December 31, 2020. Accordingly, these amounts for year ended December 31, 2020 have been restated to reflect this change. Our opinion has not been modified with respect to this matter.

Responsibilities of Management 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, 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 South County Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 and Government 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 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 and *Government 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 South County Outreach'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 South County Outreach'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of South County Outreach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of South County Outreach's 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 South County Outreach's internal control over financial reporting and compliance.



Brea, California
September 29, 2022

SOUTH COUNTY OUTREACH

Statement of Financial Position

December 31, 2021

ASSETS:

Current assets:

Cash and cash equivalents	\$	935,658
Investments		364,795
Grants and other receivables		421,888
Inventory		174,300
Prepaid expenses and other assets		67,620
		<u>1,964,261</u>

Property, furniture and equipment, net		<u>759,614</u>
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Total Assets	\$	<u><u>2,723,875</u></u>
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LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable	\$	35,552
Accrued liabilities		83,968
Deferred revenue		23,926
Notes payable - current portion		15,872
		<u>159,318</u>

Notes payable, net		<u>69,017</u>
Total liabilities		<u>228,335</u>

Net assets:

Without donor restrictions		2,202,111
With donor restrictions		293,429
Total net assets		<u>2,495,540</u>

Total Liabilities and Net Assets	\$	<u><u>2,723,875</u></u>
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See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:			
Contributions	\$ 1,151,114	\$ 689,971	\$ 1,841,085
Gifts in kind	1,383,340	-	1,383,340
Government grant revenue	-	989,521	989,521
Thrift store sales	300,402	-	300,402
Rental income	122,675	-	122,675
Gain on extinguishment of debt	110,841	-	110,841
Other income	1,680	-	1,680
Loss on disposal of assets	(8,571)	-	(8,571)
Net assets released from restrictions	1,386,063	(1,386,063)	-
Total Support, Revenue, and Reclassifications	<u>4,447,544</u>	<u>293,429</u>	<u>4,740,973</u>
EXPENSES:			
Program activities	3,880,323	-	3,880,323
Supporting services:			
General and administrative	335,782	-	335,782
Fundraising	152,414	-	152,414
Total expenses	<u>4,368,519</u>	<u>-</u>	<u>4,368,519</u>
Change in Net Assets	79,025	293,429	372,454
Net Assets, Beginning of Year - Restated	<u>2,123,086</u>	<u>-</u>	<u>2,123,086</u>
Net Assets, End of Year	<u>\$ 2,202,111</u>	<u>\$ 293,429</u>	<u>\$ 2,495,540</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Activities	Supporting Services			Total
		General and Administrative	Fundraising	Subtotal	
Grants:					
Gifts in kind	\$ 1,344,973	\$ -	\$ -	\$ -	\$ 1,344,973
Rental and utility assistance	520,624	-	-	-	520,624
	<u>1,865,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,865,597</u>
Salaries and benefits	1,074,109	179,018	25,574	204,592	1,278,701
Rent expense	222,883	24,765	-	24,765	247,648
Professional services	140,949	3,719	-	3,719	144,668
Utilities	119,615	8,722	-	8,722	128,337
Office supplies	88,813	34,646	-	34,646	123,459
Depreciation	89,888	14,981	2,140	17,121	107,009
Occupancy	78,474	13,079	1,868	14,947	93,421
Food	81,269	-	-	-	81,269
Advertising	-	-	77,541	77,541	77,541
Transportation and travel	36,571	9,143	-	9,143	45,714
Events	-	-	45,291	45,291	45,291
Licenses	-	30,532	-	30,532	30,532
Insurance	23,718	5,930	-	5,930	29,648
Other expenses	58,437	11,247	-	11,247	69,684
	<u>\$ 3,880,323</u>	<u>\$ 335,782</u>	<u>\$ 152,414</u>	<u>\$ 488,196</u>	<u>\$ 4,368,519</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Cash Flows

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 372,454
Adjustments to reconcile change in net assets	
Depreciation expense	107,009
Gain on extinguishment of debt	(110,841)
Realized and unrealized loss on investments	490
Loss on disposal of land, buildings, and equipment	8,571
Changes in:	
Grants and other receivables	(150,429)
Inventory	(37,950)
Prepaid expenses and other assets	(10,987)
Accounts payable	25,450
Accrued liabilities	53,273
Deferred revenue	(176,095)
Net Cash Provided by Operating Activities	<u>80,945</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, furniture and equipment	(49,381)
Proceeds from sale of investments	2,622
Purchases of investments	(2,641)
Net Cash Used in Investing Activities	<u>(49,400)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on notes payable	<u>(3,811)</u>
Net Cash Used in Financing Activities	<u>(3,811)</u>

Net change in Cash and Cash Equivalents	27,734
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Cash and Cash Equivalents, Beginning of Year	<u>907,924</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 935,658</u></u>
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SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTION:

Vehicles acquired through notes payable	<u><u>\$ 88,700</u></u>
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Forgiveness of the Paycheck Protection Program loan	<u><u>\$ 110,841</u></u>
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See notes to financial statements

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

1. **NATURE OF ORGANIZATIONS:**

South County Outreach (formerly Saddleback Community Outreach) was incorporated in 1988 as a California nonprofit public benefit corporation. South County Outreach (the Organization) provides comprehensive homeless prevention and transitional housing services to south Orange County families and individuals.

The Organization operates certain programs under contracts with various federal and non-federal government agencies which provide reimbursement up to a fixed maximum for the cost of contract services performed. The Organization is also awarded specific purpose grants.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, money market accounts, and cash on deposit. These accounts may at times exceed federally insured limits. At December 31, 2021, the Organization's cash balances exceeded federally insured limits by approximately \$572,000. However, the Organization has not experienced any losses in such accounts.

INVESTMENTS

Investments consist of mutual funds. Realized and unrealized gains and losses are recognized when earned and reported with other income on the statement of activities.

FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy that prioritizes the valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the investments. The Organizations use appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organizations measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS, continued

At December 31, 2021, the Organization's mutual funds had readily determinable fair values and are classified as Level 1 of the fair value hierarchy.

GRANTS AND OTHER RECEIVABLES

Grants and accounts receivable consist primarily of grants receivable from government entities and private foundations. All amounts are expected to be collected within one year. Balances that remain outstanding after reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. For the year ended December 31, 2021, management has evaluated the collectability of the receivables determining to be fully collectible, and the balance in the allowance for doubtful accounts was \$0.

Grants receivable includes a receivable for the Employee Retention Credit (ERC) in the amount of \$56,382. Management believes the ERC will be collected during the year ending December 31, 2022; therefore, no allowance has been recorded. However, laws and regulations concerning government programs, including the ERC, established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

INVENTORY

Inventory consists of donated goods such as apparel, clothing, houseware, and similar merchandise. Inventories are valued at the estimated fair value which is an estimate of the net value to be realized. Sales and the corresponding cost of sales of donated merchandise are recorded as an exchange transaction in the statement of activities.

PROPERTY, FURNITURE AND EQUIPMENT, NET

Property, furniture and equipment purchased in excess of \$500 with a useful life in excess of three years are capitalized at cost or, if donated, at the estimated fair market value at the date of donation. Property, furniture and equipment donated with restrictions regarding their use and contributions of cash to acquire property, furniture and equipment are reported as restricted support. The restriction is considered to be met when the property, furniture or equipment are placed in service. Depreciation is recorded using the straight-line method over the estimated useful lives. The range of estimated useful lives of asset categories are buildings 27.5 years, furniture and equipment 5 to 10 years, and vehicles 5 years.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The net assets of the Organization have been reported in the following class:

Net assets without donor restrictions include resources that are currently available at the discretion of management for use in operations and those resources designated by the board for specific projects or purposes.

Net assets with donor restrictions consist of resources which are restricted by donors for various projects.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash or unconditional promises are made or received. Contributions restricted by the donor for a specific purpose are recorded as net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose restrictions.

Grant contract funds received from U.S. Department of Housing and Urban Development, the State of California, and various other grantor agencies have been categorized as conditional contributions and are recognized when the performance obligations are satisfied (i.e. when the funds are spent on allowable costs and/or the service is performed) and expenses are recognized when incurred.

During the year ended December 31, 2021, the Organization recognized approximately \$1,383,000 of donated food and services made up of skilled consultants. In addition a significant portion of the Organization's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and general and administrative activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited. There are certain categories of expenses that are attributed to more than one program or supporting function therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs including salaries and benefits have been allocated based on time and effort by employees for payroll costs and square footage for utilities and depreciation. For the year ended December 31, 2021 there were no joint costs.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

3. LIQUIDITY:

As part of liquidity management, the Organization has put a policy in place to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at December 31, 2021:

Financial assets:

Cash and cash equivalents	\$ 935,658
Investments	364,795
Grants and other receivables	<u>421,888</u>

Financial assets available within one year to meet general cash expenditures	<u><u>\$ 1,722,341</u></u>
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The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short term investments, including mutual funds.

4. PROPERTY, FURNITURE AND EQUIPMENT, NET:

Property, furniture and equipment, net as of December 31, 2021 consist of:

Residential buildings *	\$ 1,946,935
Leasehold improvements	134,134
Office equipment	154,929
Vehicles	<u>180,422</u>
	2,416,420
Less accumulated depreciation	<u>(1,656,806)</u>
Total property, furniture and equipment, net	<u><u>\$ 759,614</u></u>

* Residential buildings consist of 17 condominium units of which the land is not owned. As required under the terms of grants, certain of the Organization's residential rental properties with an approximate aggregate cost of \$1,800,000 are to be used for transitional housing for families and individuals meeting specified eligibility requirements.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

5. NOTES PAYABLE:

Notes payable as of December 31, 2021 consists of:

The Organization entered into a vehicle loan. The loan has an interest rate of 3.74% and matures in June 2026. Total principal and interest payments of \$660 are due monthly. \$ 32,179

The Organization entered into a vehicle loan. The loan has an interest rate of 2.94% and matures in February 2027. Total principal and interest payments of \$947 are due monthly. 52,710
84,889

Less current maturities (15,872)

Long-term portion of notes payable \$ 69,017

Annual maturities are as follows:

Year Ending December 31,

2022	\$ 15,872
2023	17,302
2024	17,876
2025	18,469
2026	14,422
Thereafter	948
	<u>\$ 84,889</u>

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

6. **NET ASSETS:**

Net assets with donor restrictions as of December 31, 2021 consist of:

Homeless Prevention	\$ 222,344
Food Program	67,618
Fund Development - Backpacks	<u>3,467</u>
	<u><u>\$ 293,429</u></u>

7. **RETIREMENT PLAN:**

The Organization has established a 403(b) contributory retirement contribution plan covering substantially all full-time employees. Employer contributions are determined by the Board of Directors and was 1% of gross wages for the year ended December 31, 2021. Retirement contribution expense under this plan for the year ended December 31, 2021, was approximately \$8,000, and included in benefits on the statement of functional expenses.

8. **LEASES:**

The Organization leases office space for its operations and food pantry as well as retail space for its thrift store. The average monthly payments are approximately \$20,600. Total rental expense amounted to approximately \$248,000 for the year ended December 31, 2021. The minimum future payments are:

<u>Year Ending December 31,</u>	
2022	\$ 202,708
2023	174,538
2024	130,679
2025	<u>11,217</u>
	<u><u>\$ 519,142</u></u>

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

9. **RISKS AND UNCERTAINTIES:**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

In April 2020, the Organization obtained a loan for \$110,841 from the U.S. Small Business Administration (SBA), pursuant to the Paycheck Protection Program (PPP) under the CARES Act. In April 2021, the SBA granted forgiveness of the loan and the Organization recognized this a gain on extinguishment of debt on the statement of activities.

10. **OTHER COMMITMENTS AND CONTINGENCIES:**

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur will not materially affect the Organization's financial statements.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2021

11. **PRIOR PERIOD ADJUSTMENT:**

During the year ended December 31, 2021, management applied for the ERC related to the COVID-19 pandemic. ERC related to expenses incurred during the year ended December 31, 2020, have been recorded in the year incurred, resulting in a prior period adjustment. The impact of this restatement on the financial statements is as follows:

	<u>As Previously Stated</u>	<u>Prior Period Restatement</u>	<u>As Restated</u>
Grants and other receivables	\$ 365,506	\$ 56,382	\$ 421,888
Government grant revenue	\$ 989,521	\$ 56,382	\$ 1,045,903
Change in net assets without donor restrictions	\$ 97,950	\$ 56,382	\$ 154,332
Change in total net assets	\$ 97,950	\$ 56,382	\$ 154,332
Net assets without donor restrictions	\$ 2,066,704	\$ 56,382	\$ 2,123,086

12. **SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through September 29, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

FEDERAL AWARDS



**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Directors
South County Outreach
Irvine, California

We have audited the financial statements of South County Outreach as of and for the year ended December 31, 2021 and our report thereon dated September 29, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 16 - 18, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, 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.

Capin Crouse LLP

Brea, California
September 29, 2022

SOUTH COUNTY OUTREACH

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
CDBG-Entitlement Grants Cluster *					
Community Development Block Grant	14.218				
Pass through from City of Irvine			11126	\$ -	\$ 24,900
Pass through from City of Irvine			11325	-	6,028
Pass through from City of Laguna Niguel			B-20-MW-06-0590	-	14,707
Pass through from City of Lake Forest			B-20-MW-06-0584	-	36,513
Pass through from City of Mission Viejo			B-20-MC-06-0585	-	5,650
Pass through from City of Mission Viejo			B-21-MC-06-0585	-	5,250
Pass through from City of Rancho Santa Margarita		B-21-MC-06-0598	2021-8	-	15,337
					<u>108,385</u>
COVID-19 Community Development Block Grant	14.218				
Pass through from City of Aliso Viejo			B-20-MW-06-0606	-	21,045
Pass through from City of Irvine			11312	-	182,100
Pass through from City of Laguna Niguel			B-20-MC-06-0590	-	18,802
Pass through from City of Lake Forest			B-20-MC-06-0584	-	36,704
Pass through from City of Mission Viejo		B-20-MW-06-0585	CBDG-CV-7	-	38,897
Pass through from City of Rancho Santa Margarita			B-20-MW-06-0598	-	3,549
					<u>301,097</u>
Total CDBG-Entitlement Grant Cluster					<u>409,482</u>

See notes to schedule of expenditures of federal awards

SOUTH COUNTY OUTREACH

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, continued					
Emergency Solutions Grant	14.231				
Pass through from City of Irvine			11335	-	53,477
Pass through from Family Solutions Collaborative			MOU	-	17,572
					71,049
COVID-19 Emergency Solutions Grant	14.231				
Pass through from City of Irvine			11106	-	126,694
Total Emergency Solutions Grant					197,743
Total U.S. Department of Housing and Urban Development					607,225
U.S. DEPARTMENT OF THE TREASURY:					
COVID-19 Emergency Rental Assistance Program	21.023				
Passed through from Family Assistance Ministries			MOU	-	163,542
Passed through from Local Initiatives Support Corporation			N/A	-	43,143
Passed through the City of Santa Ana			N/A	-	45,740
Total Emergency Rental Assistance Program					252,425
Total U.S. Department of Treasury					252,425

See notes to schedule of expenditures of federal awards

SOUTH COUNTY OUTREACH

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF THE HEALTH AND HUMAN SERVICES:					
Temporary Assistance to Needy Families	93.558				
Pass through Equus Workforce Solutions			N/A	-	42,371
Total U.S. Department of Health and Human Services					42,371
U.S. DEPARTMENT OF HOMELAND SECURITY:					
Emergency Food and Shelter National Board Program	97.024				
Pass through from Orange County			078600-042	-	50,000
COVID-19 Emergency Food and Shelter National Board Program	97.024				
Pass through from Orange County			078600-042	-	37,500
Total Emergency Food and Shelter National Board Program					87,500
Total U.S. Department of Homeland Security					87,500
Total Expenditures of Federal Awards					\$ 989,521

* Major program

See notes to schedule of expenditures of federal awards

SOUTH COUNTY OUTREACH

Notes to Schedule of Expenditures of Federal Awards

December 31, 2021

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of South County Outreach (Organization) under programs of the federal government for the year ending December 31, 2021. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If the Organization is required to match certain federal assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. INDIRECT COST RATE:

The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance when allowed by grant agreements.

3. RELATIONSHIP TO FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards	\$ 989,521
Government grants per statement of activities	<u>\$ 989,521</u>

4. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The Organization did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, or loan guarantees. The Organization did receive a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in the amount of \$110,841. (See Note 9 to the financial statements) The SBA has indicated that PPP loans are not subject to Uniform Guidance audit requirements and therefore, the PPP loan is not included in the schedule.



**INDEPENDENT AUDITORS' 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**

Board of Directors
South County Outreach
Irvine, California

We have audited, 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, the financial statements of South County Outreach (Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Board of Directors
South County Outreach
Irvine, California

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 financial statements. 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.

Capin Crouse LLP

Brea, California
September 29, 2022

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
South County Outreach
Irvine, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South County Outreach's (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South County Outreach 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Capin Crouse LLP

Brea, California
September 29, 2022

SOUTH COUNTY OUTREACH

Schedule of Findings and Questioned Costs

December 31, 2021

Section I - Summary of Audit Results

Financial Statements:

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified that are not considered a material weakness? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified that are not considered a material weakness? _____ yes ✓ none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)? _____ yes ✓ no

Identification of major program(s):

Assistance Listing Numbers
14.218

Name of Federal Program or Cluster
CDBG-Entitlement Grants Cluster

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

Auditee qualified as low-risk auditee? _____ yes ✓ no

SOUTH COUNTY OUTREACH

Schedule of Findings and Questioned Costs

December 31, 2021

Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.