

# SOUTH COUNTY OUTREACH

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

Year Ended December 31, 2022

# 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 audits. 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 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.

Board of Directors  
South County Outreach  
Irvine, California

***Auditors' Responsibilities for the Audit of the Financial Statements, continued***

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 July 18, 2023 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.

*Capin Crouse LLP*

Ontario, California  
July 18, 2023

# SOUTH COUNTY OUTREACH

## Statements of Financial Position

	December 31,	
	2022	2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 929,758	\$ 935,658
Investments	364,515	364,795
Grants and other receivables	196,509	421,888
Inventory	275,970	174,300
Prepaid expenses and other assets	87,034	67,620
Operating leases–right-of-use assets - current portion	237,978	-
Financing leases–right-of-use assets - current portion	5,936	-
	2,097,700	1,964,261
Operating leases–right-of-use assets	1,063,029	-
Financing leases–right-of-use assets	10,389	-
Property, furniture and equipment, net	809,137	759,614
	\$ 3,980,255	\$ 2,723,875
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 21,293	\$ 35,552
Accrued liabilities	83,886	83,968
Deferred revenue	125,157	23,926
Operating lease obligations - current portion	252,481	-
Financing lease obligations - current portion	6,083	-
Notes payable - current portion	42,121	15,872
	531,021	159,318
Operating lease obligations	1,088,496	-
Financing lease obligations	10,364	-
Notes payable, net	51,706	69,017
Total liabilities	1,681,587	228,335
Net assets:		
Without donor restrictions	2,201,967	2,202,111
With donor restrictions	96,701	293,429
Total net assets	2,298,668	2,495,540
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,980,255</b>	<b>\$ 2,723,875</b>

See notes to financial statements

# SOUTH COUNTY OUTREACH

## Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 998,254	\$ 594,606	\$ 1,592,860	\$ 1,238,614	\$ 689,971	\$ 1,841,085
Gifts in kind	1,958,351	-	1,958,351	1,383,340	-	1,383,340
Government grant revenue	-	1,285,713	1,285,713	-	989,521	989,521
Thrift store sales	339,900	-	339,900	300,402	-	300,402
Rental income	173,853	-	173,853	122,675	-	122,675
Gain on extinguishment of debt	-	-	-	110,841	-	110,841
Other income	599	-	599	112,521	-	1,680
Gain (loss) on disposal of assets	1,760	-	1,760	(8,571)	-	(8,571)
Net assets released from restrictions	2,077,047	(2,077,047)	-	1,386,063	(1,386,063)	-
<b>Total Support, Revenue, and Reclassifications</b>	<b>5,549,764</b>	<b>(196,728)</b>	<b>5,353,036</b>	<b>4,645,885</b>	<b>293,429</b>	<b>4,740,973</b>
EXPENSES:						
Program activities	4,859,132	-	4,859,132	3,880,323	-	3,880,323
Supporting services:						
General and administrative	515,617	-	515,617	335,782	-	335,782
Fundraising	175,159	-	175,159	152,414	-	152,414
<b>Total expenses</b>	<b>5,549,908</b>	<b>-</b>	<b>5,549,908</b>	<b>4,368,519</b>	<b>-</b>	<b>4,368,519</b>
Change in Net Assets	(144)	(196,728)	(196,872)	79,025	293,429	372,454
Net Assets, Beginning of Year	2,202,111	293,429	2,495,540	2,123,086	-	2,123,086
Net Assets, End of Year	<b>\$ 2,201,967</b>	<b>\$ 96,701</b>	<b>\$ 2,298,668</b>	<b>\$ 2,202,111</b>	<b>\$ 293,429</b>	<b>\$ 2,495,540</b>

See notes to financial statements

# SOUTH COUNTY OUTREACH

## Statements of Functional Expenses

	Year Ended December 31,							
	2022				2021			
	Program Activities	Supporting Services			Program Activities	Supporting Services		
		General and Administrativ	Fundraising	Total		General and Administrativ	Fundraising	Total
Grants:								
Gifts in kind	\$ 1,746,377	\$ -	\$ -	\$ 1,746,377	\$ 1,344,973	\$ -	\$ -	\$ 1,344,973
Rental and utility assistance	748,328	-	-	748,328	520,624	-	-	520,624
	2,494,705	-	-	2,494,705	1,865,597	-	-	1,865,597
Salaries and benefits	1,262,789	210,465	30,066	1,503,320	1,074,109	179,018	25,574	1,278,701
Rent expense	267,179	29,687	-	296,866	222,883	24,765	-	247,648
Professional services	68,983	101,898	-	170,881	140,949	3,719	-	144,668
Utilities	142,275	10,374	-	152,649	119,615	8,722	-	128,337
Office supplies	108,774	42,433	-	151,207	88,813	34,646	-	123,459
Events	50,916	16,972	74,905	142,793	-	-	45,291	45,291
Food	126,107	-	-	126,107	81,269	-	-	81,269
Depreciation	104,705	17,450	2,493	124,648	89,888	14,981	2,140	107,009
Other expenses	85,205	17,303	2,139	104,647	58,437	11,247	-	69,684
Occupancy	79,600	13,267	1,895	94,762	78,474	13,079	1,868	93,421
Advertising	-	-	63,661	63,661	-	-	77,541	77,541
Licenses	22,120	44,325	-	66,445	-	30,532	-	30,532
Transportation and travel	24,554	6,138	-	30,692	36,571	9,143	-	45,714
Insurance	21,220	5,305	-	26,525	23,718	5,930	-	29,648
	\$ 4,859,132	\$ 515,617	\$ 175,159	\$ 5,549,908	\$ 3,880,323	\$ 335,782	\$ 152,414	\$ 4,368,519

See notes to financial statements

# SOUTH COUNTY OUTREACH

## Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (196,872)	\$ 372,454
Adjustments to reconcile change in net assets		
Depreciation and amortization expense	124,648	107,009
Gain on extinguishment of debt	-	(110,841)
Realized and unrealized loss on investments	281	490
Non-cash contributions of property and equipment	(111,695)	-
Loss on disposal of land, buildings, and equipment	-	8,571
Non-cash effect of change in accounting principle	40,003	-
Changes in:		
Grants and other receivables	225,379	(150,429)
Inventory	(101,670)	(37,950)
Prepaid expenses and other assets	19,041	(10,987)
Accounts payable	(14,259)	25,450
Accrued liabilities	(82)	53,273
Deferred revenue	101,231	(176,095)
Net Cash Provided by Operating Activities	86,005	80,945
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, furniture and equipment	(56,540)	(49,381)
Proceeds from sale of investments	1,070	2,622
Purchases of investments	(1,071)	(2,641)
Net Cash Used in Investing Activities	(56,541)	(49,400)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on finance lease	(5,847)	-
Payments on notes payable	(29,517)	(3,811)
Net Cash Used in Financing Activities	(35,364)	(3,811)
Net change in Cash and Cash Equivalents	(5,900)	27,734
Cash and Cash Equivalents, Beginning of Year	935,658	907,924
Cash and Cash Equivalents, End of Year	\$ 929,758	\$ 935,658

(continued)

See notes to financial statements

# SOUTH COUNTY OUTREACH

## Statements of Cash Flows

(continued)

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTIONS:		
Right of use assets obtained in exchange for lease obligations	<u>\$ 1,480,832</u>	<u>\$ -</u>
Insurance premiums financed	<u>\$ 38,455</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 3,161</u>	<u>\$ -</u>
Vehicles acquired through notes payable	<u>\$ -</u>	<u>\$ 88,700</u>
Forgiveness of the Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 110,841</u>

See notes to financial statements

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 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. At December 31, 2022 and 2021, the Organization's cash balances exceeded federally insured limits by approximately \$585,000 and \$572,000, respectively.

**INVESTMENTS**

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

At December 31, 2022 and 2021, the Organization's mutual funds had readily determinable fair values and are classified as Level 1 of the fair value hierarchy.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2022 and 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.

At December 31, 2021, Grants receivable includes a receivable for the Employee Retention Credit (ERC) in the amount of \$56,382. The full amount was collected during the year ending December 31, 2022. 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

##### *Thrift Store Inventory*

Thrift store inventory consists of donated goods such as apparel, clothing, houseware, and similar merchandise. Inventories are valued at the estimated fair value. Sales and the corresponding cost of sales of donated merchandise are recorded as an exchange transaction in the statements of activities.

##### *Food Pantry Inventory*

Food pantry inventory consists of donated and purchased food items. Inventories are valued at the estimated fair value which is either determined using pricing studies involving estimating the average price per pound using wholesale pricing or, if purchased, the cost of the food items.

#### FINANCING AND OPERATING LEASE – RIGHT-OF-USE ASSETS AND OBLIGATIONS

The Organization adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets totaling \$1,458,571 as of January 1, 2022, as well as operating lease obligations totaling \$1,484,047. The financing leases presented in the statements of financial position include assets of \$22,261 and lease obligations of \$22,294, as of January 1, 2022. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Notes 4 and 5.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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.

#### 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 statements 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.

The Organization receives various forms of gifts-in-kind (GIK) including food, non-food items such as thrift store goods, gift cards, equipment, and in-kind services. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. See Note 9 for further disclosure. 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.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued

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 statements of activities.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and general and administrative activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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 years ended December 31, 2022 and 2021, there were no joint costs.

#### 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.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification [ASC]). The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. The Organization adopted this update for the year ended December 31, 2022. Some of the Organization's contracts contain the right to control the use of property or assets and are therefore considered leases. The Organization elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. The Organization also elected the practical expedient to not separate lease and non-lease components as well as the policy election to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Notes 4 and 5. The effect of the adjustment to the opening balance of net assets totaled \$40,003. As it was deemed immaterial, the net asset difference was adjusted through rent expense on the statements of activities and functional expenses. This amount is reported as a non-cash effect of change in accounting principle on the statements of cash flows.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS, continued

During the year ended December 31, 2022, the Organization adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958 of the FASB ASC). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 929,758	\$ 935,658
Investments	364,515	364,795
Grants and other receivables	196,509	421,888
Financial assets available within one year to meet general cash expenditures	<u>\$ 1,490,782</u>	<u>\$ 1,722,341</u>

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.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

4. OPERATING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases office, storage and thrift store space under three operating leases expiring at various dates through 2030. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments ranging from \$3,318 to \$11,727. Discount rates on these leases range from 0.59% to 1.59%.

	December 31,	
	2022	2021
Operating lease right-of-use assets	\$ 1,063,029	\$ -
Operating lease liabilities	\$ 1,088,496	\$ -
Operating lease costs	\$ 301,231	\$ -
Weighted-average discount rate	1.52%	0.00%
Weighted-average remaining lease term	7.25 years	-

Future minimum lease payments required under operating leases are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 252,481
2024	191,061
2025	155,712
2026	156,180
2027	160,339
Thereafter	507,240
	1,423,013
Less imputed interest	(82,036)
	\$ 1,340,977

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, the Organization was applying Topic 840 in relation to operating leases. During the year ended December 31, 2021, the Organization had total rental expenses of approximately \$248,000.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

5. FINANCING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases equipment under a financing lease expiring in 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The lease requires monthly payments of \$507. The discount rate on this lease is 1.21%.

	December 31,	
	2022	2021
Financing lease right-of-use asset	\$ 10,389	\$ -
Financing lease liability	\$ 10,364	\$ -
Financing lease costs:		
Amortization of right-of-use assets	\$ 5,936	\$ -
Interest on lease liabilities	\$ 236	\$ -
Weighted-average discount rate	1.21%	0.00%
Weighted-average remaining lease term	2.75 years	-

Future minimum lease payments required under the finance lease are as follows:

Year Ending December 31,	
2023	\$ 6,083
2024	6,083
2025	4,563
	16,729
Less imputed interest	(282)
	\$ 16,447

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

6. PROPERTY, FURNITURE AND EQUIPMENT, NET:

Property, furniture and equipment, net consist of:

	December 31,	
	2022	2021
Residential buildings *	\$ 1,946,935	\$ 1,946,935
Leasehold improvements	147,075	134,134
Office equipment **	200,620	154,929
Vehicles	234,309	180,422
	<u>2,528,939</u>	<u>2,416,420</u>
Less accumulated depreciation	<u>(1,719,802)</u>	<u>(1,656,806)</u>
Total property, furniture and equipment, net	<u>\$ 809,137</u>	<u>\$ 759,614</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.

\*\* Office equipment includes two assets which were recorded as in-kind donations in the year ended December 31, 2022. The assets had an approximate cost of \$30,600. As required under the terms of the donation agreement, title to both assets reverts to the donor at a future period.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

7. NOTES PAYABLE:

Notes payable consists of:

	December 31,	
	2022	2021
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.	\$ 25,351	\$ 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.	43,663	52,710
The Organization entered into a insurance premium financing loan. The loan has an interest rate of 10.25% and matures in September 2023. Total principal and interest payments of \$2,876 are due monthly.	24,813	-
	93,827	84,889
Less current maturities	(42,121)	(15,872)
Long-term portion of notes payable	\$ 51,706	\$ 69,017

Annual maturities are as follows:

Year Ending December 31,	
2023	\$ 42,121
2024	17,876
2025	18,470
2026	14,419
2027	941
	\$ 93,827

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

8. NET ASSETS:

Net assets with donor restrictions consist of:

	December 31,	
	2022	2021
Homeless Prevention	\$ 96,701	\$ 222,344
Food Program	-	67,618
Fund Development - Backpacks	-	3,467
	<u>\$ 96,701</u>	<u>\$ 293,429</u>

9. GIFTS IN-KIND:

In-kind contributions consist of:

	December 31,	
	2022	2021
Food	\$ 1,494,173	\$ 1,293,773
Thrift store goods	331,100	-
Property and equipment	124,213	41,467
Personal care items	8,565	12,600
Professional services	300	35,500
	<u>\$ 1,958,351</u>	<u>\$ 1,383,340</u>

The categories listed above are the main line items used in reporting in-kind contributions. These contributions are not donor restricted. All donated services were utilized in program activities during the years ended December 31, 2022 and 2021. Donated food, property and equipment, and personal care items were utilized in all programs, provided to the Organization's partner organizations to distribute the goods to those in need, or remained in ending inventory, to be utilized in future years. Donated thrift store goods were sold and recorded as thrift store sales in the statements of activities.

# SOUTH COUNTY OUTREACH

## Notes to Financial Statements

December 31, 2022 and 2021

9. GIFTS IN-KIND, continued:

Food includes the following main categories: proteins, produce, dairy, bread, and shelf stable products. Contributed items received by the Organization are recorded as gift-in-kind contributions. Expenses are recognized when the items are utilized or distributed. Donated items that are unusable by the Organization are not recorded. The Organization utilized four gift-in-kind valuation methods during the years ended December 31, 2022 and 2021. These methods include (1) food is valued at \$1.92 per pound for food donations for the year ended December 31, 2022 and \$1.70 per pound for the year ended December 31, 2021, as determined using pricing studies involving estimating the average price per pound using wholesale pricing. (2) Thrift store goods consist primarily of apparel, clothing, houseware, and similar merchandise. Personal care items consist primarily of donated gift cards to be used to purchase personal care items. Both are valued at retail value. (3) Professional services are valued for the services being provided based on market data and vendor information. (4) Contributed property and equipment items are valued based on the lower of estimated cost or fair market value.

10. 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 years ended December 31, 2022 and 2021. Retirement contribution expense under this plan for the years ended December 31, 2022 and 2021, were approximately \$10,400 and \$8,000, respectively, and included in benefits on the statements of functional expenses.

11. 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.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 18, 2023, 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, 2022, and our report thereon dated July 18, 2023, 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, is presented for purposes of additional analysis 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*

Ontario, California  
July 18, 2023

# SOUTH COUNTY OUTREACH

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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 Grants/					
Entitlement Grants	14.218				
Pass through from City of Irvine			11325	\$ -	\$ 20,456
Pass through from City of Irvine			11466	-	9,155
Pass through from City of Laguna Niguel			B-20-MC-06-0590	-	11,430
Pass through from City of Laguna Niguel			B-22-MC-06-0590	-	5,805
Pass through from City of Lake Forest			B-20-MC-06-0584	-	26,705
Pass through from City of Lake Forest			B-22-MC-06-0584	-	7,084
Pass through from City of Mission Viejo			B-21-MC-06-0585	-	5,250
Pass through from City of Mission Viejo			B-22-MC-06-0585	-	6,330
					<u>92,215</u>
COVID-19 Community Development Block Grants/	14.218				
Entitlement Grants					
Pass through from City of Aliso Viejo			B-20-MW-06-0606	-	46,509
Pass through from City of Irvine			11114	-	167,974
Pass through from City of Laguna Niguel			B-20-MW-06-0590	-	96,427
Pass through from City of Lake Forest			B-20-MW-06-0584	-	23,285
Pass through from City of Mission Viejo		B-20-MW-06-0585	CDBG-CV-4	-	17,433
Pass through from City of Rancho Santa Margarita			B-20-MW-06-0598	-	47,361
					<u>398,989</u>
Total CDBG-Entitlement Grant Cluster					<u>491,204</u>
	See notes to schedule of expenditures of federal awards				

## SOUTH COUNTY OUTREACH

### Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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 Program	14.231				
Pass through from City of Irvine			11335	-	30,618
Pass through from Family Solutions Collaborative			MOU	-	16,839
					<u>47,457</u>
COVID-19 Emergency Solutions Grant Program	14.231				
Pass through from City of Irvine			11106	-	49,893
Pass through from City of Irvine			11237	-	285,288
					<u>335,181</u>
Total Emergency Solutions Grant*					<u>382,638</u>
Total U.S. Department of Housing and Urban Development					<u>873,842</u>
U.S. DEPARTMENT OF THE TREASURY:					
COVID-19 Emergency Rental Assistance Program	21.023				
Passed through from Local Initiatives Support Corporation			N/A	-	139,051
Passed through the City of Santa Ana			A-2021-238-02	-	146,495
Total Emergency Rental Assistance Program*					<u>285,546</u>
Total U.S. Department of Treasury					<u>285,546</u>

See notes to schedule of expenditures of federal awards

## SOUTH COUNTY OUTREACH

### Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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	-	13,388
Total U.S. Department of Health and Human Services					<u>13,388</u>
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	-	32,608
Total Emergency Food and Shelter National Board Program					<u>82,608</u>
Total U.S. Department of Homeland Security					<u>82,608</u>
Total Expenditures of Federal Awards					<u>\$ 1,255,384</u>

\* Major program

See notes to schedule of expenditures of federal awards

# SOUTH COUNTY OUTREACH

## Notes to Schedule of Expenditures of Federal Awards

December 31, 2022

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 ended December 31, 2022. 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 not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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	\$ 1,255,384
Plus:	
Other state and local grants	<u>30,329</u>
Government grants per statement of activities	<u><u>\$ 1,285,713</u></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, loans, or loan guarantees.

**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, 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, and have issued our report thereon dated July 18, 2023.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### ***Organization's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of 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*

Ontario, California  
July 18, 2023

**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, 2022. 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, 2022.

***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.

Board of Directors  
South County Outreach  
Irvine, California

### **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*

Ontario, California  
July 18, 2023

# SOUTH COUNTY OUTREACH

## Schedule of Findings and Questioned Costs

December 31, 2022

### 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

14.231

21.023

Name of Federal Program or Cluster

Emergency Solutions Grant Program

Emergency Rental Assistance Program

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, 2022

### Section II - Financial Statement Findings

#### **2022-001 Food Pantry Inventory**

##### ***Material Weakness***

*Condition:* Food pantry in-kind donations were not properly recorded and no year end inventory count was performed.

*Criteria:* Generally Accepted Accounting Principles (GAAP)

*Cause:* Gift-in-kind revenue was recorded when disbursed, rather than when received.

*Effect:* Audit adjustment to record ending inventory required for financial statements to be materially correct.

*Recommendation:* We recommend the Organization begin recording the in-kind contributions to the food pantry when received, net of food scrapped. We further recommend the Organization document a formal process and conduct a year-end physical inventory count including documentation that will be retained at the conclusion of the count.

*Views of Responsible Officials and Planned Corrective Action:* Management agrees with the finding. See corrective action plan.

# **SOUTH COUNTY OUTREACH**

## **Schedule of Findings and Questioned Costs**

December 31, 2022

### Section II - Financial Statement Findings, continued

#### **2022-002 Thrift Store Inventory**

##### ***Significant Deficiency***

*Condition:* Thrift store in-kind donations were not properly recorded and no end of year inventory count was performed.

*Criteria:* Generally Accepted Accounting Principles (GAAP)

*Cause:* Gift-in-kind revenue was recorded when thrift store items sold, rather than when received.

*Effect:* Audit adjustment to record ending inventory required for financial statements to be materially correct.

*Recommendation:* We recommend the Organization begin tracking in-kind goods contributed to the thrift store when they are received. The Organization should determine an appropriate method of tracking the goods by type as well as an appropriate valuation methodology (such as the Salvation Army Donation Guide) to determine the fair value to record as in-kind goods contributed to the thrift store at the end of each month. After the year-end inventory count a year-end adjustment to inventory will be recorded. We continue to recommend the Organization document a formal process for its year-end physical inventory count including documentation that will be retained at the conclusion of the count.

*Views of Responsible Officials and Planned Corrective Action:* Management agrees with the finding. See corrective action plan.

# **SOUTH COUNTY OUTREACH**

## **Schedule of Findings and Questioned Costs**

December 31, 2022

### 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*.

# **SOUTH COUNTY OUTREACH**

## **Auditee Summary Schedule of Prior Audit Findings**

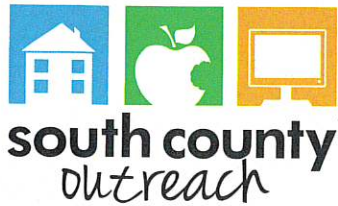
December 31, 2022

### Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

### Federal Award Findings

There were no prior audit findings or questioned costs.



**South County Outreach  
Auditee Corrective Action Plan  
December 31, 2022**

**Finding Number:** 2022-001 Food Pantry Inventory

**Planned Corrective Action:** We agree and accept the auditors recommendation on how to record in-kind food poundage and inventory management. New policies and procedures will be drafted.

**Person Responsible for Corrective Action Plan:** Cassie Oseguera, Director of Programs

**Anticipated Date of Completion:** 12/31/2023

**Finding Number:** 2022-002 Thrift Store Inventory

**Planned Corrective Action:** We agree and accept the auditors recommendation on how to record in-kind good and redesign our end of year inventory count. New policies and procedures will be drafted.

**Person Responsible for Corrective Action Plan:** Sheila Teevans, Director of Administration and Special Projects

**Anticipated Date of Completion:** 12/31/2023