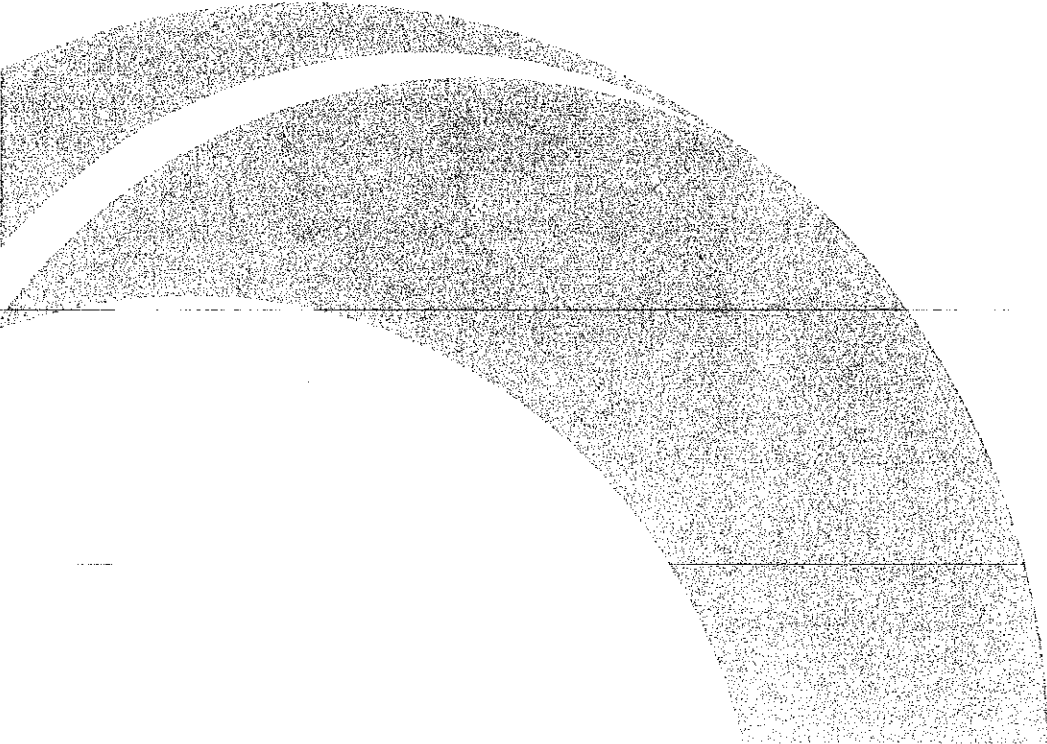


**SOUTH COUNTY
OUTREACH**

Financial Statements
With Independent Auditor's Report

December 31, 2024 and 2023



SOUTH COUNTY OUTREACH

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South County Outreach
Irvine, California

Opinion

We have audited the accompanying financial statements of South County Outreach, which comprise the statements of financial position as of December 31, 2024 and 2023, 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, 2024 and 2023, 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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.

Board of Directors
South County Outreach
Irvine, California

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Capin Crouse LLC

Ontario, California
July 22, 2025

SOUTH COUNTY OUTREACH

Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,596,525	\$ 862,438
Investments	473,627	387,779
Grants and other receivables	96,678	181,642
Current portion of unconditional promise to give	100,000	100,000
Inventory	152,248	181,698
Prepaid expenses and other assets	141,596	130,045
	2,560,674	1,843,602
Unconditional promise to give, net of current portion	-	100,000
Board designated investments	891,586	816,062
Operating leases—right-of-use assets	1,252,090	1,664,803
Financing leases—right-of-use assets	4,452	10,388
Property, furniture and equipment, net	658,796	815,002
	\$ 5,367,598	\$ 5,249,857
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 55,425	\$ 50,153
Accrued liabilities	96,813	114,589
Other liabilities	45,108	212,089
Operating lease obligations - current portion	418,600	442,024
Financing lease obligations - current portion	4,540	6,083
Notes payable - current portion	43,186	46,059
	663,672	870,997
Operating lease obligations	908,260	1,286,901
Financing lease obligations	-	4,446
Notes payable, net	-	4,690
Total liabilities	1,571,932	2,167,034
Net assets:		
Without donor restrictions	3,695,666	2,882,823
With donor restrictions	100,000	200,000
Total net assets	3,795,666	3,082,823
Total Liabilities and Net Assets	\$ 5,367,598	\$ 5,249,857

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Activities

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 1,293,964	\$ 1,064,696	\$ 2,358,660	\$ 1,852,940	\$ 550,495	\$ 2,403,435
Contributions of nonfinancial assets	2,604,831	-	2,604,831	2,152,030	-	2,152,030
Government grant revenue	-	511,592	511,592	-	1,029,839	1,029,839
Thrift store sales	441,805	-	441,805	367,522	-	367,522
Rental income	186,330	-	186,330	221,420	-	221,420
Other income	106,031	-	106,031	39,768	-	39,768
Gain on sale of assets	1,267,315	-	1,267,315	428,936	-	428,936
Net assets released from restrictions	1,676,288	(1,676,288)	-	1,777,035	(1,777,035)	-
Total Support, Revenue, and Reclassifications	7,576,564	(100,000)	7,476,564	6,839,651	(196,701)	6,642,950
EXPENSES:						
Program activities:						
Homeless prevention	2,758,971	-	2,758,971	2,673,823	-	2,673,823
Food pantry	3,338,424	-	3,338,424	2,865,175	-	2,865,175
Supporting services:						
General and administrative	519,798	-	519,798	447,591	-	447,591
Fundraising	146,528	-	146,528	172,206	-	172,206
Total expenses	6,763,721	-	6,763,721	6,158,795	-	6,158,795

(continued)

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Activities (continued)

	Year Ended December 31,					
	2024		2023			
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
	Total	Total	Total	Total		
Change in Net Assets	812,843	(100,000)	712,843	680,856	(196,701)	484,155
Net Assets, Beginning of Year	2,882,823	200,000	3,082,823	2,201,967	396,701	2,598,668
Net Assets, End of Year	\$ 3,695,666	\$ 100,000	\$ 3,795,666	\$ 2,882,823	\$ 200,000	\$ 3,082,823

See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Functional Expenses

Year Ended December 31, 2024

	Program Activities			Supporting Services		
	Homeless Prevention	Food Pantry	Total	General and Administrative	Fundraising	Total
Grants:						
Gifts in kind	\$ -	\$ 2,209,235	\$ 2,209,235	\$ -	\$ -	\$ 2,209,235
Rental and utility assistance	240,606	-	240,606	-	-	240,606
Purchased food distribution	-	121,333	121,333	-	-	121,333
	<u>240,606</u>	<u>2,330,568</u>	<u>2,571,174</u>	<u>-</u>	<u>-</u>	<u>2,571,174</u>
Salaries and benefits	1,047,822	587,067	1,634,889	272,481	38,926	1,946,296
Occupancy	551,396	216,479	767,875	81,627	9,070	858,572
Thrift store cost of goods sold	406,457	-	406,457	-	-	406,457
Professional services	230,855	38,912	269,767	14,410	-	284,177
Depreciation and amortization	89,508	36,827	126,335	26,992	3,008	156,335
Events	67,672	-	67,672	22,557	54,528	144,757
Office supplies	64,782	31,274	96,056	37,355	-	133,411
Other expenses	41,588	15,061	56,649	55,468	2,073	114,190
Communication and promotion	2,644	23,975	26,619	-	38,923	65,542
Transportation and travel	6,973	39,829	46,802	2,133	-	48,935
Insurance	8,668	18,432	27,100	6,775	-	33,875
	<u>\$ 2,758,971</u>	<u>\$ 3,338,424</u>	<u>\$ 6,097,395</u>	<u>\$ 519,798</u>	<u>\$ 146,528</u>	<u>\$ 6,763,721</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Activities		Total	Supporting Services		
	Homeless Prevention	Food Pantry		General and Administrative	Fundraising	Total
Grants:						
Gifts in kind	\$ -	\$ 1,848,286	\$ 1,848,286	\$ -	\$ -	\$ 1,848,286
Rental and utility assistance	511,026	-	511,026	-	-	511,026
Purchased food distribution	-	182,199	182,199	-	-	182,199
	<u>511,026</u>	<u>2,030,485</u>	<u>2,541,511</u>	<u>-</u>	<u>-</u>	<u>2,541,511</u>
Salaries and benefits	884,991	500,959	1,385,950	230,992	32,999	1,649,941
Occupancy	459,683	184,103	643,786	66,645	6,589	717,020
Thrift store cost of goods sold	387,851	-	387,851	-	-	387,851
Professional services	147,542	35,840	183,382	14,242	-	197,624
Depreciation and amortization	95,919	-	95,919	21,923	2,284	120,126
Events	32,780	-	32,780	10,927	106,073	149,780
Office supplies	71,995	32,062	104,057	40,467	-	144,524
Other expenses	61,881	16,751	78,632	52,912	2,888	134,432
Advertising	-	16,799	16,799	-	21,373	38,172
Transportation and travel	7,728	32,807	40,535	2,534	-	43,069
Insurance	12,427	15,369	27,796	6,949	-	34,745
	<u>\$ 2,673,823</u>	<u>\$ 2,865,175</u>	<u>\$ 5,538,998</u>	<u>\$ 447,591</u>	<u>\$ 172,206</u>	<u>\$ 6,158,795</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 712,843	\$ 484,155
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization expense	156,335	120,126
Realized and unrealized gain on investments	(84,934)	(36,276)
Non-cash contributions of property and equipment	-	(28,754)
Gain on sale of property, furniture and equipment	(1,267,315)	(428,936)
Non-cash change in operating right-of-use asset and liability	10,648	24,152
Changes in:		
Grants and other receivables	84,964	14,867
Unconditional promises to give	100,000	100,000
Inventory	29,450	94,272
Prepaid expenses and other assets	43,980	9,945
Accounts payable	5,272	28,860
Accrued liabilities	(17,776)	30,703
Other liabilities	(166,981)	86,932
Net Cash Provided by (Used in) Operating Activities	(393,514)	500,046
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, furniture and equipment	(5,888)	(117,799)
Proceeds from sale of property, furniture and equipment	1,279,010	455,435
Proceeds from sale of investments	1,263,608	559
Purchases of investments	(1,340,046)	(803,609)
Net Cash Used in Investing Activities	1,196,684	(465,414)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on finance lease	(5,989)	(5,918)
Payments on notes payable	(63,094)	(96,034)
Net Cash Used in Financing Activities	(69,083)	(101,952)
Net change in Cash and Cash Equivalents	734,087	(67,320)
Cash and Cash Equivalents, Beginning of Year	862,438	929,758
Cash and Cash Equivalents, End of Year	\$ 1,596,525	\$ 862,438

(continued)

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Cash Flows (continued)

	Year Ended December 31,	
	2024	2023
SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTIONS:		
Insurance premiums financed	\$ 55,531	\$ 52,956
Cash paid for interest	\$ 2,318	\$ 2,594
Write off of fully depreciated assets	\$ 164,979	\$ -
Right of use assets obtained in exchange for lease obligations	\$ -	\$ 696,406

See notes to financial statements

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

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 through transitional housing services and a food pantry to south Orange County families and individuals. In addition, the Organization operates thrift stores which sell a variety of donated goods to fund the homeless prevention services.

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. The Organization's primary sources of revenue consist of government grants, contributions and contributions of nonfinancial assets.

The Organization is qualified as a California nonprofit public benefit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC) and corresponding California provisions. No provision for federal or state income taxes have been included in the financial statements. Contributions by the public are deductible for income tax purposes. However, the Organization is subject to federal income tax on any unrelated business taxable income. In addition, the Organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

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.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, money market accounts, and cash on deposit. At December 31, 2024 and 2023, the Organization's cash balances exceeded federally insured limits by approximately \$1,235,000 and \$574,000, respectively.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND BOARD DESIGNATED INVESTMENTS

Investments and board designated investments consist of money market funds, mutual funds, and equities which are held at fair value and are Level 1 inputs in the fair value hierarchy. Realized and unrealized gains and losses are recognized when earned and reported with other income on the statements of activities. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 fair value measurements are based on quoted market prices, when available.

GRANTS AND OTHER RECEIVABLES

Grants and accounts receivable consist primarily of grants receivable from government entities and private entities. The Organization enters into agreements to provide services that achieve their mission as described in Note 1. The agreements include terms for payments to be made in the future. The allowance for credit losses is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Based on management experience, all grants are fully collectible. Therefore, there is no allowance for credit losses. The Organization does not accrue interest on delinquent receivables. There is no bad debt expense for the years ended December 31, 2024 and 2023. All amounts are expected to be collected within one year. Grants and other receivables at December 31, 2022, was \$196,509.

UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give including contributions and foundation grants that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount was immaterial to the financial statements for the years ended December 31, 2024 and 2023, respectively, and was not recorded. Conditional promises to give are not included as support until such time as the conditions are substantially met. Unconditional promises to give are reviewed for collectability and reserves for uncollectible amounts are recorded based on established policies. Management expects all unconditional promises to be fully collectible as of December 31, 2024 and 2023, respectively.

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 and are determined using the weighted average method. 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. Inventories are determined using the weighted average method.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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

The Organization has contracts that contain the right to control the use of property and are therefore considered leases. The Organization records right-of-use assets and lease obligations on the statements of financial position for the rights and obligations created by leases with initial terms of more than twelve months. The Organization has elected to not separate lease and non-lease components. Disclosures related to financing leases have been omitted due to immateriality.

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 at 27.5 years, furniture and equipment at 5 to 10 years, and vehicles at 5 years. Repairs and maintenance are expensed when incurred.

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 or by time.

OTHER LIABILITIES

Other liabilities consist of rental deposits and refundable advances. Tenants pay a deposit that is used to pay for any repairs during their rental period. The remaining deposit is refunded to the tenant once the property is vacated. Refundable advances are deposits received in advance for services occurring in the future. Revenue from these deposits is recognized in the year when earned. At December 31, 2024, management expects to recognize the full amount within one year.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Support is recognized 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).

The Organization receives various forms of contributions of nonfinancial assets including food, non-food items such as thrift store goods, gift cards, equipment, and in-kind services. Contributions of nonfinancial assets 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.

Thrift store sales, rental income, and other income are recognized when earned or the thrift store merchandise is sold. Rental payments received in advance, if any, are deferred until earned.

Expenses are recognized when incurred.

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.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,596,525	\$ 862,438
Investments	473,627	387,779
Grants and other receivables	96,678	181,642
Unconditional promise to give	100,000	200,000
Board designated investments	891,586	816,062
Financial assets, at year-end	3,158,416	2,447,921
Less those unavailable for general expenditure within one year, due to:		
Promises to give expected to be collected in greater than a year	-	(100,000)
Board designated with purpose restrictions	(891,586)	(816,062)
Financial assets available within one year to meet general cash expenditures	\$ 2,266,830	\$ 1,531,859

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. INVESTMENTS AND BOARD DESIGNATED INVESTMENTS:

Investments and board designated investments consist of the following:

	December 31,	
	2024	2023
Equities	\$ 886,374	\$ 2,649
Mutual funds	463,309	386,861
Money market funds	15,530	814,331
	\$ 1,365,213	\$ 1,203,841
Investments	473,627	387,779
Board designated investments	891,586	816,062
	\$ 1,365,213	\$ 1,203,841

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

4. INVESTMENTS AND BOARD DESIGNATED INVESTMENTS, continued:

Fair value is defined under the Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification for Fair Value Measurement as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date.

The fair values of investments are based on the framework established in the topic which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Level 3 investments are based on unobservable inputs and are only used when Level 1 or Level 2 inputs are not available. These unobservable assumptions reflect estimates of assumptions that market participants would use.

The table below presents the level within the fair value hierarchy at which investments and board designated investments are measured at December 31, 2024:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
<u>Investments held at fair value:</u>				
Equities	\$ 886,374	\$ 886,374	\$ -	\$ -
Mutual funds	463,309	463,309	-	-
	1,349,683	1,349,683	-	-
<u>Investments held at cost:</u>				
Money market funds	15,530			
	\$ 1,365,213			

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

4. INVESTMENTS AND BOARD DESIGNATED INVESTMENTS, continued:

The table below presents the level within the fair value hierarchy at which investments and board designated investments are measured at December 31, 2023:

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Investments held at fair value:				
Equities	\$ 2,649	\$ 2,649	\$ -	\$ -
Mutual funds	386,861	386,861	-	-
	389,510	389,510	-	-
<u>Investments held at cost:</u>				
Money market funds	814,331			
	\$ 1,203,841			

Methods and assumptions used in estimating fair values are as follows:

Equities and mutual funds - The fair values of these financial instruments are determined by quoted market prices in active markets.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

5. 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 \$2,348 to \$13,455. Discount rates on these leases range from 0.59% to 4.92%.

	December 31,	
	2024	2023
Operating lease right-of-use assets	\$ 1,252,090	\$ 1,664,803
Operating lease liabilities	\$ 1,326,860	\$ 1,728,925
Operating lease costs	\$ 452,672	\$ 364,331
Cash paid for leases	\$ 448,107	\$ 346,263
Weighted-average discount rate	2.47%	2.66%
Weighted-average remaining lease term	4.66 years	5.23 years

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

<u>Year Ending December 31,</u>	
2025	\$ 418,600
2026	302,438
2027	160,339
2028	164,623
2029	169,036
Thereafter	173,581
	1,388,617
Less imputed interest	(61,757)
	\$ 1,326,860

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

6. PROPERTY, FURNITURE AND EQUIPMENT, NET:

Property, furniture and equipment, net consist of:

	December 31,	
	2024	2023
Residential buildings *	\$ 1,650,027	\$ 1,815,006
Leasehold improvements	223,749	216,350
Office equipment	243,593	254,329
Vehicles	228,914	228,914
	<u>2,346,283</u>	<u>2,514,599</u>
Less accumulated depreciation	<u>(1,687,487)</u>	<u>(1,699,597)</u>
Total property, furniture and equipment, net	<u>\$ 658,796</u>	<u>\$ 815,002</u>

* Residential buildings consist of 14 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 \$1,500,000 are to be used for transitional housing for families and individuals meeting specified eligibility requirements.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

7. NOTES PAYABLE:

Notes payable consists of:

	December 31,	
	2024	2023
The Organization entered into an unsecured insurance premium financing loan. The loan has an effective interest rate of 7.5% and matures in	\$ 43,085	\$ -
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. The loan is secured by the vehicle.	101	7,855
The Organization entered into an unsecured insurance premium financing loan. The loan had an effective interest rate of 7.5% and matured in	-	42,894
	43,186	50,749
Less current maturities	(43,186)	(46,059)
Long-term portion of notes payable	\$ -	\$ 4,690
Annual maturities are as follows:		
<u>Year Ending December 31,</u>		
2025	43,186	
	\$ 43,186	

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

8. NET ASSETS:

Net assets consist of:

	December 31,	
	<u>2024</u>	<u>2023</u>
Net assets without donor restrictions:		
Undesignated	\$ 2,804,080	\$ 2,066,761
Board-designated general reserve	445,793	408,031
Board-designated homeless prevention	445,793	408,031
Total net assets without donor restrictions	<u>3,695,666</u>	<u>2,882,823</u>
Net assets with donor restrictions:		
Unconditional promise to give	<u>100,000</u>	<u>200,000</u>
Total net assets with donor restrictions	<u>100,000</u>	<u>200,000</u>
Total net assets	<u>\$ 3,795,666</u>	<u>\$ 3,082,823</u>

9. CONTRIBUTIONS OF NONCASH FINANCIAL ASSETS:

In-kind contributions consist of:

	December 31,	
	<u>2024</u>	<u>2023</u>
Food	\$ 2,178,826	\$ 1,844,191
Thrift store goods	426,005	274,980
Property and equipment	-	28,754
Personal care items	-	4,105
	<u>\$ 2,604,831</u>	<u>\$ 2,152,030</u>

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2024 and 2023

9. CONTRIBUTIONS OF NONCASH FINANCIAL ASSETS, continued:

In-kind contributions are not donor restricted. 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.

Food includes the following main categories: proteins, produce, dairy, bread, and shelf stable products. Contributed items received by the Organization are recorded as contributions of noncash financial assets. Expenses are recognized when the items are utilized or distributed. Donated items that are unusable by the Organization are not recorded. The Organization utilized three valuation methods during the years ended December 31, 2024 and 2023. These methods include: (1) food is valued at \$1.97 and \$1.92 per pound for food donations for the years ended December 31, 2024 and 2023, respectively, 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 an estimated retail value based on recent sales. (3) 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, 2024 and 2023. Retirement contribution expense under this plan for the years ended December 31, 2024 and 2023, were approximately \$21,000 and \$18,000, 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 22, 2025, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

