

SOUTH COUNTY OUTREACH

Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

SOUTH COUNTY OUTREACH

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2023	6
Statement of Functional Expenses - 2022	7
Statements of Cash Flows	8
Notes to Financial Statements	10

INDEPENDENT AUDITORS' 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, 2023 and 2022, 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, 2023 and 2022, 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 *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.

Emphasis of Matter

As described in Note 13 to the financial statements, South County Outreach identified an adjustment related to the recognition of revenue and a related receivable for a multi-year grant awarded in a prior period as of January 1, 2022 and for the year ended December 31, 2022. Accordingly, amounts have been restated to correct the error. Our opinion has not been modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
South County Outreach
Irvine, California

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 auditors' 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 LLP

Ontario, California
July 23, 2024

SOUTH COUNTY OUTREACH

Statements of Financial Position

	December 31,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 862,438	\$ 929,758
Investments	387,779	364,515
Grants and other receivables	181,642	196,509
Current portion of unconditional promise to give	100,000	100,000
Inventory	181,698	275,970
Prepaid expenses and other assets	130,045	87,034
	1,843,602	1,953,786
Unconditional promise to give, net of current portion	100,000	200,000
Board designated investments	816,062	-
Operating leases–right-of-use assets	1,664,803	1,301,007
Financing leases–right-of-use assets	10,388	16,325
Property, furniture and equipment, net	815,002	809,137
	100,000	200,000
	816,062	-
	1,664,803	1,301,007
	10,388	16,325
	815,002	809,137
	\$ 5,249,857	\$ 4,280,255
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 50,153	\$ 21,293
Accrued liabilities	114,589	83,886
Deferred revenue	212,089	125,157
Operating lease obligations - current portion	442,024	252,481
Financing lease obligations - current portion	6,083	6,083
Notes payable - current portion	46,059	42,121
	870,997	531,021
Operating lease obligations	1,286,901	1,088,496
Financing lease obligations	4,446	10,364
Notes payable, net	4,690	51,706
	2,167,034	1,681,587
Net assets:		
Without donor restrictions	2,882,823	2,201,967
With donor restrictions	200,000	396,701
	3,082,823	2,598,668
	\$ 5,249,857	\$ 4,280,255

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Contributions	\$ 1,852,940	\$ 550,495	\$ 2,403,435	\$ 998,254	\$ 494,606	\$ 1,492,860
Gifts in kind	2,152,030	-	2,152,030	1,958,351	-	1,958,351
Government grant revenue	-	1,029,839	1,029,839	-	1,285,713	1,285,713
Thrift store sales	367,522	-	367,522	339,900	-	339,900
Rental income	221,420	-	221,420	173,853	-	173,853
Other income	39,768	-	39,768	2,359	-	2,359
Gain on sale of assets	428,936	-	428,936	-	-	-
Net assets released from restrictions	1,777,035	(1,777,035)	-	2,077,047	(2,077,047)	-
Total Support, Revenue, and Reclassifications	6,839,651	(196,701)	6,642,950	5,549,764	(296,728)	5,253,036
EXPENSES:						
Program activities:						
Homeless prevention	2,673,823	-	2,673,823	2,721,736	-	2,721,736
Food pantry	2,865,175	-	2,865,175	2,137,396	-	2,137,396
Supporting services:						
General and administrative	447,591	-	447,591	515,617	-	515,617
Fundraising	172,206	-	172,206	175,159	-	175,159
Total expenses	6,158,795	-	6,158,795	5,549,908	-	5,549,908

(continued)

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Activities (continued)

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Change in Net Assets	680,856	(196,701)	484,155	(144)	(296,728)	(296,872)
Net Assets, Beginning of Year, before correction of error	2,201,967	396,701	2,598,668	2,202,111	293,429	2,495,540
Effect of correction of error	-	-	-	-	400,000	400,000
Net Assets, Beginning of Year, after correction of error	2,201,967	396,701	2,598,668	2,202,111	693,429	2,895,540
Net Assets, End of Year	\$ 2,882,823	\$ 200,000	\$ 3,082,823	\$ 2,201,967	\$ 396,701	\$ 2,598,668

See notes to financial statements

SOUTH COUNTY OUTREACH

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Activities			Supporting Services		
	Homeless Prevention	Food Pantry	Total	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
Events	32,780	-	32,780	10,927	106,073	149,780
Office supplies	71,995	32,062	104,057	40,467	-	144,524
Depreciation and amortization	95,919	-	95,919	21,923	2,284	120,126
Other expenses	61,881	16,751	78,632	52,912	2,888	134,432
Transportation and travel	7,728	32,807	40,535	2,534	-	43,069
Advertising	-	16,799	16,799	-	21,373	38,172
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

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Activities			Supporting Services		
	Homeless Prevention	Food Pantry	Total	General and Administrative	Fundraising	Total
Grants:						
Gifts in kind	\$ -	\$ 1,415,277	\$ 1,415,277	\$ -	\$ -	\$ 1,415,277
Rental and utility assistance	748,328	-	748,328	-	-	748,328
Purchased food distribution	-	126,107	126,107	-	-	126,107
	<u>748,328</u>	<u>1,541,384</u>	<u>2,289,712</u>	<u>-</u>	<u>-</u>	<u>2,289,712</u>
Salaries and benefits	976,476	286,313	1,262,789	210,465	30,066	1,503,320
Occupancy	357,233	131,821	489,054	53,328	1,895	544,277
Thrift store cost of goods sold	331,100	-	331,100	-	-	331,100
Professional services	26,421	42,562	68,983	101,898	-	170,881
Events	50,916	-	50,916	16,972	74,905	142,793
Office supplies	72,283	36,491	108,774	42,433	-	151,207
Depreciation and amortization	82,171	22,534	104,705	17,450	2,493	124,648
Other expenses	68,864	38,461	107,325	61,628	2,139	171,092
Transportation and travel	-	24,554	24,554	6,138	-	30,692
Advertising	-	-	-	-	63,661	63,661
Insurance	7,944	13,276	21,220	5,305	-	26,525
	<u>\$ 2,721,736</u>	<u>\$ 2,137,396</u>	<u>\$ 4,859,132</u>	<u>\$ 515,617</u>	<u>\$ 175,159</u>	<u>\$ 5,549,908</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 484,155	\$ (296,872)
Adjustments to reconcile change in net assets		
Depreciation and amortization expense	120,126	124,648
Realized and unrealized (gain) loss on investments	(36,276)	281
Non-cash contributions of property and equipment	(28,754)	(111,695)
Gain on sale of property, furniture and equipment	(428,936)	-
Non-cash lease expense	24,152	-
Non-cash effect of change in accounting principle	-	40,003
Changes in:		
Grants and other receivables	14,867	225,379
Unconditional promises to give	100,000	100,000
Inventory	94,272	(101,670)
Prepaid expenses and other assets	9,945	19,041
Accounts payable	28,860	(14,259)
Accrued liabilities	30,703	(82)
Deferred revenue	86,932	101,231
Net Cash Provided by Operating Activities	500,046	86,005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, furniture and equipment	(117,799)	(56,540)
Proceeds from sale of property, furniture and equipment	455,435	-
Proceeds from sale of investments	559	1,070
Purchases of investments	(803,609)	(1,071)
Net Cash Used in Investing Activities	(465,414)	(56,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on finance lease	(5,918)	(5,847)
Payments on notes payable	(96,034)	(29,517)
Net Cash Used in Financing Activities	(101,952)	(35,364)
Net change in Cash and Cash Equivalents	(67,320)	(5,900)
Cash and Cash Equivalents, Beginning of Year	929,758	935,658
Cash and Cash Equivalents, End of Year	\$ 862,438	\$ 929,758

(continued)

See notes to financial statements

SOUTH COUNTY OUTREACH

Statements of Cash Flows

(continued)

	Year Ended December 31,	
	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTIONS:		
Right of use assets obtained in exchange for lease obligations	<u>\$ 696,406</u>	<u>\$ 1,480,832</u>
Insurance premiums financed	<u>\$ 52,956</u>	<u>\$ 38,455</u>
Cash paid for interest	<u>\$ 2,594</u>	<u>\$ 3,161</u>

See notes to financial statements

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

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 gifts-in-kind.

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.

The Organization files informational tax returns in the U.S. and California. The Organization is subject to income tax examinations for the current year and certain prior years based on applicable laws and regulations.

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, 2023 and 2022, the Organization's cash balances exceeded federally insured limits by approximately \$574,000 and \$585,000, respectively.

INVESTMENTS

Investments and board designated investments consist of money market funds and mutual funds which are held at fair value and are Level 1 input 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.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

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 entities. 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, 2023 and 2022, management has evaluated the collectability of the receivables determining to be fully collectible, and the balance in the allowance for doubtful accounts was \$0.

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, 2023 and 2022, 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, 2023 and 2022, 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.

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 financing leases have been omitted due to immateriality.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

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 at 27.5 years, furniture and equipment at 5 to 10 years, and vehicles at 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.

In 2023, the board of directors established two board designated funds. The purpose of the funds are to build a financial reserve and support program activities related to homeless prevention. The funds will be maintained in perpetuity to generate an income stream that can be used for operations, as approved by the Organization's board.

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.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES, continued

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.

DEFERRED REVENUE

Deferred revenue are deposits received in advance for the following fiscal year. Revenue from these deposits are recognized in the year when earned.

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.

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.

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

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,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 862,438	\$ 929,758
Grants and other receivables	181,642	196,509
Unconditional promise to give	200,000	300,000
Investments	387,779	364,515
Board designated investments	816,062	-
Financial assets, at year-end	2,447,921	1,790,782
Less those unavailable for general expenditure within one year, due to:		
Time restricted unconditional promise to give	(100,000)	(200,000)
Board designated for general reserves	(408,031)	-
Board designated for homeless prevention services	(408,031)	-
Financial assets available within one year to meet general cash expenditures	\$ 1,531,859	\$ 1,590,782

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. UNCONDITIONAL PROMISES TO GIVE:

Amounts as of December 31, 2023, are due in:

Less than one year	\$ 100,000
One to five years	100,000
	\$ 200,000

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

5. INVESTMENTS AND BOARD DESIGNATED INVESTMENTS:

Investments and board designated investments consist of the following:

	December 31,	
	2023	2022
Money market funds	\$ 816,980	\$ -
Mutual funds	386,861	364,515
	\$ 1,203,841	\$ 364,515

6. 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 \$2,280 to \$13,064. Discount rates on these leases range from 0.59% to 4.92%.

	December 31,	
	2023	2022
Operating lease right-of-use assets	\$ 1,664,803	\$ 1,301,007
Operating lease liabilities	\$ 1,728,925	\$ 1,340,977
Operating lease costs	\$ 364,331	\$ 301,231
Weighted-average discount rate	2.66%	1.52%
Weighted-average remaining lease term	5.23 years	7.25 years

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

<u>Year Ending December 31,</u>	
2024	\$ 442,024
2025	418,600
2026	302,438
2027	160,339
2028	164,623
Thereafter	342,616
	1,830,640
Less imputed interest	(101,715)
	\$ 1,728,925

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

7. PROPERTY, FURNITURE AND EQUIPMENT, NET:

Property, furniture and equipment, net consist of:

	December 31,	
	2023	2022
Residential buildings *	\$ 1,815,006	\$ 1,946,935
Leasehold improvements	216,350	147,075
Office equipment **	254,329	200,620
Vehicles	228,914	234,309
	<u>2,514,599</u>	<u>2,528,939</u>
Less accumulated depreciation	<u>(1,699,597)</u>	<u>(1,719,802)</u>
Total property, furniture and equipment, net	<u>\$ 815,002</u>	<u>\$ 809,137</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 \$33,600. 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, 2023 and 2022

8. NOTES PAYABLE:

Notes payable consists of:

	December 31,	
	2023	2022
The Organization entered into a insurance premium financing loan. The loan has an effective interest rate of 7.5% and matures in October 2024. Total principal and interest payments of \$4,466 are due monthly.	\$ 42,894	\$ -
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.	7,855	25,351
The Organization entered into a vehicle loan. The loan has an effective interest rate of 2.94% and matures in February 2027. Total principal and interest payments of \$947 are due monthly. During the year ended December 31, 2023, this note payable was paid in full.	-	43,663
The Organization entered into an insurance premium financing loan. The loan has an interest rate of 10.25% and matured in September 2023. Total principal and interest payments of \$2,876 were due monthly. During the year ended December 31, 2023, this note payable was paid in full.	-	24,813
	50,749	93,827
Less current maturities	(46,059)	(42,121)
Long-term portion of notes payable	\$ 4,690	\$ 51,706

Annual maturities are as follows:

Year Ending December 31,	
2024	\$ 46,059
2025	3,285
2026	1,405
	\$ 50,749

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

9. NET ASSETS:

Net assets consist of:

	December 31,	
	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 2,066,761	\$ 2,201,967
Board-designated general reserve	408,031	-
Board-designated homeless prevention	408,031	-
Total net assets without donor restrictions	2,882,823	2,201,967
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Homeless prevention	-	96,701
Subject to time restrictions:		
Unconditional promise to give receivable	200,000	300,000
Total net assets with donor restrictions	200,000	396,701
Total net assets	\$ 3,082,823	\$ 2,598,668

10. GIFTS IN-KIND:

In-kind contributions consist of:

	December 31,	
	2023	2022
Food	\$ 1,844,191	\$ 1,494,173
Thrift store goods	274,980	331,100
Property and equipment	28,754	124,213
Personal care items	4,105	8,565
Professional services	-	300
	\$ 2,152,030	\$ 1,958,351

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

10. GIFTS IN-KIND, 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 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 three gift-in-kind valuation methods during the years ended December 31, 2023 and 2022. These methods include: (1) food is valued at \$1.92 per pound for food donations for the years ended December 31, 2023 and 2022, 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.

11. 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, 2023 and 2022. Retirement contribution expense under this plan for the years ended December 31, 2023 and 2022, were approximately \$10,000 and \$8,000, respectively, and included in benefits on the statements of functional expenses.

12. OTHER COMMITMENTS AND CONTINGENCIES:

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

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

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

13. CORRECTION OF AN ERROR:

The Organization was awarded a \$500,000 grant during the year ended December 31, 2021 to be received in multiple installments over a five-year period with the first cash receipt occurring in the year of award. The Organization recorded the grant on a cash basis, recognizing the revenue when the cash was received. However, the grant should have been recorded in the full amount of the award as a contribution receivable in the year it was awarded. Therefore, management determined that recording the revenue on a cash basis was an error. During the year ended December 31, 2023, management corrected the error in the financial statements as of January 1, 2022 and for the year ended December 31, 2022. The following accounts were affected by this correction as of December 31, 2022, as noted below:

	Balance as Previously Reported	Prior Period Adjustment	Balance as Adjusted
Statement of activities for the year ended December 31, 2022			
Contributions with donor restrictions	\$ 594,606	\$ (100,000)	\$ 494,606
Contributions	\$ 1,592,860	\$ (100,000)	\$ 1,492,860
Total Support, Revenue, and Reclassifications with donor restrictions	\$ (196,728)	\$ (100,000)	\$ (296,728)
Total Support, Revenue, and Reclassifications	\$ 5,353,036	\$ (100,000)	\$ 5,253,036
Change in net assets with donor restrictions	\$ (196,728)	\$ (100,000)	\$ (296,728)
Change in net assets	\$ (196,872)	\$ (100,000)	\$ (296,872)
Change in net assets with donor restrictions	\$ (196,728)	\$ (100,000)	\$ (296,728)
Net Assets, End of Year with donor restrictions	\$ 96,701	\$ 300,000	\$ 396,701
Net Assets, End of Year	\$ 2,298,668	\$ 300,000	\$ 2,598,668
Statement of financial position as of December 31, 2022			
Unconditional promise to give, current portion	\$ -	\$ 100,000	\$ 100,000
Unconditional promise to give, net of current portion	\$ -	\$ 200,000	\$ 200,000
Total assets	\$ 3,980,255	\$ 300,000	\$ 4,280,255
Net assets with donor restrictions	\$ 96,701	\$ 300,000	\$ 396,701
Total net assets	\$ 2,298,668	\$ 300,000	\$ 2,598,668

SOUTH COUNTY OUTREACH

Notes to Financial Statements

December 31, 2023 and 2022

13. CORRECTION OF AN ERROR, continued:

The following accounts were affected by this correction as of December 31, 2022, as noted below:

	Balance as Previously Reported	Prior Period Adjustment	Balance as Adjusted
Statement of cash flows as of December 31, 2022			
Change in net assets	\$ (196,872)	\$ (100,000)	\$ (296,872)

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 23, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.