

SHARING LIFE COMMUNITY OUTREACH, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2023

Sharing Life Community Outreach, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Sharing Life Community Outreach, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sharing Life Community Outreach, Inc. (a Texas nonprofit corporation), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sharing Life Community Outreach, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Sharing Life Community Outreach, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharing Life Community Outreach, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Sharing Life Community Outreach, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharing Life Community Outreach, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2024, on our consideration of Sharing Life Community Outreach, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'s internal control over financial reporting and compliance.



Salmon Sims Thomas & Associates
A Professional Limited Liability Company

February 6, 2024

Sharing Life Community Outreach, Inc.
Statement of Financial Position
September 30, 2023

ASSETS

| | |
|-----------------------------|--------------------------------|
| Cash and cash equivalents | \$ 2,418,386 |
| Contributions receivable | 1,564,359 |
| Inventory | 549,044 |
| Investment | 64,725 |
| Prepaid expense | 14,442 |
| Property and equipment, net | <u>4,644,067</u> |
| TOTAL ASSETS | <u><u>\$ 9,255,023</u></u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|-------------------------------------|----------------|
| Accounts payable | \$ 769,461 |
| Retainage payable | 54,630 |
| Contributions payable | 12,738 |
| Accrued payroll and related expense | <u>26,308</u> |
| Total Liabilities | <u>863,137</u> |

Net Assets

| | |
|----------------------------|------------------|
| Without donor restrictions | 2,536,970 |
| With donor restrictions | <u>5,854,916</u> |
| Total Net Assets | <u>8,391,886</u> |

| | |
|----------------------------------|----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 9,255,023</u></u> |
|----------------------------------|----------------------------|

The accompanying notes are an integral part this financial statement.

Sharing Life Community Outreach, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|------------------------------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Revenues and Support | | | |
| Contributions of nonfinancial assets | \$ 23,454,883 | \$ - | \$ 23,454,883 |
| Contributions of cash | 354,652 | 6,205,093 | 6,559,745 |
| Grants | 1,072,939 | - | 1,072,939 |
| Special events, net of direct donor benefit of \$62,805 | 326,642 | - | 326,642 |
| Service fees | 532,850 | - | 532,850 |
| Investment return | 10,511 | - | 10,511 |
| Other income | 126,757 | - | 126,757 |
| | <u>25,879,234</u> | <u>6,205,093</u> | <u>32,084,327</u> |
| Net assets released from restrictions | 588,067 | (588,067) | - |
| Total Revenues and Support | <u>26,467,301</u> | <u>5,617,026</u> | <u>32,084,327</u> |
| Expenses | | | |
| Program services | 25,629,333 | - | 25,629,333 |
| Supporting activities | 379,938 | - | 379,938 |
| Total Expenses | <u>26,009,271</u> | <u>-</u> | <u>26,009,271</u> |
| Change in Net Assets | 458,030 | 5,617,026 | 6,075,056 |
| Net Assets, Beginning of Year | <u>2,078,940</u> | <u>237,890</u> | <u>2,316,830</u> |
| Net Assets, End of Year | <u>\$ 2,536,970</u> | <u>\$ 5,854,916</u> | <u>\$ 8,391,886</u> |

The accompanying notes are an integral part of this financial statement.

Sharing Life Community Outreach, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2023

| | <u>Program Services</u> | | | <u>Supporting Activities</u> | | <u>Total</u> |
|--------------------------------|-------------------------|----------------------|---------------------------------|------------------------------|--------------------|----------------------|
| | <u>Client Services</u> | <u>Food Hub</u> | <u>Opal J Smith Food Pantry</u> | <u>Administrative</u> | <u>Fundraising</u> | |
| Salaries and wages | \$ 549,489 | \$ 342,437 | \$ 86,108 | \$ 35,771 | \$ 159,010 | \$ 1,172,815 |
| Payroll taxes and benefits | 85,833 | 47,263 | 9,106 | 4,094 | 20,769 | 167,065 |
| Client assistance - cash | 969,949 | - | 2,220 | - | - | 972,169 |
| Client assistance - noncash | 6,262,260 | 16,416,098 | 472,093 | - | - | 23,150,451 |
| Gift to Hub partners | - | 2,200 | - | - | - | 2,200 |
| Depreciation and amortization | 19,327 | 25,988 | 781 | 15,861 | - | 61,957 |
| Insurance | 12,174 | 7,083 | - | 2,048 | 2,048 | 23,353 |
| Professional fees | 37,069 | 13,331 | 7,370 | 10,110 | 26,482 | 94,362 |
| Donated rent | 104,000 | 60,000 | - | 18,000 | 18,000 | 200,000 |
| Repairs and maintenance | 3,250 | - | - | 535 | 1,769 | 5,554 |
| Supplies, postage and printing | 9,844 | 3,665 | 860 | 4,528 | 15,585 | 34,482 |
| Utilities | 36,732 | 577 | 775 | 6,324 | 15,764 | 60,172 |
| Subscriptions and dues | 10,608 | 575 | - | 3,764 | 11,844 | 26,791 |
| Travel | 455 | 19,943 | 457 | 2,346 | 80 | 23,281 |
| Other | 7,349 | 1,356 | 708 | 3,660 | 1,546 | 14,619 |
| Total | \$ 8,108,339 | \$ 16,940,516 | \$ 580,478 | \$ 107,041 | \$ 272,897 | \$ 26,009,271 |

The accompanying notes are an integral part of this financial statement.

Sharing Life Community Outreach, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2023

| | |
|------------------------------------------------------------------------------------------------|----------------------------|
| Cash Flows From Operating Activities | |
| Change in Net Assets | \$ 6,075,056 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 61,957 |
| Donated stock | (24,053) |
| Donated property and equipment | (50,000) |
| Dividend and interest income - reinvested | (1,073) |
| Unrealized loss on investment | (9,438) |
| Gain on sale of property and equipment | (1,600) |
| Changes in operating assets and liabilities: | |
| Contributions receivable | (1,387,097) |
| Inventory | (83,172) |
| Prepaid expense | (13,299) |
| Security deposit | 800 |
| Accounts payable | 726,890 |
| Contributions payable | (22,905) |
| Accrued payroll and related expense | 3,934 |
| Net Cash Provided by Operating Activities | <u>5,276,000</u> |
| Cash Flows From Investing Activities | |
| Purchase of property and equipment | (3,982,012) |
| Proceeds from sale of property and equipment | 1,600 |
| Net Cash Used by Investing Activities | <u>(3,980,412)</u> |
| Net Increase in Cash and Cash Equivalents | 1,295,588 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,122,798</u> |
| Cash and Cash Equivalents, Ending of Year | <u><u>\$ 2,418,386</u></u> |
| Supplemental Cash Flow Information | |
| Construction in progress in accounts payable | <u>\$ 744,468</u> |
| Construction in progress in retainage payable | <u><u>\$ 54,630</u></u> |

The accompanying notes are an integral part of this financial statement.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies

The summary of significant accounting policies of Sharing Life Community Outreach, Inc. (the Organization) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Organization was formed in 1999 with a mission to provide benevolent support for individuals and families in crisis living in Mesquite and Southeast Dallas County, Texas. The Organization is supported primarily by contributions from the North Texas Food Bank (NTFB), individuals, other organizations, donated goods and services, and fundraising events. Currently, services provided by the Organization are as follows:

- Food pantry
- Non-food essentials
- Emergency financial assistance
- Financial empowerment
- WARM program: Weather Activated Relief for Mesquite program
- Seasonal/Holiday programs

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the allocation of functional expenses, depreciation and amortization expense, and the realizable value of receivables. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of ninety days or less to be cash equivalents. Cash equivalents were \$26,268 at September 30, 2023. The Organization places cash and marketable securities, which at times may exceed federally insured limits of \$250,000, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets and had no restricted cash or cash equivalents at September 30, 2023.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Contributions Receivable and Allowance for Doubtful Accounts

Contributions receivable are due from various federal and local government grantors, and other entities and individuals. The Organization continually evaluates the collectability of receivables and maintains allowances for potential losses, if considered necessary. No allowance was considered necessary at September 30, 2023.

Promises to Give

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization also receives conditional promises to give which are reimbursement-basis federal awards. Receivables and grant revenue are recognized once eligible expenditures are incurred and recorded.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated included donated rent, utilities, repairs and maintenance, insurance, supplies, and postage and printing, which are based on square footage. Depreciation and amortization allocation is based on the related programs and supporting function the property and equipment serve. Professional fees, salaries and wages, and payroll taxes and benefits, are allocated based on time and effort. All other natural expense categories using the key concept of direct conduct or direct supervision are charged to the benefiting program or supporting activities.

Inventory

Inventory consists mainly of food, clothing and household supplies, and medical supplies and equipment. Inventory is recorded at cost, if purchased, and estimated fair value, if donated. See valuation techniques in Note 5. As of September 30, 2023, inventory consisted of the following:

| | |
|---------------------------------|-------------------|
| Food | \$ 538,794 |
| Clothing and household supplies | 9,056 |
| Medical supplies and equipment | 1,194 |
| | <u>\$ 549,044</u> |

Property, Equipment, and Depreciation and Amortization

Property and equipment are stated at cost when purchased or fair value at the date the asset is donated, less accumulated depreciation and amortization. Major expenditures and those that substantially increase useful lives are capitalized, while maintenance and repairs which do not improve or extend the lives of the respective assets, are expensed when incurred. When property or equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in the statement of activities and changes in net assets. Depreciation and amortization have been calculated using the straight-line method as follows:

| | |
|-------------------------|-------------|
| Leasehold improvements | 39-40 years |
| Furniture and equipment | 3-10 years |
| Vehicles | 5 years |

Compensated Absences

The employees of the Organization are entitled to paid vacations, paid sick days and personal days off. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities and changes in net assets or accrued in the statement of financial position. Federal tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Accounting Pronouncement Adopted in 2023

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which introduced a lessee model that requires the majority of leases to be recognized on the statement of financial position. Effective October 1, 2022, the Organization adopted the ASU but there is no impact of the adoption, as the Organization did not lease any space or office equipment but only received donated space for the year ended September 30, 2023.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Following is a description of the valuation methodology used for assets measured at fair value. There was no change in the methodology used at September 30, 2023.

Equity securities: Valued at the closing price reported in an active market in which the equity is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The provisions of ASC Topic 820 did not have an impact on the Organization's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

Date of Management's Review

Subsequent events have been evaluated for potential recognition or disclosure through February 6, 2024, which is the date the financial statements were available to be issued.

Note 2: Property, Equipment, and Construction in Progress

Property and equipment as of September 30, 2023 consisted of the following:

| | |
|-------------------------------------------------|---------------------|
| Land | \$ 727,041 |
| Construction in progress | 3,256,092 |
| Leasehold improvements | 532,033 |
| Furniture and equipment | 285,472 |
| Vehicles | 99,973 |
| | <u>4,900,611</u> |
| Less: accumulated depreciation and amortization | <u>(256,544)</u> |
| Property and equipment, net | <u>\$ 4,644,067</u> |

Construction in progress is related to a new building to house the Organization and is anticipated to be completed by January 31, 2024.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 3: Concentrations

For the year ended September 30, 2023, the Organization received 73% of total revenues and support from contributions of nonfinancial assets of food, clothing and household supplies, rent, and medical supplies and equipment.

The Organization operates mainly in the Dallas County, Texas area. Therefore, results of operations are subject to economic conditions of the area.

Note 4: Fair Value Measurements

Fair value of assets measured on a recurring basis at September 30, 2023 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|-------------------|--------------|----------------|----------------|----------------|
| Equity securities | \$ 64,725 | \$ 64,725 | \$ - | \$ - |

Note 5: Contributions of Nonfinancial Assets

For the year ended September 30, 2023, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included the following:

| Item | Revenue Recognized | Utilization in Programs/Activities | Donor Restrictions | Valuation Techniques and Inputs |
|----------------------------------------|----------------------|--------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Food | \$ 22,666,783 | Client services, food hub, Opal J Smith food pantry | No donor restrictions | Estimated fair value is \$1.92 per pound on the basis of Feeding America's recommended valuation. |
| Clothing and household supplies | 533,130 | Client services | No donor restrictions | Estimated fair value is \$1.92 per pound on the basis of Feeding America's recommended valuation. |
| Rent | 200,000 | Client services, food hub, administrative, fundraising | No donor restrictions | Estimated fair value is \$10 per square foot on the basis of comparable properties rental price in the area the Organization is located. |
| Medical supplies and equipment | 3,044 | Client services | No donor restrictions | Estimated fair value is on the basis of wholesale values, if available, that would be received for purchasing similar products in similar conditions. When wholesale values are not available, especially for smaller items, then a value is assigned based on condition of the donated medical supplies and equipment. |
| Furniture | 50,000 | Client services, food hub, administrative | No restrictions | Estimated fair value is based on retail values that would be paid for purchasing similar assets. |
| Various goods for operations | 1,926 | Administrative | No restrictions | Estimated fair value is based on retail values that would be paid for purchasing similar goods. |
| Total | \$ 23,454,883 | | | |

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 6: Service Agreement

On April 15, 2016, the Organization entered into a service agreement (Agreement) with the NTFB to provide food distribution services in the Mesquite, Texas region. Under the Agreement, the Organization receives in-kind donations of food from NTFB, which are included in revenues, expenses, and inventory for the year ended September 30, 2023. The Organization is responsible for distributing portions of the food to other local nonprofits which are labeled as Community Distribution Partners (CDP) in the Agreement, and charges CDP handling fees. Beginning in March 2020, the Organization has waived the handling fees from CDP due to the pandemic but received handling fee reimbursements from the NTFB. The reimbursements have been recorded in service fees in the accompanying statement of activities and changes in net assets. Any NTFB donated food not distributed to CDP is distributed to the Organization's participants.

Note 7: Net Assets with Donor Restrictions

At September 30, 2023, net assets with donor restrictions consisted of the following:

| | | |
|-------------------------------------------|-----------|------------------|
| Capital campaign | \$ | 5,528,082 |
| Utility/Rental assistance | | 231,346 |
| Client assistance (scholarships) | | 1,918 |
| Client assistance (holiday) | | 15,835 |
| Client assistance (disaster relief, WARM) | | 14,055 |
| Client assistance (job training) | | 59,865 |
| Client assistance (clothing) | | 3,815 |
| | <u>\$</u> | <u>5,854,916</u> |

Net assets released from restrictions during the year ended September 30, 2023 were as follows:

| | | |
|-------------------------------------------|-----------|----------------|
| Utility/Rental assistance | \$ | 346,988 |
| Client assistance (Nourish2Flourish) | | 50,000 |
| Client assistance (scholarships) | | 5,500 |
| Client assistance (holiday) | | 27,636 |
| Client assistance (disaster relief, WARM) | | 49,502 |
| Client assistance (ePantry) | | 4,664 |
| Client assistance (job training) | | 23,135 |
| Client assistance (clothing) | | 6,185 |
| Other | | 74,457 |
| | <u>\$</u> | <u>588,067</u> |

Note 8: Employee Retention Credit (ERC)

Due to the partial suspension of operations in the calendar year 2020, the Organization qualified for the ERC under the provision of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). For the year ended September 30, 2023, the Organization received and recognized the ERC refund income of \$107,339 which is include in the other income in the statement of activities and changes in net assets.

Sharing Life Community Outreach, Inc.
Notes to Financial Statements
September 30, 2023

Note 9: Liquidity

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the operating accounts. Under U.S. GAAP, net assets with donor restrictions for capital campaigns cannot be released until the associated assets are placed in service. As of September 30, 2023, the Organization had spent approximately \$3,200,000 of donor funds restricted to the capital campaign, capitalized as construction in progress, which has not been released from the donor-imposed restriction.

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | |
|-------------------------------------------------------------------------------------------|---------------------|
| Financial assets available at September 30, 2023 | \$ 3,982,745 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor-imposed restrictions, unexpended: | <u>(2,650,992)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,331,753</u> |



**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**

To the Board of Directors
of Sharing Life Community Outreach, Inc.

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 Sharing Life Community Outreach, Inc., which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, 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 February 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Sharing Life Community Outreach, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharing Life Community Outreach, Inc.'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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Salmon Sims Thomas".

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

February 6, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors
of Sharing Life Community Outreach, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sharing Life Community Outreach, Inc.'s 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 Sharing Life Community Outreach, Inc.'s major federal programs for the year ended September 30, 2023. Sharing Life Community Outreach, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sharing Life Community Outreach, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Sharing Life Community Outreach, Inc. 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 Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'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 GAAS, *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 Sharing Life Community Outreach, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'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 Sharing Life Community Outreach, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 were not 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.



Salmon Sims Thomas & Associates
A Professional Limited Liability Company

February 6, 2024

Sharing Life Community Outreach, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

| Federal Agency/ Pass-through Grantor/Program Title | Assistance Listing Number | Cluster Name | Pass-through Grantor's # | Federal Expenditures | Provided to Subrecipients |
|-----------------------------------------------------------------------------------|---------------------------|---------------------------|--------------------------|----------------------|---------------------------|
| U.S. Department of Agriculture | | | | | |
| North Texas Food Bank | | | | | |
| Emergency Food Assistance Program - Commodities | 10.569 | Food Distribution Cluster | N/A | \$ 4,537,363 | \$ 3,363,481 |
| Commodity Credit Corporation | 10.187 | | N/A | 734,402 | 544,401 |
| Local Food Purchase Cooperative Agreement | 10.182 | | N/A | 68,544 | 50,811 |
| Total U.S. Department of Agriculture | | | | <u>5,340,309</u> | <u>3,958,693</u> |
| U.S. Department of Homeland Security - Federal Emergency Management Agency | | | | | |
| United Way | | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | | 7826-00-80 | 21,370 | - |
| U.S. Department of Treasury | | | | | |
| North Texas Food Bank | | | | | |
| American Rescue Plan Act - Commodities | 21.027 | | SLFRF | 277,947 | 206,038 |
| Dallas County | | | | | |
| American Rescue Plan Act | 21.027 | | SLFRF #2022-037-6952 | 632,830 | - |
| United Way of Metropolitan Dallas | | | | | |
| Dallas Rental Assistance Collaborative - Coronavirus Relief Fund | 21.019 | | DRAC 5 | 9,488 | - |
| Total U.S. Department of Treasury | | | | <u>920,265</u> | <u>206,038</u> |
| U.S. Department of Housing and Urban Development | | | | | |
| City of Mesquite | | | | | |
| Emergency Solutions Grants Program | 14.231 | | B-21-MC-48-0014 | 440 | - |
| Emergency Solutions Grants Program | 14.231 | | B-22-MC-48-0014 | 25,290 | - |
| Emergency Solutions Grants Program | 14.231 | | B-22-MC-48-0014 | 24,779 | - |
| Emergency Solutions Grants Program | 14.231 | | B-22-MC-48-0014 | 4,680 | - |
| COVID-19 - Emergency Solutions Grants Program | 14.231 | | B-20-MW-48-0014 | 55,002 | - |
| COVID-19 - Emergency Solutions Grants Program | 14.231 | | B-20-MW-48-0014 | 157 | - |
| | | | | 110,348 | - |
| North Texas Food Bank | | | | | |
| Community Development Block Grant - Commodities | 14.228 | | N/A | 46,445 | - |
| Total U.S. Department of Housing and Urban Development | | | | <u>156,793</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 6,438,737</u> | <u>\$ 4,164,731</u> |

Note 1: Basis of Accounting

The Schedule of Expenditures of Federal Awards (Schedule) is prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Indirect Costs

Expenditures reported on the Schedule are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

**Sharing Life Community Outreach, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

SUMMARY OF AUDITORS' RESULTS

1. We have issued an unmodified opinion on the financial statements of Sharing Life Community Outreach, Inc. as of and for the year ended September 30, 2023.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements were found.
3. The results of the financial statement audit disclosed no instances of noncompliance which were considered material to the financial statements.
4. We issued an unmodified opinion in our report on compliance for major programs for the year ended September 30, 2023.
5. No significant deficiencies or material weaknesses relating to the audit of internal control over compliance for the major federal award programs were found.
6. There were no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
7. The programs tested as major programs for the year ended September 30, 2023 are as follows:

| | |
|-------------------------------------------------|--------|
| Emergency Food Assistance Program – Commodities | 10.569 |
| American Rescue Plan Act | 21.027 |
8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. Sharing Life Community Outreach, Inc. qualified as a low-risk auditee.

Findings – Financial Statements Audit

No matters are reportable.

Findings – Major Federal Award Programs Audit

No matters are reportable.

Corrective Action Plan

None

Sharing Life Community Outreach, Inc.
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2023

Sharing Life Community Outreach, Inc. was audited for the year ended September 30, 2022 by Salmon Sims Thomas & Associates, PLLC. There were no audit findings requiring corrective action.