

WORKING WARDROBES FOR A NEW START
Financial Statements
December 31, 2021
With Summarized Comparative Information as of December 31, 2020
With Independent Auditor's Reports

Working Wardrobes for a New Start
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With Summarized Comparative Information as of December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Working Wardrobes for a New Start:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Working Wardrobes for a New Start (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Working Wardrobes for a New Start as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 ("*Government Auditing Standards*"). 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 the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

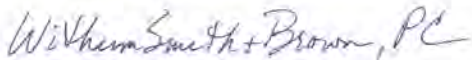
We have previously audited the Organization's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 for the year ended December 31, 2021, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022 on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Withum Smith & Brown, PC".

May 19, 2022

Working Wardrobes for a New Start
Statement of Financial Position
December 31, 2021
With Summarized Comparative Information at December 31, 2020

	Net Assets		Total	
	Without Donor Restrictions	Net Assets With Donor Restrictions	2021	2020
Assets				
Current assets				
Cash and cash equivalents	\$ 1,538,607	\$ -	\$ 1,538,607	\$ 1,225,056
Investments	1,154,116	-	1,154,116	889,284
Accounts receivable, net	417,860	-	417,860	297,489
Grants receivable	-	21,670	21,670	25,384
Prepaid expenses	31,600	-	31,600	220,026
Inventory	3,452,341	-	3,452,341	1,329,332
Total current assets	6,594,524	21,670	6,616,194	3,986,571
Property and equipment, net	673,286	-	673,286	817,299
Other assets				
Deposits	79,276	-	79,276	63,371
Total assets	\$ 7,347,086	\$ 21,670	\$ 7,368,756	\$ 4,867,241
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 403,680	\$ -	\$ 403,680	\$ 244,833
Deferred revenue	7,422	-	7,422	73,792
Deferred rent	91,900	-	91,900	138,867
Current portion of note payable	-	-	-	71,052
Total current liabilities	503,002	-	503,002	528,544
Long-term liabilities				
Lease incentive liability	87,526	-	87,526	133,174
Total liabilities	590,528	-	590,528	661,718
Net assets				
Without donor restrictions	6,756,558	-	6,756,558	4,180,139
With donor restrictions	-	21,670	21,670	25,384
Total net assets	6,756,558	21,670	6,778,228	4,205,523
Total liabilities and net assets	\$ 7,347,086	\$ 21,670	\$ 7,368,756	\$ 4,867,241

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Activities
Year Ended December 31, 2021
With Summarized Comparative Information for the Year Ended December 31, 2020

	Net Assets		Total	
	Without Donor Restrictions	Net Assets With Donor Restrictions	2021	2020
Public support and revenues				
Contributions	\$ 658,497	\$ -	\$ 658,497	\$ 1,552,730
Career service fees	308,347	-	308,347	159,847
Grants	2,171,064	-	2,171,064	2,049,419
Grants - Paycheck Protection Program forgiveness	565,728	-	565,728	518,400
Special events revenue, net	592,642	-	592,642	109,598
Donated wardrobes	5,416,718	-	5,416,718	1,490,488
Contributed services and gifts in-kind	93,702	-	93,702	844,822
Resale revenue	1,502,875	-	1,502,875	569,925
Miscellaneous income	478,546	-	478,546	169,868
Total public support and revenues	<u>11,788,119</u>	<u>-</u>	<u>11,788,119</u>	<u>7,465,097</u>
Expenses				
Program services				
Career services	5,775,829	-	5,775,829	3,959,307
Resale operations	1,542,197	-	1,542,197	1,088,736
Total program services	<u>7,318,026</u>	<u>-</u>	<u>7,318,026</u>	<u>5,048,043</u>
Supporting services				
General and administrative	1,379,540	-	1,379,540	876,870
Fundraising	658,401	-	658,401	325,936
Total supporting services	<u>2,037,941</u>	<u>-</u>	<u>2,037,941</u>	<u>1,202,806</u>
Total expenses	<u>9,355,967</u>	<u>-</u>	<u>9,355,967</u>	<u>6,250,849</u>
Other income (expenses)				
Insurance claim proceeds	138,501	-	138,501	958,605
Gain on investments	2,052	-	2,052	15,920
Loss on disposal of property and equipment	-	-	-	(73,307)
Total other income	<u>140,553</u>	<u>-</u>	<u>140,553</u>	<u>901,218</u>
Changes in net assets	2,572,705	-	2,572,705	2,115,466
Net assets				
Beginning of year	<u>4,183,853</u>	<u>21,670</u>	<u>4,205,523</u>	<u>2,090,057</u>
End of year	<u>\$ 6,756,558</u>	<u>\$ 21,670</u>	<u>\$ 6,778,228</u>	<u>\$ 4,205,523</u>

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Functional Expenses
Year Ended December 31, 2021
With Summarized Comparative Information for the Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	Career Services	Resale Operations	Subtotal	General and Administrative	Fundraising	Subtotal	2021	2020
Advertising	\$ 10,571	\$ -	\$ 10,571	\$ 9,758	\$ -	\$ 9,758	\$ 20,329	\$ 237,740
Bad debt	13,196	-	13,196	13,605	-	13,605	26,801	17,220
Bank fees	-	25,741	25,741	14,576	-	14,576	40,317	25,312
Board meetings	-	-	-	-	-	-	-	655
Career center	137,463	1,265	138,728	602	-	602	139,330	65,598
Computer	73,692	8,765	82,457	13,610	4,483	18,093	100,550	82,404
Cost of goods sold	3,237,709	-	3,237,709	-	-	-	3,237,709	971,079
Direct costs of donor benefits	-	-	-	-	8,986	8,986	8,986	43,092
Dues and subscriptions	3,112	534	3,646	2,369	653	3,022	6,668	3,869
Equipment rental	14,764	-	14,764	-	-	-	14,764	8,509
Employee benefits	3,321	32,307	35,628	32,216	14,771	46,987	82,615	98,578
Events	-	-	-	3,747	132,729	136,476	136,476	4,776
Grant writing	44,600	-	44,600	-	-	-	44,600	42,000
Insurance	51,490	47,767	99,257	31,399	4,014	35,413	134,670	80,729
Interest expense	-	-	-	365	-	365	365	4,341
Licenses and permits	1,053	2,926	3,979	4,474	-	4,474	8,453	1,615
Marketing and media	-	-	-	8,801	399	9,200	9,200	10,845
Memberships	5,310	-	5,310	-	25	25	5,335	5,123
Miscellaneous	21,266	150	21,416	9,291	4,546	13,837	35,253	184,806
Office expenses	47,163	103,548	150,711	13,395	11,343	24,738	175,449	239,773
Outside services	12,167	5,463	17,630	294,766	20,381	315,147	332,777	204,064
Payroll fees	94,163	-	94,163	15,393	-	15,393	109,556	40,388
Payroll taxes	135,901	56,716	192,617	58,173	27,846	86,019	278,636	217,595
Personnel development	10,858	2,281	13,139	4,124	1,657	5,781	18,920	18,713

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statement of Functional Expenses
Year Ended December 31, 2021
With Summarized Comparative Information for the Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	Career Services	Resale Operations	Subtotal	General and Administrative	Fundraising	Subtotal	2021	2020
Printing and postage	\$ 6,348	\$ 136	\$ 6,484	\$ 5,835	\$ 1,205	\$ 7,040	\$ 13,524	\$ 41,232
Promotions	-	2,909	2,909	-	-	-	2,909	5,547
Rent	182,436	431,053	613,489	27,026	43,242	70,268	683,757	629,712
Repairs and maintenance	5,068	11,177	16,245	140	-	140	16,385	44,405
Salaries and wages	1,643,997	669,088	2,313,085	702,578	390,267	1,092,845	3,405,930	2,745,214
Security	164	3,782	3,946	200	-	200	4,146	3,758
Taxes	-	-	-	10	-	10	10	1,707
Telephone	8,414	40,271	48,685	233	145	378	49,063	74,838
Travel and entertainment	11,603	22,388	33,991	10,210	445	10,655	44,646	45,959
Utilities	-	32,561	32,561	-	250	250	32,811	23,167
Total expenses before depreciation and amortization	5,775,829	1,500,828	7,276,657	1,276,896	667,387	1,944,283	9,220,940	6,224,363
Depreciation and amortization	-	41,369	41,369	102,644	-	102,644	144,013	69,578
Total expenses	5,775,829	1,542,197	7,318,026	1,379,540	667,387	2,046,927	9,364,953	6,293,941
Less: Expenses included with revenues on the statement of activities								
Direct costs of donor benefits	-	-	-	-	(8,986)	(8,986)	(8,986)	(43,092)
	<u>\$ 5,775,829</u>	<u>\$ 1,542,197</u>	<u>\$ 7,318,026</u>	<u>\$ 1,379,540</u>	<u>\$ 658,401</u>	<u>\$ 2,037,941</u>	<u>\$ 9,355,967</u>	<u>\$ 6,250,849</u>

The Notes to Financial Statements are an integral part of this statement.

Working Wardrobes for a New Start
Statements of Cash Flows
Year Ended December 31, 2021

With Summarized Comparative Information for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Changes in net assets	\$ 2,572,705	\$ 2,115,466
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	144,013	69,578
Donated assets	-	(349,611)
Loss on disposal of property and equipment	-	73,307
Bad debt expense	(26,801)	(17,220)
Gain on investments	(2,052)	(15,920)
(Increase) decrease in assets		
Accounts receivable	(93,570)	(75,894)
Grants receivable	3,714	282
Prepaid expenses	188,426	(182,149)
Inventory	(2,123,009)	(695,025)
Deposits	(15,905)	(23,296)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	158,847	(49,934)
Deferred revenue	(66,370)	(9,890)
Deferred rent	(46,967)	68,186
Lease incentive liability	(45,648)	133,174
Net cash provided by operating activities	<u>647,383</u>	<u>1,041,054</u>
Investing activities		
Purchases of property and equipment	-	(512,253)
Purchases of marketable equity securities	<u>(262,780)</u>	<u>(130,032)</u>
Net cash used in investing activities	<u>(262,780)</u>	<u>(642,285)</u>
Financing activities		
Principal repayments on note payable	<u>(71,052)</u>	<u>(28,108)</u>
Net change in cash and cash equivalents	313,551	370,661
Cash and cash equivalents		
Beginning of year	<u>1,225,056</u>	<u>854,395</u>
End of year	<u>\$ 1,538,607</u>	<u>\$ 1,225,056</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	<u>\$ 365</u>	<u>\$ 4,341</u>

The Notes to Financial Statements are an integral part of these statements.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

1. ORGANIZATION AND NATURE OF SERVICES

Working Wardrobes for a New Start (the "Organization"), incorporated in May 1995, is a nonprofit community-based organization formed to empower men, women, young adults, and veterans overcoming difficult challenges to confidently enter the workforce and achieve self-sufficiency. The Organization provides career training, job placement assistance, and wardrobe services in an environment of dignity and respect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization's program services are as follows:

Career Services

Career services offer career development services to low-income men, women, and young adults as well as veterans who are overcoming difficult challenges and barriers to employment. These services include career assessment, resume development, customer service training, soft and hard skill trainings, financial literacy workshops, job referrals, job placement, and job retention services. Volunteer success coaches and job developers support these efforts, coordinated by a talented staff team. Professional wardrobing and grooming services are also provided with the help of volunteer personal shoppers.

The Hanger Shops

The Organization has two upscale resale boutiques that sell a wide selection of top-quality donated clothing and accessories to the general public. The shops are located in Tustin and Laguna Niguel, California.

Resale Shops

The Organization has two resale shops located in Costa Mesa and Garden Grove, California that sell men's and women's clothing, some housewares, and miscellaneous items to the general public. Many of the students in customer service training apprentice in the shops for real world experience to enhance their resumes.

The income derived from the sales in all four shops supports the services provided to the Organization's clients.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations including amounts designated by the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

Revenue Recognition

Revenues that are treated as exchange transactions are recognized consistent with the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. ASC 606 stipulates that revenue should be recognized consistent with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For services provided to individuals through the Career Services program, revenues are recognized as the services have been provided and the appropriate party has been billed.

For resale revenue in the Hanger Shops and Resale Shops, revenues are recognized at the point of sale.

The Organization recognizes revenue from government and private grant and contract agreements, which are generally considered nonexchange transactions, when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as deferred revenue. Grant funds expended in advance of reimbursement from the funding source are classified as grants receivable in the statement of financial position.

Contributions

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give are reported 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 the amounts expected to be collected.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers providing nonspecialized skills such as administrative or warehouse tasks represent valuable services necessary to the operation of the Organization. For the years ended December 31, 2021 and 2020, such nonspecialized volunteer hours totaled 24,428 and 9,246, respectively, which have not been recorded in the accompanying financial statements. Only amounts that meet the criteria above are recorded in the accompanying financial statements.

The Organization also has received donations of various noncash assets, such as supplies, property and equipment, or services that were used for purposes of operating activities. Contributed services and gifts in-kind in the amounts of \$93,702 and \$844,822 are recorded as income and expense in the statement of activities for the years ended December 31, 2021 and 2020, respectively. These contributions are valued at the estimated fair value provided by the donor or the net realizable value of donations used for retail operations.

Special Events Revenue

Special event revenue is recognized upon completion of the events and recorded net of direct costs.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Grants Receivable

Pledges and grants receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Pledges and grants receivable are reported as restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period.

Inventory

Donations of professional wardrobes to the Organization are recorded at estimated net realizable value at the date of donation. The net realizable value of donated wardrobes is based on management's estimate which is derived from various valuation techniques including historical resale prices at the various store locations. The costs associated with selling the wardrobes are recorded as resale operations expense in the statement of activities. Costs associated with selling and distributing the wardrobes as part of the Organization's Career Services function are recorded as career services expense in the statement of activities.

The net realizable value of inventory for donated wardrobes is based on the estimated price per wardrobe item that the Organization can recover from resale operations. As of December 31, 2021 and 2020, wardrobe inventory recorded on the statement of financial position is valued at an estimated net realizable value of \$3,452,341 and \$1,329,332, respectively.

Concentration of Revenue Sources and Credit Risk

For the years ended December 31, 2021 and 2020, the Organization received contributions from one source totaling \$815,572 and \$737,587, respectively, representing approximately 13% and 12%, respectively, of monetary revenues as disclosed in the statements of activities. The Organization functions on the assumption that significant annual donations are not controllable and accordingly, attempts to budget its operations on recurring activity.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

The Organization maintains its cash balances at major financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments

Investments are measured and reported at fair value. Those with a readily determinable fair values are based on quotations obtained from national security exchanges. Investments with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. Organization management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. Changes in fair value are reported as realized or unrealized gain or loss on investments in the statement of activities. All investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amounts reported in the financial statements.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Donated assets are recorded at the estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and equipment	5-10
Computer software	3-5
Auto	5

Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvement.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment was recorded for the years ended December 31, 2021 and 2020.

Contributory Retirement Plan

The Organization started a qualified 401(k), employee salary deferral and profit-sharing plan (the "Plan") for the benefit of its employees, effective January 1, 2020. Employees are eligible to participate in the Plan at the age of 21 and upon completing 6 months and 1,000 hours of service. The Organization may elect to make a profit-sharing contribution. These contributions are discretionary and determined by management on an annual basis. The Organization did not make any contributions to the Plan during the years ended December 31, 2021 and 2020.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2021
With Summarized Comparative Information as of December 31, 2020

Use of Estimates

The preparation of financial statements in conformity with accounting principles under US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Certain expenses reported on the accompanying statement of functional expenses, such as bad debt, board meetings, interest expense, career center, grant writing, and cost of goods sold have been allocated to programs, administrative, and retail based on direct usage. Expenses including office, printing and postage, rent, and property taxes are allocated based on the location and square footage of the location where expenses are incurred. The majority of the remaining natural expenses have generally been allocated to the program and supporting services based on time and effort of the employees involved. For certain expenses including advertising, bank fees, dues and subscriptions, events, insurance, miscellaneous, repairs and maintenance, and travel and entertainment, the cost directly attributable to program or supporting services has been allocated as such, with the remaining amount of shared cost being allocated based on the time and effort of the employees involved.

Vacation Expense

Hourly and salaried employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Organization has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Organization, these standards could be applicable to the incurrence of any unrelated business income attributable to the Organization. Because of the Organization's general tax-exempt status, these standards are not anticipated to have a material impact on the Organization's financial statements at December 31, 2021 and 2020. Further, there are no income tax related penalties and interest included in these financial statements.

Advertising and Media Costs

All advertising and media costs, which include direct response advertising costs, are expensed by the Organization as they are incurred. Total advertising and media costs for the years ended December 31, 2021 and 2020 were \$29,529 and \$248,585, respectively.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

Risks and Uncertainties

Management is currently considering the impact of the COVID-19 virus on its ability to serve clients and on its retail operations, which have been temporarily closed as a result of state regulations. While it is reasonably possible that the virus could have a negative effect on the Organization's financial condition, results of operations, and cash flows, the specific impact is not readily determinable as of the date of these financial statements.

Sales Taxes

The Organization collects sales taxes from nonexempt customers and remits the entire amounts to the governmental authorities. The Organization's accounting policy is to exclude the taxes collected and remitted from revenue and expenses.

Recent Accounting Pronouncements - Not Yet Adopted

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which is effective for the Organization's year ending December 31, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*: (Topic 842). Under Topic 842, lessees will be required to recognize the following for substantially all leases:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

ASU 2016-02 is effective for the Organization's year ending December 31, 2022.

Comparative Data

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2020 from which the summarized information was derived.

Reclassification

Certain amounts in the prior year presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Subsequent Events

The Organization evaluated subsequent events through May 19, 2022, the date these financial statements were available to be issued. There were no material subsequent events, except for the item in Note 8, that required recognition or additional disclosure in these financial statements.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2021

With Summarized Comparative Information as of December 31, 2020

3. AVAILABILITY AND LIQUIDITY

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,538,607	\$ 1,225,056
Investments	1,154,116	889,284
Accounts receivable	<u>417,860</u>	<u>297,489</u>
Total available financial assets	3,110,583	2,411,829
Availability under line of credit	<u>150,000</u>	<u>150,000</u>
Total financial assets	<u>3,260,583</u>	<u>2,561,829</u>
Less: Amounts not available to be used within one year		
Net assets with donor restrictions	-	-
Less: Net assets with purpose restrictions to be met in less than a year	<u>21,670</u>	<u>25,384</u>
	<u>21,670</u>	<u>25,384</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,238,913</u>	<u>\$ 2,536,445</u>

The Organization receives contributions and grants restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet at least 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity monthly, and its reserves quarterly. During the year ended December 31, 2021 the level of liquidity and reserves was managed within the policy requirements.

4. INVESTMENTS RECORDED AT FAIR VALUE

Investments generally consist of fixed income corporate bonds, equity securities, and certificates of deposits. It is the Organization's policy to liquidate gifted securities upon receipt. The Organization did not have any securities gifted during the years ended December 31, 2021 and 2020.

The following is a description of the valuation methodologies the Organization uses for investments measured at fair value. There have been no changes in methodologies used.

Fixed income corporate bonds and equity securities- Valued at the settlement date basis at the close of the period as provided by independent pricing services.

Certificates of deposit – Valued at cost, which approximates fair value.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2021

With Summarized Comparative Information as of December 31, 2020

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income corporate bonds	\$ -	\$ 797,294	\$ -	\$ 797,294
Equity securities	-	246,090	-	246,090
Certificates of deposits	-	110,732	-	110,732
Total investments	<u>\$ -</u>	<u>\$ 1,154,116</u>	<u>\$ -</u>	<u>\$ 1,154,116</u>
	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income corporate bonds	\$ -	\$ 788,681	\$ -	\$ 788,681
Certificates of deposits	-	100,603	-	100,603
Total investments	<u>\$ -</u>	<u>\$ 889,284</u>	<u>\$ -</u>	<u>\$ 889,284</u>

Investment income for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Gain on investments	<u>\$ 2,052</u>	<u>\$ 15,920</u>

5. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 648,727	\$ 656,491
Computer software	98,355	98,355
Leasehold improvements	368,154	360,266
Auto	<u>35,000</u>	<u>35,000</u>
	1,150,236	1,150,112
Less: Accumulated depreciation and amortization	<u>(476,950)</u>	<u>(332,813)</u>
	<u>\$ 673,286</u>	<u>\$ 817,299</u>

Total depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$144,013 and \$69,578, respectively.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2021
With Summarized Comparative Information as of December 31, 2020

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 18,001	\$ 29,153
Accrued vacation	72,252	85,107
Credit cards payable	29,712	15,690
Accrued payroll	234,586	42,568
Sales tax payable	31,188	5,186
Other	17,941	67,129
	<u>\$ 403,680</u>	<u>\$ 244,833</u>

7. NOTE PAYABLE

The Organization had a note payable to Pacific Premier Bank, payable in monthly installments of \$2,690, including interest at a variable rate (as determined by the bank to be 4.78% at December 31, 2020), and scheduled to mature in April 2023. Borrowings are collateralized by virtually all of the Organization's assets. As of December 31, 2020, the balance of the note was \$71,052. In February 2021, the Organization paid the balance, consisting of remaining interest left on the note, in full.

Interest expense for the aforementioned note payable was \$365 and \$4,341 for the years ended December 31, 2021 and 2020, respectively.

8. LINE OF CREDIT

In March 2016, the Organization entered into a revolving line of credit ("LOC") with Pacific Premier Bank. The LOC provides for borrowings through May 2022 to provide the Organization with short-term working capital. Borrowings bear interest at the bank's prime rate (prime rate at December 31, 2021 was 3.25%) plus 2.00%. The maximum amount that may be outstanding under the agreement is \$150,000. The LOC is collateralized by all of the Organization's assets. There were no amounts outstanding under this line of credit at December 31, 2021 and 2020. Subsequent to year end, an extension was entered into that extended the maturity date to May 2023.

9. NET ASSETS

Net assets with donor restrictions consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Passage of time		
Grants receivable	\$ 21,670	\$ 25,384

Net assets without donor restrictions for the years ended December 31, 2021 and 2020 are considered undesignated.

Net assets released from donor restrictions were \$0 and \$282 for the years ended December 31, 2021 and 2020, respectively.

Working Wardrobes for a New Start
Notes to Financial Statements
December 31, 2021
With Summarized Comparative Information as of December 31, 2020

10. COMMITMENTS

The Organization leases resale stores, hanger stores, and their main operating facility under noncancelable operating lease agreements. The monthly rents on the aforementioned leases range from \$3,744 to \$30,364 expiring through May 2026. Under the leasing arrangements, the Organization is required to pay property taxes and common area charges (maintenance, utilities and property insurance) attributable to the leases.

The Organization also leases another resale store on a month to month basis. The Organization pays monthly rent for the outlet store of \$3,744.

Future minimum annual rental payments under noncancelable operating leases at December 31 are as follows:

2022	\$ 849,314
2023	758,821
2024	253,105
2025	194,536
2026	82,052
	<u>\$ 2,137,828</u>

Rent expense related to the aforementioned operating lease agreements was \$683,757 and \$629,712 for the years ended December 31, 2021 and 2020, respectively.

Pending Litigation

Attorneys for the landlord have filed suit in the Superior Court of California against the Organization in regard to the fire that occurred at the Organization's previous operating facility. In the opinion of management of the Organization and counsel, the outcome of such matter is not determinable as of the date of these financial statements.

11. INSURANCE CLAIM PROCEEDS

In February 2020, the Organization suffered a fire in its main warehouse and administrative location in Irvine, California. As a result of the loss, the Organization received insurance proceeds of \$138,500 and \$958,605 for the years ended December 31, 2021 and 2020, respectively, which is presented on the statement of activities.

Working Wardrobes for a New Start

Notes to Financial Statements

December 31, 2021

With Summarized Comparative Information as of December 31, 2020

12. PAYCHECK PROTECTION PROGRAM

On April 9, 2020, the Organization issued an unsecured promissory note of the Paycheck Protection Program (the "PPP Loan") for \$518,400 through programs established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On November 24, 2020, the Organization was informed that its application for forgiveness of \$518,400 of the PPP Loan was approved. Accordingly, the Organization recorded it as grant income in the accompanying statement of activities for the year ended December 31, 2020.

On January 15, 2021, the Organization received a PPP loan in the amount of \$565,728 under the Second Draw of the PPP ("PPP Loan 2") of the CARES Act. The PPP Loan was guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On August 3, 2021, the Organization was informed that its application for forgiveness of \$565,728 of the PPP Loan was approved. Accordingly, the Organization recorded it as grant income in the accompanying statement of activities for the year ended December 31, 2021.

SUPPLEMENTARY INFORMATION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Working Wardrobes for a New Start:

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 ("*Government Auditing Standards*"), the financial statements of Working Wardrobes for a New Start (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

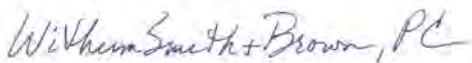
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Withum Smith + Brown, PC".

May 19, 2022

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Working Wardrobes for a New Start:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Working Wardrobes for a New Start 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization'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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Withum Smith + Brown, PC

May 19, 2022

**Working Wardrobes for a New Start
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021**

<u>Federal Grant / Pass - Through Grantor / Program</u>	<u>Contract #</u>	<u>CFDA #</u>	<u>Expenditures Federal</u>
U.S. Department of Labor			
Homeless Veterans' Reintegration Program			
California Department of Social Services	HV-33822-19-60-5-6	17.805	\$ 225,327
			<u>225,327</u>
Passed through County of Orange Development Board:			
Veterans Employment Program	18-28-0059-EEDS	17.802	
Period of 1/1/21 - 6/30/21			151,395
Period of 7/1/21 - 12/31/21			<u>234,057</u>
			<u>385,452</u>
Passed through County of Orange Development Board:			
Senior Community Services Employment Program	19-28-0064-SP	17.235	
Period of 1/1/21 - 6/30/21			477,593
Period of 7/1/21 - 12/31/21			<u>337,445</u>
			<u>815,038</u>
Grand totals			\$ <u>1,425,817</u>

See Independent Auditor's Report on Other Matters, Other Information.

Working Wardrobes for a New Start
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

1. GENERAL INFORMATION

The accompanying schedule of expenditures of Federal awards presents the activities in all the Federal financial assistance programs of the Organization. All financial assistance received directly from Federal agencies as well as financial assistance passed through other governmental agencies or not-for-profit organizations are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of Federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards expenditures are reported on the statements of functional expenses as program expenses and administrative expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of Federal awards due to program expenditures exceeding grant or contract budget limitations or capitalization policies required by accounting principles generally accepted in the United States of America.

4. INDIRECT COSTS

The Organization has elected to use the 10% de minimis cost rate as covered in section 200.414 in the Uniform Guidance.

5. SUBRECIPIENTS

The Organization did not pass through any federal awards to subrecipients during the year ended December 31, 2021.

**Working Wardrobes for a New Start
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? No

Identification of major federal programs:

Homeless Veterans' Reintegration Program – CFDA #17.805
Veterans Employment Program - CFDA #17.802

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

Auditee qualified as a low-risk auditee? No

Section 2 - Financial Statement Findings

No matters were reported.

Section 3 - Federal Award Findings and Questioned Costs

No matters were reported.

Section 4 – Schedule of Prior Year Audit Findings and Questioned Costs

None noted.

See Independent Auditor's Report on Other Matters, Other Information.