

Community Action Agency of Butte County, Inc.

Financial Statements and Supplementary Information

Years Ended December 31, 2016 and 2015



Community Action Agency of Butte County, Inc.
Helping People. Changing Lives.

WIPFLi LLP
CPAs and Consultants



Independent Auditor's Report

Board of Directors
Community Action Agency of Butte County, Inc.
Chico, California

Report on Financial Statements

We have audited the accompanying financial statements of the Community Action Agency of Butte County, Inc. (the "Agency"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Agency of Butte County, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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 as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Supplemental Statements of Revenue and Expenditures CSD (State of California Department of Community Services and Development) Contracts are presented for purposes of additional analysis, and are 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. Such 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. In our opinion, the supplementary information 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 May 23, 2017, on our consideration of Community Action Agency of Butte County, 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 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 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 Community Action Agency of Butte County, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

May 23, 2017
Madison, Wisconsin

Community Action Agency of Butte County, Inc.

Statements of Financial Position

<i>December 31,</i>	2016	2015
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 590,925	\$ 161,546
Grants receivable	516,286	384,569
Accounts receivable	77,098	112,549
Developer fee receivable	-	330,164
Inventories and work in progress	143,024	207,659
Prepaid expenses	6,075	8,718
Total current assets	1,333,408	1,205,205
Other assets:		
Restricted cash - Deposits and trust funds payable	45,623	49,068
Restricted reserve funds - USDA	27,804	27,804
Total other assets	73,427	76,872
Property and equipment, net	2,908,664	3,088,966
TOTAL ASSETS	\$ 4,315,499	\$ 4,371,043
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 454,298	\$ 485,016
Accrued payroll and related	122,940	135,932
Deposits and trust funds payable	45,623	49,068
Commodities inventory - Advanced	23,715	58,702
Deferred revenue	184,585	64,489
Accrued vacation	82,042	91,431
Current portion of long-term debt	45,034	43,860
Total current liabilities	958,237	928,498
Long-term liabilities - Long-term debt	302,879	346,924
Total liabilities	1,261,116	1,275,422
Unrestricted net assets	3,054,383	3,095,621
TOTAL LIABILITIES AND NET ASSETS	\$ 4,315,499	\$ 4,371,043

See accompanying notes to financial statements.

Community Action Agency of Butte County, Inc.

Statements of Activities

<i>Year Ended December 31,</i>	2016	2015
Public support and revenue:		
Contracts and grants - State and Federal	\$ 2,933,320	\$ 3,545,258
Commodities - Federal	808,461	703,106
Contracts and grants - PG&E	989,730	1,358,332
In-kind	147,180	140,779
Donations	320,521	232,170
Other income	48,267	10,168
Rent - Esplanade House	215,562	227,378
Gain from sale of assets	1,000	-
Food programs - Other	108,545	118,189
Total public support and revenue	5,572,586	6,335,380
Operating expenses:		
Program expenses:		
Food and nutrition program	1,297,463	1,045,505
Community programs	505,837	536,162
Energy/weatherization	2,941,257	3,693,239
Esplanade House	545,639	632,710
Total program expenses	5,290,196	5,907,616
Management and general expense	323,628	839,502
Total expenses	5,613,824	6,747,118
Change in net assets	(41,238)	(411,738)
Net assets at beginning	3,095,621	3,507,359
Net assets at end	\$ 3,054,383	\$ 3,095,621

See accompanying notes to financial statements.

Community Action Agency of Butte County, Inc.

Statements of Functional Expenses

<i>Year Ended December 31, 2016</i>	Food and Nutrition	Community	Energy/Wx	Esplanade House	Management and General	Totals
Expenses:						
Salary	\$ 122,214	\$ 315,757	\$ 900,717	\$ 236,244	\$ 79,557	\$ 1,654,489
Payroll taxes and benefits	46,114	62,195	302,135	69,295	(21,627)	458,112
Professional and contract fees	24,558	88,789	8,097	20,976	15,398	157,818
Insurance and licensing	15,443	150	69,057	16,428	8,758	109,836
Occupancy	20,934	2,225	28,512	23,433	24,343	99,447
Consumable supplies	104,705	12,476	1,154,030	16,621	15,020	1,302,852
Tools and equipment	4,214	22,315	38,979	4,425	7,896	77,829
Training and travel related	3,187	986	12,081	1,290	21,925	39,469
Utilities and phone	24,880	-	60,147	62,720	39,716	187,463
Depreciation	5,225	-	8,852	4,726	161,499	180,302
Direct assistance to clients	808,461	-	276,965	-	-	1,085,426
Vehicle costs	32,191	144	57,010	3,721	4,774	97,840
Miscellaneous	77	800	522	182	(1,657)	(76)
Administrative expenses (allocation)	5,277	-	28,256	7,159	(40,692)	-
Bad debt (recovery) expense	(5,175)	-	(4,103)	16,397	8,718	15,837
In-kind expenses	85,158	-	-	62,022	-	147,180
Total expenses	\$ 1,297,463	\$ 505,837	\$ 2,941,257	\$ 545,639	\$ 323,628	\$ 5,613,824

See accompanying notes to financial statements.

Community Action Agency of Butte County, Inc.

Statements of Functional Expenses (Continued)

<i>December 31, 2015</i>	Food and Nutrition	Community	Energy/Wx	Esplanade House	Management and General	Totals
Expenses:						
Salary	\$ 125,739	\$ 223,881	\$ 1,187,366	\$ 302,404	\$ 212,730	\$ 2,052,120
Payroll taxes and benefits	35,886	45,267	334,377	64,225	34,405	514,160
Professional and contract fees	17,218	138,814	43,906	21,008	102,270	323,216
Insurance and licensing	7,084	4,075	87,918	8,799	5,051	112,927
Occupancy	19,025	1,088	26,699	14,223	30,510	91,545
Consumable supplies	76,011	27,307	1,228,430	20,620	23,313	1,375,681
Tools and equipment	901	2,375	6,773	13,756	19,920	43,725
Training and travel related	6,477	24,262	11,182	3,380	21,553	66,854
Utilities and phone	27,500	-	63,907	64,701	41,478	197,586
Depreciation	-	-	-	-	191,786	191,786
Direct assistance to clients	703,126	-	556,893	-	-	1,260,019
Vehicle costs	42,834	654	79,636	1,719	7,212	132,055
Program support	(27,500)	64,167	-	(36,667)	-	-
Miscellaneous	683	2,070	1,252	404	672	5,081
Administrative expenses (allocation)	10,521	2,202	64,900	13,359	(90,982)	-
Bad debt expenses	-	-	-	-	239,584	239,584
In-kind expenses	-	-	-	140,779	-	140,779
Total expenses	\$ 1,045,505	\$ 536,162	\$ 3,693,239	\$ 632,710	\$ 839,502	\$ 6,747,118

See accompanying notes to financial statements.

Community Action Agency of Butte County, Inc.

Statement of Cash Flows

<i>For the Year Ended December 31,</i>	2016	2015
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (41,238)	\$ (411,738)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180,302	191,786
Bad debt expense	15,837	239,584
Changes in operating assets and liabilities		
Grants receivable	(131,717)	334,034
Accounts receivable	19,614	(112,549)
Developer fee receivable	330,164	-
Inventory and work in progress	29,648	(16,486)
Prepaid expenses	2,643	-
Accounts payable	(30,718)	(58,925)
Accrued payroll and related	(12,992)	(30,546)
Accrued vacation	(9,389)	(872)
Deferred revenue	120,096	(21,220)
Net cash provided by operating activities	472,250	113,068
Cash flows from investing activities - Purchase of property and equipment	-	(21,252)
Cash flows from financing activities - Payments on long-term debt	(42,871)	(50,911)
Increase in cash and cash equivalents	429,379	40,905
Cash and cash equivalents at beginning	161,546	120,641
Cash and cash equivalents at end	590,925	\$ 161,546

Supplemental schedule of noncash activities:

Change in restricted cash - Deposits and trust funds payable	\$ (3,445)	(22,839)
Cash paid for interest	22,770	\$ 28,105

See accompanying notes to financial statements.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action Agency of Butte County, Inc. (the "Agency") is a nonprofit corporation dedicated to the promotion of self-sufficiency and the alleviation of poverty. The food and nutrition program offers surplus food distribution and an eight-county member food bank. The energy program provides home weatherization, housing rehabilitation, and utility assistance. The Agency operates a unique facility providing shelter and essential services for homeless families. The Agency also participates in financial literacy education and low-income tax preparation assistance. Approximately 39% and 40% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization programs during 2016 and 2015, respectively.

The Agency owns 79% of CAA North Point Chico LLC. The purpose of North Point LLC is to invest in low-income housing tax credit projects to assist low-to moderate-income families with affordable housing. The Agency's investment in CAA North Point Chico LLC is not recorded on these financial statements as it is immaterial.

Basis of Presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Classification of Net Assets

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

- *Unrestricted net assets* are the net assets of the Agency that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- *Temporarily restricted net assets* are those whose use by the Agency has been limited by donors to a specific time period or purpose. When a restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Agency does not currently have any temporarily restricted net assets.
- *Permanently restricted net assets* are those restricted by donors to be maintained by the Agency in perpetuity. Generally, the donors of these assets permit the Agency to use all or a part of the income earned on any related investments for general or specific purposes. The Agency does not currently have any permanently restricted net assets.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as released from restrictions.

Unconditional promises to give are recognized as revenue in the period promised and as assets. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Rental income represents income received from various sources for use of property or space owned by the Agency. This income is recognized in the period in which it is earned.

Food program income represents amounts received from non-Federal sources to supplement the food program. This income is recognized in the period in which it is earned.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expense or asset acquisition is incurred. Amounts received or receivable in excess of expenses or asset acquisition are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

The Agency has recorded in-kind contributions in the statement of activities in accordance with a financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded.

In accordance with accounting standards, the Agency has recorded in-kind contributions for supplies and professional services in the statement of activities. The accounting standard for in-kind requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The Agency received contributions of nonprofessional volunteers and consultants with an indeterminable value, primarily for its rental housing program, which are not recorded in the statement of activities.

Cash and Cash Equivalents

The Agency considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Accounts and Developer Fee Receivable

Accounts receivable consist primarily of miscellaneous refunds, fees, and credits. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. The Agency considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Developer fee receivable represents amounts earned but not collected from participation as the developer in the CAA North Point Chico Limited Partnership ("North Point Chico LP"). Management assesses the collectability of these amounts based on projected cash flow of the projects, priority of payment, and past collection history, and an allowance for doubtful accounts is recorded as needed. The receivables are stated at the amount of unpaid earned developer fee reduced by an allowance for expected uncollectible fees of \$341,716 as of December 31, 2016 and 2015.

Inventories and Work in Progress

Materials inventory consists of weatherization materials for use in the Agency's weatherization program. Weatherization materials inventory is stated at the lower of cost (first-in, first-out) or market. Weatherization materials are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit is a dwelling unit, which has received weatherization services within the limits established in the weatherization contract for which the final inspection has been performed and the owner sign-off has been obtained.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories and Work in Progress (Continued)

Work in progress represents the labor and materials for in progress Weatherization jobs. Work in progress is stated at the lower of cost (first-in, first-out) or market.

Also included in inventories is the balance of commodity foods inventory. Commodity foods are granted to the Agency from the State of California and then distributed to eligible participants based on program criteria. Inventory on hand at the end of the year is stated at cost to the State of California. The amount of inventory on hand at December 31, 2016, is also reported as an advance in accordance with the revenue recognition policy. Revenue for commodity food on hand is earned when distributed.

Equity Method Investment

The Agency's investment in North Point Chico LP, for which ownership is less than 20%, is recorded on the equity method as the Agency is a general partner or managing member in the partnership. The equity method of investment has been suspended as the investment, including advances and receivables, has been reduced to zero.

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is provided for using the straight-line method over the estimated useful life of the asset. Estimated useful lives are three years for equipment and vehicles and range from 15 to 40 years for buildings. The Agency considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds are owned by the Agency while used in the program for which they were purchased or in other future authorized programs. However, some funding sources have a reversionary interest in the property and equipment purchased with grant funds. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment included on the statement of financial position is \$2,342,912 and \$2,493,404 at December 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

Community Action Agency of Butte County, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

CAA North Point Chico LLC is organized as a limited liability company and is subject to federal income tax.

The Agency is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Agency has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Subsequent Events

Subsequent events have been evaluated through May 23, 2017, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Agency maintains cash balances at two financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At times throughout the year, balances may exceed those insured by the FDIC. Management has assessed the creditworthiness of the financial institutions and feels the risk of loss is minimal.

Note 3: Restricted Cash

Restricted cash and reserve funds consisted of the following at December 31:

	2016	2015
Security deposits	\$ 14,326	\$ 12,600
Client funds	31,297	36,468
Totals	\$ 45,623	\$ 49,068

The Agency maintains client funds as a fiscal agent primarily to ensure payment for security deposits and rent. Client funds are recorded as a liability until earned as rental income, or forfeited as a security deposit. In addition, security deposits are held for new tenants. Both are reported as a liability in the statement of financial position as deposits and trust funds payable.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 3: Restricted Cash (Continued)

In relation to a funding agreement for one of the Agency's rental properties, the Agency agreed to maintain a minimum balance of \$27,804 in a restricted reserve fund as required by the U.S. Department of Agriculture (USDA).

Note 4: Related Party

Community Action Agency of Butte County, Inc. is a 79% owner of CAA North Point Chico LLC. CAA North Point Chico LLC is .01% owner of North Point Chico LP. North Point Chico LLC is the managing member and general partner of North Point Chico LP with a initial capital contribution of \$264. This capital contribution has been reduced to zero in accordance with the equity method investment policy described in Note 1.

The developer fee receivable was earned in relation to the Agency serving as the developer for North Point Chico LP. Net developer fee receivable at December 31, 2015, of \$330,164 represents the outstanding amount owed, less an allowance for the deferred developer fee in the amount of \$341,716. The net developer fee receivable at December 31, 2016, is \$0 as the Agency received a payment of \$330,164 during 2016. Any remaining developer fee receivable is payable from North Point Chico LP based on priority as established in the operating agreement.

There is also a partnership administration services agreement between CAA North Point Chico LLC and North Point Chico LP for various administrative services. The annual fee is \$10,000 and payment is subject to cash flows of the partnership. No fees have been paid or accrued during 2016 and 2015 as North Point Chico LP has not had the cash flow to support payments.

Note 5: Grants Receivable

Grants receivable related to the following programs at December 31:

	2016	2015
Federal program	\$ 393,662	\$ 384,569
State programs	84,514	-
Other programs	38,110	-
Totals	\$ 516,286	\$ 384,569

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 6: Inventories and Work in Progress

Inventories consisted of the following at December 31:

	2016	2015
Food commodities	\$ 23,715	\$ 58,702
HCD - Weatherization supplies and work in progress	119,309	148,957
Totals	\$ 143,024	\$ 207,659

Note 7: Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Land	\$ 497,733	\$ 497,733
Building and building improvements	3,793,184	3,793,184
Equipment	205,347	205,347
Vehicles	768,984	768,984
Subtotal	5,265,248	5,265,248
Less - Accumulated depreciation	2,356,584	2,176,282
Property and equipment, net	\$ 2,908,664	\$ 3,088,966

Note 8: Notes Payable

Long-term debt consisted of the following as of December 31:

	2016	2015
Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030.	\$ 264,433	\$ 277,370
Note payable to the City of Oroville, monthly payments of \$888 including interest at 5.130%, secured by a warehouse, due in May 2025.	37,045	45,562
Note payable to the Bank of America, monthly payments of \$1,786, and interest at prime plus 1.500% (5.000% at December 31, 2015), secured by substantially all assets of the Agency, due February 2019.	46,425	67,852
Subtotals	347,903	390,784
Less - Current maturities	45,034	43,860
Total long-term portion	\$ 302,869	\$ 346,924

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 8: Notes Payable (Continued)

Scheduled principal payments on long-term debt at December 31, 2016, including current maturities, are summarized as follows:

2017	\$	45,034
2018		45,505
2019		29,722
2020		25,786
2021		17,889
Thereafter		183,977
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Totals	\$	347,913

Note 9: Commitments and Contingencies

The Agency receives a significant portion of its funding under Federal, State, and Pacific Gas & Electric (PG&E) contracts. These reimbursements are subject to audit by the appropriate entities. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency.

The following is a summary of contingent long-term debt at December 31, 2016:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 733,500
City of Chico Land (2)	395,250	432,222
Affordable Housing Program (3)	500,000	-
<hr/>		
Totals	\$ 2,695,250	\$ 1,165,722

The following is a summary of contingent long-term debt at December 31, 2015:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 679,500
City of Chico Land (2)	395,250	403,567
Affordable Housing Program (3)	500,000	-
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Totals	\$ 2,695,250	\$ 1,083,067

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 9: Commitments and Contingencies (Continued)

(1) In conjunction with the City of Chico Land Grant, a grant in the amount of \$1,800,000 issued from the City of Chico Redevelopment Agency's Low and Moderate Income Housing Fund for the purpose of operating as an emergency shelter or transition housing unit. Terms are 55 years from the date of May 30, 2003. The Agency agrees that for the 55-year term of the grant agreement it will cause the Esplanade House to be held and used as a transitional residence for very low income tenants. Interest on the unpaid principal balance accrues from the date of the advance at the simple interest rate of 5% per annum. Repayment of principal and interest shall be deferred as long as the property is operated as an emergency shelter or transition housing unit. Interest accrual began in May 2004 after the project was completed. The debt and related accrued interest is forgivable upon performance of the Esplanade House contract. Management's operational and strategic plans reflect the intention to operate the facility in accordance with this agreement.

(2) Grant from the City of Chico Redevelopment Agency's HOME Program in the amount of \$395,250 dated May 30, 2003, secured by the property at 2920 Esplanade, for the purposes of developing a 60-unit transitional housing facility that will serve low income and very low income families. Interest on the unpaid principal balance shall accrue from the date of the advance at the simple interest rate of 7.25% per annum. Interest accrual began in May 2004 after the project was completed. The debt and related accrued interest is forgivable upon performance of the Esplanade House contract after 35 years. Management's operational and strategic plans reflect the intention to operate the facility in accordance with this agreement.

(3) Grant in the amount of \$500,000 issued on December 22, 2003, secured by real property at 181 East Shasta Ave, Chico, California. Terms are 15 years from the date of issuance. The Agency agrees that for the term of the grant agreement it will cause the Esplanade House to be held and used as a transitional residence for very low income tenants. As long as the program is compliant with the grant terms there is no annual interest accrual. The debt and related accrued interest is forgivable upon performance of the Esplanade House contract. Management's operational and strategic plans reflect the intention to operate the facility in accordance with this agreement.

The contingent debt instruments, noted above, requires the payment of interest if the Agency fails to meet the criteria for each of the contingent long term debt issues. Per the agreements, these amounts will be forgiven at the end of their terms.

In relation to the ownership interest in North Point Chico LP, CAA North Point Chico LLC (the Agency owns 79%) entered into an operating deficit guaranty agreement with North Point Chico LP. The agreement stipulates that the general partner (CAA North Point Chico LLC) must advance amounts to fund operating deficits. No amount is specified in the agreement.

The Agency had grant commitments under various grants of approximately \$4,186,000 as of December 31, 2016. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

Community Action Agency of Butte County, Inc.

Notes to Financial Statements

Note 10: Retirement Plan

The Agency has established a tax deferred pension plan pursuant to Section 403(b) of the Internal Revenue Code. Annual contributions by the Agency are equal up to 6.25% of each eligible employee's salary. Employees who have been employed by the Agency and worked over 1,000 hours during one year are eligible. The Agency's contribution to the plan during the year ended December 31, 2016 and 2015, were \$69,874 and \$90,974, respectively.

Supplementary Information

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US DEPARTMENT OF AGRICULTURE			
Passed through California State Department of Social Services			
Emergency Food Assistance Program	10.568	MOU 10-6026 15/16	\$ 70,099
Emergency Food Assistance Program		MOU 10-6026 16/17	19,458
Total CFDA #10.568			89,557
NON-MONETARY ASSISTANCE			
Passed through California State Department of Social Services			
Emergency Food Assistance Program (Food Commodities)	10.569	MOU 10-6026 15/16	610,496
Emergency Food Assistance Program (Food Commodities)		MOU 10-6026 16/17	197,965
Total CFDA #10.569			808,461
Total Emergency Food Assistance Cluster CFDA #10.568 and 10.569			898,018
Total US Department of Agriculture			898,018
Passed through the City of Chico			
Community Development Block Grant	14.218	L-AGR-1-21-38 15-16	5,000
Community Development Block Grant		L-AGR-1-21-38 16-17	11,494
Total CFDA #14.218			16,494
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Supportive Housing Program (SHP) - TH	14.235	CA0305L9T191407	5,829
Supportive Housing Program (SHP) - HMIS		CA0303L9T191508	25,839
Supportive Housing Program (SHP) - HMIS		CA0303L9T191407	83,289
Supportive Housing Program (SHP) - PH		CA0304L9T191508	33,345
Supportive Housing Program (SHP) - PH		CA0304L9T191407	11,291
Total CFDA #14.235			159,593
Total US Department of Housing and Urban Development			176,087
DEPARTMENT OF ENERGY			
Passed through State of California Department of Community Service and Development			
Weatherization Assistance Program	81.042	15C-1003	66,863
Weatherization Assistance Program		16C-6003	46,715
Total US Department of Energy			113,578

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US DEPARTMENT OF HEALTH & HUMAN SERVICES			
Passed through State of California Department of Community Service and Development			
Community Services Block Grant	93.569	16F-5005	\$ 359,551
Community Services Block Grant		16F-5511	20,139
Total CFDA # 93.569			379,690
Passed through State of California Department of Community Service and Development			
Low Income Energy Assistance	93.568	15B-3003	444,255
Low Income Energy Assistance		16B-4003	1,537,727
Low Income Energy Assistance		17B-3003	26,025
Total CFDA #93.568			2,008,007
Total US Department of Health and Human Services			2,387,697
US DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter Program - Butte	97.024	065400-003 Phase 32	8,500
Emergency Food and Shelter Program - Glenn		067600-011 Phase 32	2,719
Emergency Food and Shelter Program - Tehama		091800-017 Phase 33	534
Total CFDA #97.024			11,753
Total US Department of Homeland Security			11,753
Total expenditures of Federal awards			\$ 3,587,133

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2016

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the Community Action Agency of Butte County, Inc.'s federal and state grant activities under programs of the federal and state governments for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the Community Action Agency of Butte County, Inc.'s operations, it is not intended to, and does not, present Community Action Agency of Butte County, Inc.'s financial position, its changes in net assets, or its cash flows.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Allocation

Community Action Agency of Butte County, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Subrecipients

Community Action Agency of Butte County, Inc. does not have subrecipients; therefore, there are no subrecipient expenditures reported.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #16F-5005 - CSBG

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs		Total Reported Expenses		Total Grant Budget
REVENUE							
Grant revenue	\$ 142,370	\$ 217,181	\$ 359,551				\$ 359,551
Total revenue	\$ 142,370	\$ 217,181	\$ 359,551				\$ 359,551
EXPENDITURES							
Administration:							
Wages	\$ 119,278	\$ 154,058	\$ 273,336		\$ 273,336		\$ 273,336
Fringe	23,092	31,623	54,715		54,715		54,715
Operating expense	-	31,500	31,500		31,500		31,500
Equipment	-	-	-		-		-
Out of state travel	-	-	-		-		-
Other costs	-	-	-		-		-
Total administration costs	142,370	217,181	359,551		359,551		359,551
Program:							
Wages	-	-	-		-		-
Fringe	-	-	-		-		-
Total program costs	-	-	-		-		-
Total costs	\$ 142,370	\$ 217,181	\$ 359,551		\$ 359,551		\$ 359,551

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #16F-5511 - CSBG Discretionary

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 20,139	\$ 20,139		\$ 32,078
Total revenue	\$ -	\$ 20,139	\$ 20,139		\$ 32,078
EXPENDITURES					
Administration:					
Wages	\$ -	\$ 17,036	\$ 17,036	\$ 17,036	\$ 24,330
Fringe	-	3,103	3,103	3,103	7,748
Operating expense	-	-	-	-	-
Total administration costs	-	20,139	20,139	20,139	32,078
Program:					
Wages	-	-	-	-	-
Fringe	-	-	-	-	-
Operating expense	-	-	-	-	-
Total program costs	-	-	-	-	-
Total costs	\$ -	\$ 20,139	\$ 20,139	\$ 20,139	\$ 32,078

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15B-3003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2016

	Previous Year's Expenditures	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 1,190,353	\$ 290,352	\$ 18,980	\$ 1,499,685		\$ 1,499,685
Total revenue	\$ 1,190,353	\$ 290,352	\$ 18,980	\$ 1,499,685		\$ 1,499,685
EXPENDITURES						
Administration	\$ 14,197	\$ 72,226	\$ 13,464	\$ 99,887	\$ 99,887	\$ 152,099
Assurance	25,918	2,782	-	28,700	28,700	28,700
Total A-16/ECIP/HEAP Administration Costs	40,115	75,008	13,464	128,587	128,587	180,799
Program:						
Intake	31,459	22,595	-	54,054	54,054	54,120
Outreach	3,529	53,871	-	57,400	57,400	57,400
EHCS Diagnostics	16,600	391	-	16,991	16,991	23,000
ECIP Cooling	150,986	18,295	-	169,281	169,281	170,000
ECIP Heating	403,402	66,733	3,881	474,016	474,016	449,603
ECIP Water Heater	55,881	3,183	-	59,064	59,064	62,500
ECIP Other Costs	12,122	39,852	-	51,974	51,974	15,000
ECIP WPO	430,075	-	-	430,075	430,075	430,075
HEAP WPO	-	4,709	-	4,709	4,709	4,709
General operating	30,281	2,868	1,635	34,784	34,784	35,000
Liability insurance	12,312	2,736	-	15,048	15,048	13,679
Workers compensation	3,591	111	-	3,702	3,702	3,800
Total program costs	1,150,238	215,344	5,516	1,371,098	1,371,098	1,318,886
Total costs	\$ 1,190,353	\$ 290,352	\$ 18,980	\$ 1,499,685	\$ 1,499,685	\$ 1,499,685

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15B-3003 - Weatherization

For the Period January 1 through December 31, 2016

	Previous Year's Expenditures	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 645,440	\$ 134,923	\$ -	\$ 780,363		\$ 780,363
Total revenue	\$ 645,440	\$ 134,923	\$ -	\$ 780,363		\$ 780,363
EXPENDITURES						
Administration	\$ -	\$ -	\$ -	-	\$ -	\$ -
Assurance	-	-	-	-	-	-
Total A-16/ECIP/HEAP Administration Costs	-	-	-	-	-	-
Program:						
Intake	16,569	302	-	16,871	16,871	19,000
Outreach	36,400	2,502	-	38,902	38,902	39,018
Training	14,294	722	-	15,016	15,016	17,000
Direct Program Sec #210 Line 113	500,365	116,047	-	616,412	616,412	602,473
Liability insurance	8,608	956	-	9,564	9,564	10,522
General operating	38,747	3,639	-	42,386	42,386	50,000
Vehicle and equipment	4,804	7,073	-	11,877	11,877	12,350
Workers compensation	25,653	3,682	-	29,335	29,335	30,000
Total program costs	645,440	134,923	-	780,363	780,363	780,363
Total costs	\$ 645,440	\$ 134,923	\$ -	\$ 780,363	\$ 780,363	\$ 780,363

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15B-3003 - Toilet Retrofit Program

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 538	\$ 1,317	\$ 1,855		\$ 14,145
Total revenue	\$ 538	\$ 1,317	\$ 1,855		\$ 14,145
EXPENDITURES					
Administration	\$ -	\$ 80	\$ 80	\$ 80	\$ 615
Total administration costs	-	80	80	80	615
Program:					
Program support costs	-	159	159	159	1,230
Direct program activities	538	1,078	1,616	1,616	12,300
Total program costs	538	1,237	1,775	1,775	13,530
Total costs	\$ 538	\$ 1,317	\$ 1,855	\$ 1,855	\$ 14,145

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #16B-4003 - Weatherization

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 316,539	\$ 204,924	\$ 521,463		\$ 666,153
Total revenue	\$ 316,539	\$ 204,924	\$ 521,463		\$ 666,153
EXPENDITURES					
Administration	\$ -	\$ -	\$ -	\$ -	\$ -
Total administration costs	-	-	-	-	-
Program:					
Intake	1,973	4,027	6,000	6,000	6,000
Outreach	18,285	15,023	33,308	33,308	33,308
Training	13,418	6,464	19,882	19,882	20,000
Out-of-state travel	221	989	1,210	1,210	1,210
Direct Program Sec #210 Line 113	156,915	94,432	251,347	251,347	307,627
Liability insurance	-	-	-	-	-
General operating	125,727	80,092	205,819	205,819	237,665
Vehicle and equipment	-	3,897	3,897	3,897	60,343
Workers compensation	-	-	-	-	-
Total program costs	316,539	204,924	521,463	521,463	666,153
Total costs	\$ 316,539	\$ 204,924	\$ 521,463	\$ 521,463	\$ 666,153

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #16B-4003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 383,226	\$ 633,038	\$ 1,016,264		\$ 1,402,559
Total revenue	\$ 383,226	\$ 633,038	\$ 1,016,264		\$ 1,402,559
EXPENDITURES					
Administration	\$ 5,899	\$ 17,787	\$ 23,686	\$ 23,686	\$ 33,492
Assurance	23,712	30,942	54,654	54,654	75,000
Total administration costs	29,611	48,729	78,340	78,340	108,492
Program:					
Intake	15,820	39,232	55,052	55,052	60,000
Outreach	16,814	29,558	46,372	46,372	55,000
ECIP Heating & Cooling	220,864	222,823	443,687	443,687	607,577
ECIP Water Heater	-	-	-	-	-
Automation supplemental	7,965	12,890	20,855	20,855	25,000
ECIP Other Costs	-	-	-	-	-
ECIP & HEAP WPO	52,959	220,081	273,040	273,040	350,000
HEAP WPO	-	-	-	-	-
Equipment	-	740	740	740	51,000
Out-of-state travel	-	490	490	490	490
General operating	39,193	58,495	97,688	97,688	145,000
Liability insurance	-	-	-	-	-
Workers compensation	-	-	-	-	-
Total program costs	353,615	584,309	937,924	937,924	1,294,067
Total costs	\$ 383,226	\$ 633,038	\$ 1,016,264	\$ 1,016,264	\$ 1,402,559

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15K-6002 - LIWP

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 13,961	\$ 11,520	\$ 25,481		\$ 91,718
Total revenue	\$ 13,961	\$ 11,520	\$ 25,481		\$ 91,718
EXPENDITURES					
Administration	\$ 734	\$ 1,190	\$ 1,924	\$ 1,924	\$ 2,000
Other	-	-	-	-	38,000
Total ramp up costs	734	1,190	1,924	1,924	40,000
Administration	-	-	-	-	2,158
Other	-	-	-	-	-
Total administration costs	-	-	-	-	2,158
Program:					
Intake	113	87	200	200	200
Outreach	82	-	82	82	100
Training	-	-	-	-	-
General overhead	2,549	1,150	3,699	3,699	15,594
Single family Wx	10,483	9,093	19,576	19,576	25,566
Multi family Wx	-	-	-	-	-
Solar water heating	-	-	-	-	8,100
Total program costs	13,227	10,330	23,557	23,557	49,560
Total costs	\$ 13,961	\$ 11,520	\$ 25,481	\$ 25,481	\$ 91,718

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15C-1003 - DOE

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 66,863	\$ -	\$ 66,863		\$ 66,863
Total revenue	\$ 66,863	\$ -	\$ 66,863		\$ 66,863
EXPENDITURES					
Administration	\$ 4,025	\$ -	\$ 4,025	\$ 4,025	\$ 4,025
Total administration costs	4,025	-	4,025	4,025	4,025
Program:					
Intake	-	-	-	-	-
Outreach	-	-	-	-	-
Client education	-	-	-	-	-
Out of State Travel	-	-	-	-	-
Direct Program Sec #200	50,549	-	50,549	50,549	45,438
Health & Safety Sec #165	9,367	-	9,367	9,367	10,473
General operating	2,107	-	2,107	2,107	4,927
Vehicle and equipment	-	-	-	-	-
Workers compensation	815	-	815	815	2,000
Total program costs	62,838	-	62,838	62,838	62,838
Total costs	\$ 66,863	\$ -	\$ 66,863	\$ 66,863	\$ 66,863

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #16C-6003 - DOE

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 46,715	\$ 46,715		\$ 97,037
Total revenue	\$ -	\$ 46,715	\$ 46,715		\$ 97,037
EXPENDITURES					
Administration	\$ -	\$ 1,864	\$ 1,864	\$ 1,864	\$ 3,200
Training and technical assistance	-	-	-	-	1,550
Training and technical assistance (out of state)	-	-	-	-	2,696
Total administration costs	-	1,864	1,864	1,864	7,446
Program:					
Intake	-	3,117	3,117	3,117	4,000
Liability insurance	-	-	-	-	1,000
Outreach	-	748	748	748	1,000
Direct Program Sec #200	-	29,957	29,957	29,957	64,109
Health & Saefty Sec #165	-	3,994	3,994	3,994	9,000
General operating	-	7,035	7,035	7,035	10,482
Vehicle and equipment	-	-	-	-	-
Workers compensation	-	-	-	-	-
Total program costs	-	44,851	44,851	44,851	89,591
Total costs	\$ -	\$ 46,715	\$ 46,715	\$ 46,715	\$ 97,037

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #15B-3003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2016

	1/1/16 - 6/30/16	7/1/16 - 12/31/16	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 26,025	\$ 26,025		\$ 1,123,355
Total revenue	\$ -	\$ 26,025	\$ 26,025		\$ 1,123,355
EXPENDITURES					
Administration	\$ -	\$ -	\$ -	\$ -	\$ 28,084
Administrative Equipment	-	-	-	-	5,617
Administrative Out of State Travel	-	-	-	-	2,000
Assurance	-	-	-	-	66,845
Total A-16/ECIP/HEAP Administration Costs	-	-	-	-	102,546
Program:					
Intake	-	-	-	-	89,858
Outreach	-	-	-	-	51,040
Training & Technical Assistance	-	-	-	-	12,000
Major Equip >5000	-	-	-	-	25,000
Minor Equip <5000	-	-	-	-	6,000
Liability Insurance	-	-	-	-	35,000
General Operating Costs	-	859	859	859	49,000
Automation Supplemental (IT)	-	-	-	-	50,000
ECIP	-	25,098	25,098	25,098	391,773
SWEATS	-	-	-	-	-
WPO	-	-	-	-	205,138
Other	-	68	68	68	106,000
Total program costs	-	26,025	26,025	26,025	1,020,809
Total costs	\$ -	\$ 26,025	\$ 26,025	\$ 26,025	\$ 1,123,355

See Independent Auditor's Report.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Community Action Agency of Butte County, Inc.
Chico, California

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Community Action Agency of Butte County, Inc. and Subsidiary, which comprise the statement of financial position as of December 31, 2016, 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 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Agency of Butte County, Inc.'s internal control over financial reporting ("internal control") to determine the 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 Community Action Agency of Butte County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action Agency of Butte County, 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 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Action Agency of Butte County, 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 determination of financial statement amounts. 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 Community Action Agency of Butte County, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Agency of Butte County, Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

May 23, 2017
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Community Action Agency of Butte County, Inc.
Chico, California

Report on Compliance for Each Major Federal Program

We have audited Community Action Agency of Butte County, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management Compliance Supplement*, that could have a direct and material effect on each of its major federal program for the year ended December 31, 2016. Community Action Agency of Butte County, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Agency of Butte County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Agency of Butte County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Community Action Agency of Butte County, Inc.'s compliance.

Opinion

In our opinion, Community Action Agency of Butte County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Community Action Agency of Butte County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Agency of Butte County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing on 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.



Wipfli LLP

May 23, 2017
Madison, Wisconsin

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs

Section I - 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?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?	No
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Identification of major federal programs:

<u>CFDA No.</u>	<u>Health Center Cluster/Name of Federal Program</u>
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93.568	Low Income Housing Energy Assistance Program
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Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

None.

Section III - Federal Award Program Findings and Questioned Costs

None.

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs

Section IV - Prior Year Findings and Questioned Costs

Finding 2015-001: Allowable Costs/Cost Principles

This finding is considered resolved.

Finding 2015-002: Allowable Costs/Cost Principles

This finding is considered resolved.