

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidated Financial Statements and
Supplemental Information

Years Ended December 31, 2019 and 2018



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

WIPFLI

Independent Auditor's Report

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Community Action Agency of Butte County, Inc. (the "Organization"), which comprises the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of CAA North Point Chico, LP, a majority-owned subsidiary, which statements reflect total assets of \$8,179,269 and \$8,418,321 as of December 31, 2019 and 2018, and total revenues of \$410,140 and \$412,518 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CAA North Point Chico, LP, is based solely on the report of the other auditors. We conducted our audit 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. The financial statements of the majority-owned subsidiary of Community Action Agency of Butte County, Inc. was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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, based on our audits the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Action Agency of Butte County, Inc. and Subsidiary as of December 31, 2019 and 2018, and the changes in their 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 audits were conducted for the purpose of forming an opinion on the consolidated 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*, the consolidating schedule of financial position, the consolidating schedule of activities, 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information, including the consolidating schedule of financial position and the consolidating schedule of activities, which insofar as it relates to CAA North Point Chico, LP, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplemental statements of revenue and expenditures for CSD contracts contain information regarding previous years expenses and are presented for purposes of additional analysis. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the December 31, 2018, consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the prior year expenses included on the supplementary schedules are fairly presented, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, 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 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 Community Action Agency of Butte County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community Action Agency of Butte County, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Madison, Wisconsin

November 9, 2020

Community Action Agency of Butte County, Inc.

Consolidated Statements of Financial Position

<i>December 31,</i>	2019	2018
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,004,793	\$ 724,115
Grants receivable	840,435	730,806
Accounts receivable	36,082	79,316
Inventories and work in progress	793,759	289,172
Prepaid expenses	112,071	103,126
Total current assets	2,787,140	1,926,535
Other assets:		
Restricted cash	442,192	432,738
Restricted reserve funds - USDA	27,811	27,816
Tax credit monitoring fees, net	14,343	16,022
Prepaid expenses	49,624	89,774
Total other assets	533,970	566,350
Property and equipment, net	10,305,562	10,573,062
TOTAL ASSETS	\$ 13,626,672	\$ 13,065,947
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 725,757	\$ 405,751
Accrued payroll and related	137,977	138,564
Tenant's security deposits liability	47,651	48,738
Deposits and trust funds payable	37,358	25,581
Annual fee to limited partner	-	1,247
Commodities inventory - Advanced	260,458	119,177
Refundable advances	214,324	216,736
Accrued vacation	72,552	72,552
Current portion of long-term debt	57,531	57,692
Total current liabilities	1,553,608	1,086,038
Long-term liabilities:		
Long-term debt, net	7,375,033	7,426,104
Accrued interest	753,693	648,832
Total long-term liabilities	8,128,726	8,074,936
Total Liabilities	9,682,334	9,160,974
Net assets (deficit):		
Without donor restrictions	1,245,608	886,029
Controlling interest	(18)	10
Noncontrolling interest	(255,202)	20,412
Without donor restrictions - board designated:		
Restricted reserve funds	27,811	27,804
Prepaid lease costs	161,305	173,353
Property and equipment	2,764,834	2,797,365
Total net assets without donor restrictions	3,944,338	3,904,973
TOTAL LIABILITIES AND NET ASSETS	\$ 13,626,672	\$ 13,065,947

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Activities

<i>Year Ended December 31,</i>	2019	2018
Public support and revenue:		
Contracts and grants - Federal	\$ 3,791,842	\$ 3,408,150
Contracts and grants - Non-federal	976,462	1,346,827
Commodities - Federal	805,025	559,682
In-kind contributions	361,759	617,597
Donations	371,548	419,746
Other income	163,276	82,999
Rent, net of vacancy	695,433	590,727
Gain from sale of assets	1,307	34,467
Food programs - Other	6,969	14,733
Total public support and revenue	7,173,621	7,074,928
Operating expenses:		
Program expenses:		
Food and nutrition program	1,351,194	1,026,652
Community programs	826,518	721,237
Energy/weatherization	2,881,269	3,208,799
Esplanade House	708,176	793,797
Housing	585,753	687,933
Total program expenses	6,352,910	6,438,418
Management and general expense	781,346	782,294
Total expenses	7,134,256	7,220,712
Change in net assets	39,365	(145,784)
Net assets without donor restrictions at beginning	3,904,973	4,050,757
Net assets without donor restrictions at end	\$ 3,944,338	\$ 3,904,973

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Functional Expenses

<i>Year Ended December 31, 2019</i>	Food and Nutrition	Community	Energy / Weatherization	Esplanade House	Housing	Management and General	Totals
Expenses:							
Salary	\$ 39,440	\$ 237,242	\$ 880,027	\$ 224,265	\$ -	\$ 356,229	\$ 1,737,203
Payroll taxes and benefits	23,018	54,382	220,895	43,231	-	72,928	414,454
Professional and contract fees	12,863	79,354	11,901	21,999	25,316	71,796	223,229
Insurance and licensing	6,036	3,503	45,556	20,386	6,470	11,236	93,187
Occupancy	24,426	(7,173)	(1,507)	118,108	-	77,595	211,449
Consumable supplies	152,076	71,795	1,180,012	22,155	-	10,617	1,436,655
Tools and equipment	14,786	31,142	54,981	10,189	51,726	3,710	166,534
Training and travel related	3,344	21,533	30,287	7,295	-	7,618	70,077
Utilities and phone	23,031	29,672	73,002	98,925	46,980	7,167	278,777
Depreciation	6,502	2,005	17,137	8,025	237,609	113,736	385,014
Direct assistance to clients	805,025	201,139	305,785	46,713	-	1,675	1,360,337
Vehicle costs	32,992	13,583	64,024	10,086	-	41,295	161,980
Interest expense	-	-	-	-	196,453	-	196,453
Miscellaneous	(417)	5,738	(831)	(188)	21,199	3,194	28,695
Bad debt expense	6,098	-	-	-	-	2,355	8,453
In-kind expenses	201,974	82,603	-	76,987	-	195	361,759
Total expenses	\$ 1,351,194	\$ 826,518	\$ 2,881,269	\$ 708,176	\$ 585,753	\$ 781,346	\$ 7,134,256

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Functional Expenses (Continued)

<i>Year Ended December 31, 2018</i>	Food and Nutrition	Community	Energy/Wx	Esplanade House	Housing	Management and General	Totals
Expenses:							
Salary	\$ 42,352	\$ 241,386	\$ 881,616	\$ 240,940	\$ -	\$ 349,086	\$ 1,755,380
Payroll taxes and benefits	16,085	43,053	204,705	53,184	-	98,597	415,624
Professional and contract fees	1,380	162,704	16,439	67,292	23,982	121,102	392,899
Insurance and licensing	6,709	6,348	45,327	23,250	6,154	12,529	100,317
Occupancy	10,008	17,529	1,656	43,072	-	65,193	137,458
Consumable supplies	101,784	4,466	1,331,606	15,308	-	9,079	1,462,243
Tools and equipment	(7,641)	38,509	45,818	10,053	49,928	(7,019)	129,648
Training and travel related	1,322	6,908	16,410	2,523	-	13,093	40,256
Utilities and phone	16,104	34,125	73,453	67,053	50,715	8,907	250,357
Depreciation	6,353	2,372	17,560	8,175	336,388	99,338	470,186
Direct assistance to clients	559,682	79,233	469,370	-	-	-	1,108,285
Vehicle costs	72,774	8,267	104,357	22,439	-	3,675	211,512
Interest expense	-	-	-	-	198,070	-	198,070
Miscellaneous	(212)	78	457	1,249	22,696	4,035	28,303
Bad debt (recovery) expense	(345)	-	25	3,812	-	4,335	7,827
In-kind expenses	200,297	76,259	-	235,447	-	344	512,347
Total expenses	\$ 1,026,652	\$ 721,237	\$ 3,208,799	\$ 793,797	\$ 687,933	\$ 782,294	\$ 7,220,712

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Cash Flows

<i>For the Year Ended December 31,</i>	2019	2018
Increase in cash, cash equivalents, and restricted cash:		
Cash flows from operating activities:		
Change in net assets	\$ 39,365	\$ (145,784)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	385,014	470,186
Amortization	1,679	1,679
Amortization of debt issuance costs	6,522	6,408
Bad debt expense	8,453	7,827
Gain on sale of property and equipment	(1,307)	(34,467)
Changes in operating assets and liabilities		
Grants receivable	(84,547)	(272,158)
Accounts receivable	34,781	75,196
Inventory and work in progress	(363,306)	(17,948)
Prepaid expenses	31,205	7,115
Accounts payable	320,006	(7,774)
Accrued payroll and related	(1,674)	4,262
Deposits and trust funds payable	11,777	(13,951)
Annual fee to limited partner	(1,247)	1,247
Refundable advances	(27,494)	30,828
Accrued vacation	-	4,515
Accrued interest - first mortgage	(139)	3,441
Accrued interest - other loans	105,000	105,000
Net cash provided by operating activities	464,088	225,622
Cash flows from investing activities:		
Purchase of property and equipment	(117,514)	(139,179)
Proceeds from sale of property and equipment	1,307	35,701
Net cash used in investing activities	(116,207)	(103,478)
Cash flows from financing activities - Payments on long-term debt	(57,754)	(55,579)
Increase in cash, cash equivalents, and restricted cash	290,127	66,565
Cash, cash equivalents, and restricted cash at beginning	1,184,669	1,118,104
Cash, cash equivalents, and restricted cash at end	\$ 1,474,796	\$ 1,184,669
Supplemental schedule of noncash activities:		
Cash paid for interest	\$ 91,592	\$ 98,136
Reconciliation of cash and cash equivalents and restricted cash to statement of financial position:		
Cash and cash equivalents	\$ 1,004,793	\$ 724,115
Restricted cash	442,192	432,738
Restricted reserve funds - USDA	27,811	27,816
Total cash and cash equivalents and restricted cash	\$ 1,474,796	\$ 1,184,669

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action Agency of Butte County, Inc. (the "Organization") 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 other food bank and emergency services in a six-county region. The energy program provides home weatherization, housing rehabilitation, and utility assistance. The Agency operates a unique facility providing shelter and essential and outpatient services for homeless families seeking self-sufficiency. The Organization also participates in financial literacy education, low-income tax preparation assistance, homeless prevention services, and disaster recovery assistance. Approximately 47% and 39% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization programs during 2019 and 2018, respectively.

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

In addition, North Point is the general partner of CAA North Point Chico, LP (the "Partnership") where Community Action Agency of Butte County, Inc. has the option of right of first refusal to acquire the Partnership and has determined that it appears to be prudent and feasible that they will exercise that option at the end of the compliance period.

The Partnership was formed as a limited partnership under the laws of the State of California on July 10, 2012 for the purpose of acquiring, holding, investing in, constructing, rehabilitating, developing, improving, maintaining, operating, leasing and otherwise dealing with a residential rental housing project (the "Project"). The Project commenced operating on July 16, 2013 and consists of 50 units located in Chico, California. The Project is currently operating under the name of North Point Apartments.

The partnership agreement was amended and restated on July 10, 2012 (the "partnership agreement"), from which date the Partnership consists of a general partner, CAA North Point Chico, LLC, which owns 0.01%, one special limited partner, Michel Properties, LLC, which owns 0%, and one investor limited partner, Countryside Corporate Tax Credits XXI, LP, which owns a 99.99% interest. All profits, losses and credits, except those gains and losses referred to in Section 7.1.2 of the partnership agreement, shall be allocated to the partners in accordance with their percentage interests.

The partnership agreement provides that the Partnership shall continue in existence until December 31, 2082, unless sooner dissolved and terminated by provisions of the partnership agreement or by operation of law.

The financial statements of the Partnership have been consolidated in accordance with the consolidation guidance contained in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2017-02, *Not-for-Profit Entities - Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statements

The consolidated financial statements include the accounts of Community Action Agency of Butte County, Inc. and the Partnership. All material inter-entity transactions have been eliminated. Collectively, the entities are referred to as the "Organization".

Basis of Presentation

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

Change in Accounting Policies

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict 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. The Organization's primary sources of revenue are government grants which are classified as contributions, which is explicitly excluded from the scope of the new guidance. The adoption of this update did not have an impact on the Organization's financial statements.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230) - *Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the years ended December 31, 2019 and 2018. Ending cash and restricted cash as of December 31, 2017 was increased from \$647,685 to \$1,118,104. Consequently, ending cash and restricted cash as of December 31, 2018 was increased from \$724,115 to \$1,184,669.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policies (Continued)

On June 21, 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Organization applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated. The amendments in this ASU also apply to both resources received by a recipient and resources given by a resource provider. The Organization applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

Classification of Net Assets

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

- *Net assets without donor restrictions* are the net assets of the Organization that are not subject to donor-imposed stipulations. The governing board has designated for specific use, from net assets without donor restrictions, reserve funds, prepaid lease costs, and property and equipment.
- *Net assets with donor restrictions* are those whose use by the Organization has been limited by donors to a specific time period or purpose. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction is met or expires, 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 does not have any net assets with donor restrictions at December 31, 2019 and 2018 .

Use of Estimates

The preparation of the consolidated 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.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized.

Rental income represents income received from various sources for use of property or space owned by the Organization. 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 in accordance with the terms of the award and ASC Topic 605. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as refundable advances.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

The Organization has recorded in-kind contributions in the consolidated statements 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 Organization has recorded in-kind contributions for supplies and professional services in the consolidated statements of activities. The Organization received contributions of nonprofessional volunteers and consultants with an indeterminable value, primarily for its rental housing program, which are not recorded in the consolidated statements of activities. Nonprofessional in-kind of \$76,417 during 2019 and \$24,252 during 2018, is not recorded on the consolidated financial statements as it does not meet the criteria for recognition. These amounts consist mainly of nonprofessional volunteer time in the Esplanade House and Food programs.

Cash and Cash Equivalents

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

Accounts 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 Organization considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded.

Inventories and Work in Progress

Materials inventory consists of weatherization materials for use in the Organization's weatherization program. Inventories as of December 31, 2019 and 2018 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. 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.

Work in progress represents the labor and materials for in progress Weatherization jobs. Work in progress is stated at the lower of cost or net realizable value.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories and Work in Progress (Continued)

Also included in inventories is the balance of commodity foods inventory. Commodity foods are granted to the Organization 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, 2019 and 2018, is also reported as an advance in accordance with the revenue recognition policy. Revenue for commodity food on hand is earned when distributed.

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 Organization 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 Organization 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, is subject to funding source regulations. The net book value of grant-funded property and equipment included on the consolidated statements of financial position is \$2,277,318 and \$2,305,101 at December 31, 2019 and 2018, respectively.

Impairment of Long-Lived Assets

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Salaries and fringe benefits are allocated based on time and effort. Occupancy and related costs are allocated based on square footage.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. Community Action Agency of Butte County, Inc. is currently evaluating the impact of the provisions of ASU Topic 842.

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 treated as a partnership for income tax reporting.

The Organization 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 Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Deferred Financing Costs

Tax credit monitoring fees totaling \$25,187 are being amortized over the compliance period using the straight-line method. As of December 31, 2019 and 2018, accumulated amortization was \$10,844 and \$9,165, respectively.

Amortization expense for 2019 and 2018 is \$1,679 per year.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan and amortized over the term of the loan.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts as previously reported in the December 31, 2018 consolidated financial statements have been reclassified to conform to the December 31, 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	2019	2018
Cash and cash equivalents	\$ 1,004,793	\$ 724,115
Grants receivable	840,435	730,806
Accounts receivable	36,082	79,316
Subtotal financial assets	1,881,310	1,534,237
Less: Accounts payable	(725,757)	(405,751)
Less: Accrued payroll and related	(137,977)	(138,564)
Less: Refundable advances	(214,324)	(216,736)
Less: Accrued vacation	(72,552)	(72,552)
Less: Prepaid lease costs - board designated net assets	(161,305)	(173,353)
Total	\$ 569,395	\$ 527,281

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid forms such as cash and cash equivalents. The Organization can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source. The Organization has grant commitments available for future expenses of approximately \$4,450,000 as further described in Note 11.

Note 3: Concentration of Credit Risk

The Organization maintains cash balances at various 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.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 4: Restricted Cash

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

	2019	2018
Security deposits - housing	\$ 47,651	\$ 48,738
Security deposits - esplanade house	14,029	17,947
Client funds	9,490	6,645
Replacement reserve	78,080	66,926
Operating reserve	292,942	292,482
Totals	\$ 442,192	\$ 432,738

The Organization 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 consolidated statements of financial position as deposits and trust funds payable.

The Project is required to make monthly deposits of \$1,250 to a replacement reserve account for use in funding future maintenance and replacement costs.

The Project is required to fund \$215,000 to an operating deficit escrow account. The funds shall be used for the purposes of funding payment of operating deficits for the period beginning on the rental achievement date and throughout the compliance period.

The Organization agreed to maintain a minimum balance of \$27,811 in a restricted reserve fund as required by the U.S. Department of Agriculture (USDA) for a rental property.

Note 5: Related Party Transactions

There is 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 2019 and 2018 as North Point Chico LP has not had the cash flow to support payments.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 6: Grants Receivable

Grants receivable related to the following programs at December 31:

	2019	2018
Federal programs	\$ 652,882	\$ 589,020
State and local programs	187,553	141,786
Totals	\$ 840,435	\$ 730,806

Note 7: Inventories and Work in Progress

Inventories consisted of the following at December 31:

	2019	2018
Food commodities	\$ 260,458	\$ 119,177
EES - Weatherization supplies and work in progress	533,301	169,995
Totals	\$ 793,759	\$ 289,172

Note 8: Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Land	\$ 1,204,156	\$ 1,204,156
Land improvements	700,135	700,135
Building and building improvements	11,561,073	11,529,581
Equipment	1,161,384	1,075,363
Vehicles	261,447	264,201
Subtotal	14,888,195	14,773,436
Less - Accumulated depreciation	4,582,633	4,200,374
Property and equipment, net	\$ 10,305,562	\$ 10,573,062

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 9: Operating Leases

The Organization leases vehicles as part of the operation of its programs. The Organization is required to pay all operating expenses, maintenance costs, repairs, and insurance on the leased vehicles. The Organization prepaid part of the lease obligation, which is included in prepaid expenses on the consolidated statement of financial position. Rent expense for the years ended December 31, 2019 and 2018, was \$40,675 and \$38,052, respectively.

Future minimum lease payments, by year and in the aggregate, on leases having noncancelable terms beyond December 31, 2019, are as follows:

2020	\$	40,749
2021		36,897
2022		12,762
2023		2,697
Total		\$ 93,105

Note 10: Notes Payable

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

	2019	2018
Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030.	\$ 217,678	\$ 233,762
Note payable to the City of Oroville, monthly payments of \$888 including interest at 5.130%, secured by a warehouse, due in May 2025. This was paid off early, in August 2020.	8,199	18,176
HOME loan - North Point entered into a HOME loan agreement in the amount of \$450,000 payable to the City of Chico. The mortgage is secured by the Project, bears interest at 2% per annum, and is payable from residual receipts. The loan matures July 10, 2067, at which time the entire principal and any outstanding interest are due. For the year ended December 31, 2019 and 2018, interest of \$9,000 was incurred and charged to operations. As of December 31, 2019 and 2018, the accrued interest is \$75,415 and \$66,415 respectively.	450,000	450,000

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 10: Notes Payable (Continued)

	2019	2018
<p>Bond loan - North Point entered into a loan agreement in the amount of \$6,750,000 financed by bonds issued by California Statewide Communities Development Authority from the proceeds of Multifamily Housing Revenue Bonds 2012 Series N ("2012 Series N"). The bonds are secured by the Project. The 2012 Series N bonds bore interest at the variable LIBOR rate during the construction period. During the construction period and before conversion, the 2012 Series N had interest-only payments. On April 15, 2014, the construction loan converted into a permanent loan amounting to \$1,760,000 ("Bond loan"). The mortgage is secured by the Project, bears interest at 5.25% per annum, and is payable over 30 years in monthly principal and interest payments of \$9,719 maturing in July 2044. As of December 31, 2019 and 2018, the outstanding principal is \$1,598,983 and \$1,630,676, respectively, and accrued interest is \$7,014 and \$7,153, respectively.</p>	1,598,983	1,630,676
<p>RDA loan - North Point entered into a loan agreement in the amount of \$4,800,000 with the successor agency to the Chico Redevelopment Agency ("RDA"). The mortgage is secured by the Project, bears interest at 2% per annum, and is payable from residual receipts as defined in the loan agreement. The loan matures September 26, 2068, at which time the entire principal and any outstanding interest are due. For the year ended December 31, 2019, interest of \$96,000 was incurred and charged to operations. As of December 31, 2019 and 2018, the accrued interest is \$671,264 and \$575,264 respectively.</p>	4,800,000	4,800,000
<p>AHP loan - North Point entered into an AHP loan agreement in the amount of \$500,000 payable to the Rabobank. The mortgage is secured by the Project and bears no interest and has no principal payments during the loan term. The loan matures July 26, 2028, at which time the entire principal will be forgiven as long as the Project has been operated in compliance with the loans terms.</p>	500,000	500,000
Subtotals	7,574,860	7,632,614
Less - Debt issuance costs	142,296	148,818
Less - Current maturities	57,531	57,692
Total long-term portion	\$ 7,375,033	\$ 7,426,104

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 10: Notes Payable (Continued)

Scheduled principal payments on long-term debt at December 31, 2019, including current maturities, are summarized as follows:

2020	\$ 57,531
2021	52,926
2022	55,748
2023	58,722
2024	61,854
Thereafter	7,288,079
Totals	\$ 7,574,860

Note 11: Commitments and Contingencies

The Organization 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 Organization.

The following is a summary of contingent long-term debt at December 31, 2019:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 1,402,500
City of Chico Land (2)	395,250	489,534
Affordable Housing Program (3)	500,000	-
Totals	\$ 2,695,250	\$ 1,892,034

The following is a summary of contingent long-term debt at December 31, 2018:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 1,308,462
City of Chico Land (2)	395,250	460,694
Affordable Housing Program (3)	500,000	-
Total	\$ 2,695,250	\$ 1,769,156

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 11: 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 Organization'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 Organization 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 Organization'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 Organization 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 Organization 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 Organization 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 Organization had grant commitments under various grants of approximately \$4,450,000 as of December 31, 2019. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

The Organization's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 12: Disaster Relief & Recovery - Camp Fire

From November 8, 2018 to November 25, 2018 the Camp Fire burned in Paradise, CA and nearby areas of Butte County, displacing over 50,000 people. The Organization provided disaster relief throughout and following the fire. While operating in disaster response mode, the Organization received unusual one-time donations contributing to the disaster relief and recovery effort. These donations received in both 2018 and 2019, were used in 2018, 2019, and 2020 disaster relief and recovery efforts.

Note 13: Retirement Plan

The Organization has established a tax deferred pension plan pursuant to Section 403(B) of the Internal Revenue Code. Annual contributions by the Organization are equal up to 6.25% of each eligible employee's salary. Employees who have been employed by the Organization and worked over 1,000 hours during one year are eligible. The Organization's contribution to the plan during the year ended December 31, 2019 and 2018, were \$76,940 and \$66,911, respectively.

Note 14: Management Agreement

The Project's low-income housing property is managed by Community Housing Improvement Program, Inc., an unrelated party, pursuant to a management agreement that provides for a management fee of \$57 per unit per month. During the years ended December 31, 2019 and 2018, \$35,400 and \$34,800 was incurred and paid, respectively.

Note 15: Economic Concentration

The Organization operates a 50-unit apartment project located in Chico, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 16: Lessor Activity

The Organization owns housing projects that contains facilities for low-income families. A summary of the acquisition costs and accumulated depreciation on the properties is as follows as of December 31:

	2019	2018
Land	\$ 1,149,156	\$ 1,149,156
Land improvements	700,135	700,135
Buildings and improvements	10,844,137	10,844,137
Furniture, fixtures and equipment	890,776	888,136
Vehicles	43,907	43,907
Subtotal	13,628,111	13,625,471
Accumulated depreciation	(3,912,532)	(3,577,546)
Investment in rental property, net	\$ 9,715,579	\$ 10,047,925

Rental income on the housing projects for the year ended December 31, 2019 and 2018 was \$403,870 and \$402,122, which was net of vacancies and concessions of \$13,846 and \$10,048, respectively.

Rental income from Esplanade House for the year ended December 31, 2019 and 2018 was \$291,563 and 188,605, respectively.

Note 17: Subsequent Events

Subsequent events have been evaluated through November 9, 2020, which is the date the financial statements were available to be issued.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 virus crisis ("CV19 Crisis"). While the Organization revenues are primarily derived from federal and state grant sources which currently have not been impacted, other sources of revenue were impacted. Accordingly, the Organization received a \$383,200 Paycheck Protection Program (PPP) loan on April 17, 2020. The Organization expects the PPP loan will be forgiven during 2020. Management believes the Organization is taking appropriate actions to mitigate any negative impact. The future impact of the CV19 Crisis on the Organization cannot be reasonably estimated at this time.

Supplementary Information

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

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			
Trade Mitigation	10.178	15-MOU-00108 18/19	\$ 13,443
Trade Mitigation		15-MOU-00108 19/20	2,821
Total CFDA #10.178			16,264
Food Distribution Cluster			
Passed through California State Department of Social Services			
Emergency Food Assistance Program	10.568	15-MOU-00108 18/19	\$ 181,018
Emergency Food Assistance Program		15-MOU-00108 19/20	35,595
Total CFDA #10.568			216,613
NON-MONETARY ASSISTANCE			
Passed through California State Department of Social Services			
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00108 18/19	586,413
Emergency Food Assistance Program (Food Commodities)		15-MOU-00108 19/20	218,612
Total CFDA #10.569			805,025
Total Food Distribution Cluster CFDA #10.568 and 10.569			1,021,638
Total US Department of Agriculture			1,037,902
Passed through the City of Chico			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant	14.218	L-AGR-1-21-38 18-19	13,000
Community Development Block Grant		L-AGR-1-21-38 19-20	11,905
Total CDBG - Entitlement Grants Cluster CFDA #14.218			24,905
Passed through California Department of Housing and Community Development			
Emergency Solutions Grant Program	14.231	16-ESG-11077	(5,900)
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Award			
Supportive Housing Program (SHP) - HMIS	14.235	CA0303L9T191710	71,789
Supportive Housing Program (SHP) - HMIS		CA0303L9T191811	26,750
Total CFDA #14.235			98,539
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Award			
Supportive Housing Program (SHP) - HMIS	14.267	CA1673L9T191700	17,105
Total US Department of Housing and Urban Development			134,649
DEPARTMENT OF ENERGY			
Passed through State of California Department of Community Service and Development			
Weatherization Assistance Program	81.042	17C-4002	286,067
Total US Department of Energy			286,067

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2019

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	18F-5005	\$ 31,488
Community Services Block Grant		19F-4403	148,373
Community Services Block Grant		19F-4005	361,292
Community Services Block Grant		19F-4407	23,033
Total CFDA # 93.569			564,186
Passed through State of California Department of Community Service and Development			
Low Income Energy Assistance - Excess Revenue	93.568	15B-5003	9,694
Low Income Energy Assistance - Excess Revenue		16B-4003	9,836
Low Income Energy Assistance - Excess Revenue		17B-3003	40,574
Low Income Energy Assistance - Excess Revenue		18B-3003	11,600
Low Income Energy Assistance - Weatherization		19B-5003	830,304
Low Income Energy Assistance - ECIP/HEAP/Assurance 16		19B-5003	1,452,363
Low Income Energy Assistance - Weatherization		20B-2003	119,169
Low Income Energy Assistance - ECIP/HEAP/Assurance 16		20B-2003	35,166
Total CFDA #93.568			2,508,706
Total US Department of Health and Human Services			3,072,892
US DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way Worldwide			
Emergency Food and Shelter Program - Butte	97.024	065400-003 Phase 35	17,308
Emergency Food and Shelter Program - Tehama		067600-011 Phase 35	2,500
Total CFDA #97.024			19,808
Total US Department of Homeland Security			19,808
Total Expenditures of Federal awards			\$ 4,551,318

See Independent Auditor's Report.

See Notes to Shedule of Expenditures of Federal Awards.

Community Action Agency of Butte County, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the Community Action Agency of Butte County, Inc.'s federal grant activities under programs of the federal governments for the year ended December 31, 2019. 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. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2019

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 804,137	\$ 200,656	\$ -	\$ 1,004,793
Grants receivable	840,435	-	-	840,435
Accounts receivable	31,603	4,479	-	36,082
Inventories and work in progress	793,759	-	-	793,759
Prepaid expenses	111,681	390	-	112,071
Total current assets	2,581,615	205,525	-	2,787,140
Other assets:				
Restricted Cash	23,519	418,673	-	442,192
Restricted reserve funds - USDA	27,811	-	-	27,811
Tax credit monitoring fees, net	-	14,343	-	14,343
Developer's fees receivable	395,940	-	(395,940)	-
Prepaid expenses	49,624	-	-	49,624
Total other assets	496,894	433,016	(395,940)	533,970
Property and equipment, net	2,764,834	7,540,728	-	10,305,562
TOTAL ASSETS	\$ 5,843,343	\$ 8,179,269	\$ (395,940)	\$ 13,626,672
Current liabilities:				
Accounts payable	\$ 701,164	\$ 24,593	\$ -	\$ 725,757
Accrued payroll and related	132,052	5,925	-	137,977
Tenants' security deposits liability	-	47,651	-	47,651
Deposits and trust funds payable	37,358	-	-	37,358
Commodities inventory - Advanced	260,458	-	-	260,458
Refundable advances	214,324	-	-	214,324
Accrued vacation	72,552	-	-	72,552
Current portion of long-term debt	24,282	33,249	-	57,531
Total Current Liabilities	1,442,190	111,418	-	1,553,608
Long-term liabilities:				
Long-term debt, net	201,595	7,173,438	-	7,375,033
Accrued interest	-	753,693	-	753,693
Developer's fees payable	-	395,940	(395,940)	-
Total Long-term Liabilities	201,595	8,323,071	(395,940)	8,128,726
Total Liabilities	1,643,785	8,434,489	(395,940)	9,682,334
Net assets (deficit):				
Without donor restrictions	1,245,608	-	-	1,245,608
Controlling interest	-	(18)	-	(18)
Noncontrolling interest	-	(255,202)	-	(255,202)
Without donor restrictions - board designated:				
Restricted reserve funds	27,811	-	-	27,811
Prepaid lease costs	161,305	-	-	161,305
Property and equipment	2,764,834	-	-	2,764,834
Total Net Assets	4,199,558	(255,220)	-	3,944,338
TOTAL LIABILITIES AND NET ASSETS	\$ 5,843,343	\$ 8,179,269	(\$ 395,940)	\$ 13,626,672

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended December 31, 2019

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Public support and revenue:				
Contracts and grants - Federal	\$ 3,791,842	\$ -	\$ -	\$ 3,791,842
Contracts and grants - Non-federal	976,462	-	-	976,462
Commodities - Federal	805,025	-	-	805,025
In-kind contributions	361,759	-	-	361,759
Donations	371,548	-	-	371,548
Other income	157,006	6,270	-	163,276
Rent, net of vacancy	291,563	403,870	-	695,433
Gain from sale of assets	1,307	-	-	1,307
Food programs - Other	6,969	-	-	6,969
Total public support and revenue	6,763,481	410,140	-	7,173,621
Operating expenses:				
Program expenses:				
Food and nutrition program	1,351,194	-	-	1,351,194
Community programs	826,518	-	-	826,518
Energy/weatherization	2,881,269	-	-	2,881,269
Esplanade house	708,176	-	-	708,176
Housing	0	585,753	-	585,753
Total program expenses	5,767,157	585,753	-	6,352,910
Management and general expense	681,317	100,029	-	781,346
Total expenses	6,448,474	685,782	-	7,134,256
Change in net assets	315,007	(275,642)	-	39,365
Net assets - December 31, 2018	3,884,551	20,422	-	3,904,973
Net assets - December 31, 2019	\$ 4,199,558	(\$ 255,220)	\$ -	\$ 3,944,338

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #17C-4002 - DOE

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 69,539	\$ 59,245	\$ 226,822	\$ 355,606		\$ 494,826
Total revenue	\$ 69,539	\$ 59,245	\$ 226,822	\$ 355,606		\$ 494,826
EXPENDITURES						
Administration	\$ 3,335	\$ 3,598	\$ 11,571	\$ 18,504	\$ 18,504	\$ 26,645
Administrative equipment	-	-	-	-	-	-
Administrative out-of-state travel	1,673	673	733	3,079	3,079	1,674
Training and technical assistance	1,850	2,038	16,275	20,163	20,163	40,324
Training and technical assistance (out of state)	1,674	-	131	1,805	1,805	1,674
Total administration costs	8,532	6,309	28,710	43,551	43,551	70,317
Program:						
Assurance 16	-	-	-	-	-	-
Intake	3,521	639	10,836	14,996	14,996	15,000
Liability insurance	387	1,528	2,852	4,767	4,767	6,000
Outreach	2,621	1,740	5,161	9,522	9,522	9,000
Direct Program Sec #200	27,732	13,412	71,557	112,701	112,701	251,752
Automation supplemental	175	456	4,196	4,827	4,827	5,000
Other program costs	16,716	24,637	58,873	100,226	100,226	9,800
Client education	-	-	-	-	-	2,000
Health & Safety Sec #165	8,209	6,389	28,098	42,696	42,696	101,457
General operating	1,549	3,223	13,303	18,075	18,075	22,000
Vehicle and equipment	97	912	3,236	4,245	4,245	2,500
Workers compensation	-	-	-	-	-	-
Total program costs	61,007	52,936	198,112	312,055	312,055	424,509
Total costs	\$ 69,539	\$ 59,245	\$ 226,822	\$ 355,606	\$ 355,606	\$ 494,826

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #18F-5005 - CSBG

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 334,682	\$ 30,769	\$ -	\$ 365,451		\$ 365,451
Total revenue	\$ 334,682	\$ 30,769	\$ -	\$ 365,451		\$ 365,451
EXPENDITURES						
Administration:						
Wages	\$ 172,122	\$ 25,309	-	\$ 197,431	\$ 197,431	\$ 197,429
Fringe	34,050	5,201	-	39,251	39,251	39,250
Operating expense	28,900	-	-	28,900	28,900	28,900
Equipment	2,604	-	-	2,604	2,604	2,604
Out of state travel	698	-	-	698	698	699
Contract/Consultant services	44,880	-	-	44,880	44,880	44,881
Other costs	1,106	-	-	1,106	1,106	1,106
Total administration costs	284,360	30,510	-	314,870	314,870	314,869
Program:						
Wages	-	-	-	-	-	-
Fringe	-	-	-	-	-	-
Operating expense	40,981	259	-	41,240	41,240	41,239
Equipment	8,742	-	-	8,742	8,742	8,743
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-	-
Other costs	599	-	-	599	599	600
Total program costs	50,322	259	-	50,581	50,581	50,582
Total costs	\$ 334,682	\$ 30,769	\$ -	\$ 365,451	\$ 365,451	\$ 365,451

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #18F-5005 - CSBG DISCRETIONARY

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 34,281	\$ 719	\$ -	\$ 35,000		\$ 35,000
Total revenue	\$ 34,281	\$ 719	\$ -	\$ 35,000		\$ 35,000
EXPENDITURES						
Administration:						
Wages	\$ -	\$ -	-	\$ -	\$ -	\$ -
Fringe	-	-	-	-	-	-
Operating expense	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Contract/Consultant services	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total administration costs	-	-	-	-	-	-
Program:						
Wages	15,744	562	-	16,306	16,306	14,894
Fringe	2,959	137	-	3,096	3,096	2,606
Operating expense	15,578	20	-	15,598	15,598	17,500
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total program costs	34,281	719	-	35,000	35,000	35,000
Total costs	\$ 34,281	\$ 719	\$ -	\$ 35,000	\$ 35,000	\$ 35,000

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #19F-4403 - CSBG DISCRETIONARY

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 11,627	\$ 147,888	\$ 485	\$ 160,000		\$ 160,000
Total revenue	\$ 11,627	\$ 147,888	\$ 485	\$ 160,000		\$ 160,000
EXPENDITURES						
Administration:						
Wages	\$ -	\$ 1,764	10	\$ 1,774	\$ 1,774	\$ 2,530
Fringe	-	426	5	431	431	443
Operating expense	-	1,269	42	1,311	1,311	1,000
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total administration costs	-	3,459	57	3,516	3,516	3,973
Program:						
Wages	-	10,621	334	10,955	10,955	27,970
Fringe	-	1,379	36	1,415	1,415	4,895
Operating expense	807	4,611	58	5,476	5,476	13,162
Equipment	-	-	-	-	-	15,000
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	10,820	-	-	10,820	10,820	10,820
Other costs	-	127,818	-	127,818	127,818	84,180
Total program costs	11,627	144,429	428	156,484	156,484	156,027
Total costs	\$ 11,627	\$ 147,888	\$ 485	\$ 160,000	\$ 160,000	\$ 160,000

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #19F-4005 - CSBG

For the Period January 1 through December 31, 2019

	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 128,943	\$ 232,349	\$ 361,292		\$ 361,292
Total revenue	\$ 128,943	\$ 232,349	\$ 361,292		\$ 361,292
EXPENDITURES					
Administration:					
Wages	\$ 58,886	76,223	\$ 135,109	\$ 135,109	\$ 142,065
Fringe	12,225	15,350	27,575	27,575	28,981
Operating expense	20,257	19,042	39,299	39,299	36,000
Equipment	724	12,184	12,908	12,908	15,037
Out of state travel	10,594	3,909	14,503	14,503	17,406
Contract/Consultant services	10,050	2,083	12,133	12,133	12,000
Other costs	-	-	-	-	-
Total administration costs	112,736	128,791	241,527	241,527	251,489
Program:					
Wages	8,939	19,178	28,117	28,117	30,711
Fringe	1,409	1,983	3,392	3,392	6,265
Operating expense	2,621	62,828	65,449	65,449	50,000
Equipment	1,530	15,495	17,025	17,025	17,025
Out of state travel	1,708	4,074	5,782	5,782	5,802
Subcontractor/Consultant services	-	-	-	-	-
Other costs	-	-	-	-	-
Total program costs	16,207	103,558	119,765	119,765	109,803
Total costs	\$ 128,943	\$ 232,349	\$ 361,292	\$ 361,292	\$ 361,292

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #19F-4407 - CSBG DISCRETIONARY

For the Period January 1 through December 31, 2019

	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 23,033	\$ 23,033		\$ 30,000
Total revenue	\$ -	\$ 23,033	\$ 23,033		\$ 30,000
EXPENDITURES					
Administration:					
Wages	\$ -	-	\$ -	\$ -	\$ -
Fringe	-	-	-	-	-
Operating expense	-	-	-	-	-
Equipment	-	-	-	-	-
Out of state travel	-	-	-	-	-
Contract/Consultant services	-	-	-	-	-
Other costs	-	-	-	-	-
Total administration costs	-	-	-	-	-
Program:					
Wages	-	18,482	18,482	18,482	23,395
Fringe	-	2,991	2,991	2,991	5,045
Operating expense	-	-	-	-	-
Equipment	-	-	-	-	-
Out of state travel	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-
Other costs	-	1,560	1,560	1,560	1,560
Total program costs	-	23,033	23,033	23,033	30,000
Total costs	\$ -	\$ 23,033	\$ 23,033	\$ 23,033	\$ 30,000

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #19B-5003 - Weatherization

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 17,675	\$ 383,579	\$ 446,725	\$ 847,979		\$ 847,979
Total revenue	\$ -	\$ -	\$ 446,725	\$ 847,979		\$ 847,979
EXPENDITURES						
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assurance	-	-	-	-	-	-
Total A-16/ECIP/HEAP Administration Costs	-	-	-	-	-	-
Program:						
Intake	-	13,374	14,610	27,984	27,984	67,838
Outreach	-	25,065	10,593	35,658	35,658	42,399
Training	-	17,167	11,807	28,974	28,974	42,399
Direct Program Sec #165	17,675	327,972	409,716	755,363	755,363	695,343
Total program costs	17,675	383,578	446,726	847,979	847,979	847,979
Total costs	\$ 17,675	\$ 383,578	\$ 446,726	\$ 847,979	\$ 847,979	\$ 847,979

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Excess Revenues & Program Income

For the Period January 1 through December 31, 2019

	Fiscal Year Ending			Total	1/1/19 -	7/1/19-	Total	Running
	2016	2017	2018	Previous Years	6/30/19	12/31/19	Audited	Balance
							Expenditures	
Beginning Balance								\$ 21,071
CSD Contract #15B-5003 - EHA-16								
Program Income	\$ -	\$ -	\$ -	\$ -				21,071
Program Expenses								
Outreach	9,694	-	-	9,694	-	-	\$ 9,694	11,377
CSD Contract #16B-4003 - Weatherization								
Program Income	1,000	27	-	1,027				12,404
Program Expenses								
Outreach	5,796	2,979	-	8,776	-	-	8,776	3,628
Major Vehicle and Field Equipment	-	1,000	-	1,000	-	-	1,000	2,628
General Operating	-	27	-	27	-	-	27	2,601
CSD Contract #16B-4003 - EHA-16								
Program Income	1	32	-	33	-	-		2,634
Program Expenses								
General Operating	-	33	-	33	-	-	33	2,601

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Excess Revenues & Program Income (Continued)

For the Period January 1 through December 31, 2019

	Fiscal Year Ending			Total	1/1/19 -	7/1/19-	Total	Running
	2016	2017	2018	Previous Years	6/30/19	12/31/19	Audited	Balance
							Expenditures	
CSD Contract #17B-3003 - Weatherization								
Program Income	\$ -	\$ 12,526.00	\$ -	\$ 12,526.00	\$ -	\$ -		\$ 15,127.22
Program Expenses								
Outreach	-	2,635	-	2,635	-	-	\$ 2,635	12,492
Vehicle and Field Equipment	-	12,606	-	12,606	-	-	12,606	(114)
General Operating	-	(114)	-	(114)	-	-	(114)	-
CSD Contract #17B-3003 - EHA-16								
Program Income	-	20,447	5,000	25,447	-	-		25,447
Program Expenses								
Outreach	-	47	-	47	-	-	47	25,400
Training & Technical Assistance	-	-	19	19	-	-	19	25,381
Vehicle and Field Equipment	-	20,400	4,981	25,381	-	-	25,381	-
CSD Contract #18B-3003 - Weatherization								
Program Income	-	-	3,000	3,000	-	-	-	3,000
Program Expenses								
Direct Program Activities & Program Costs	-	-	3,000	3,000	-	-	3,000	-
CSD Contract #18B-3003 - EHA-16								
Program Income	-	-	8,600	8,600	-	-	-	8,600
Program Expenses								
Assurance 16 Activities	-	-	885	885	-	-	885	7,715
Direct Program Activities & Program Costs	-	-	7,715	7,715	-	-	7,715	-
Ending Balance								\$ -

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #19B-5003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2019

	Previous Year's Expenditures	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 83,310	\$ 707,578	\$ 744,785	\$ 1,535,673		\$ 1,667,342
Total revenue	\$ 83,310	\$ 707,578	\$ 744,785	\$ 1,535,673		\$ 1,667,342
EXPENDITURES						
Administration	\$ 3,056	\$ 31,036	\$ 52,106	\$ 86,198	\$ 86,198	\$ 170,292
Assurance	1,125	18,177	36,929	56,231	56,231	170,292
Total administration costs	4,181	49,213	89,035	142,429	142,429	340,584
Program:						
Intake	5,888	40,433	35,625	81,946	81,946	163,293
Outreach	3,547	13,821	12,823	30,191	30,191	102,058
ECIP Heating & Cooling	101	4,947	3,367	8,415	8,415	40,823
Program service costs	69,593	599,164	603,935	1,272,692	1,272,692	1,020,584
Total program costs	79,129	658,365	655,750	1,393,244	1,393,244	1,326,758
Total costs	\$ 83,310	\$ 707,578	\$ 744,785	\$ 1,535,673	\$ 1,535,673	\$ 1,667,342

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20B-2003 - Weatherization

For the Period January 1 through December 31, 2019

	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 119,169	\$ 119,169		\$ 776,426
Total revenue	\$ -	\$ 119,169	\$ 119,169		\$ 776,426
EXPENDITURES					
Administration	\$ -	\$ -	\$ -	\$ -	\$ -
Assurance	-	-	-	-	-
Total administrative costs	-	-	-	-	-
Program:					
Intake	-	3,779	3,779	3,779	62,114
Outreach	-	6,411	6,411	6,411	38,821
Training & Technical Assistance	-	2,536	2,536	2,536	38,821
Program service costs	-	106,443	106,443	106,443	636,670
Total program costs	-	119,169	119,169	119,169	776,426
Total costs	\$ -	\$ 119,169	\$ 119,169	\$ 119,169	\$ 776,426

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20B-2003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2019

	1/1/19 - 6/30/19	7/1/19 - 12/31/19	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ -	\$ 35,166	\$ 35,166		\$ 1,695,519
Total revenue	\$ -	\$ 35,166	\$ 35,166		\$ 1,695,519
EXPENDITURES					
Administration	\$ -	\$ 574	\$ 574	\$ 574	\$ 156,428
Assurance	-	-	-	-	156,428
Total administrative costs	-	574	574	574	312,856
Program:					
Intake	-	2,519	2,519	2,519	151,857
Outreach	-	-	-	-	94,910
Training & Technical Assistance	-	-	-	-	37,964
Program service costs	-	32,073	32,073	32,073	1,097,932
Total program costs	-	34,592	34,592	34,592	1,382,663
Total costs	\$ -	\$ 35,166	\$ 35,166	\$ 35,166	\$ 1,695,519

See Independent Auditor's Report.

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

Board of Directors
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 consolidated financial statements of Community Action Agency of Butte County, Inc., which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated 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 November 9, 2020. The financial statements of the majority-owned subsidiary of Community Action Agency of Butte County, Inc. was not audited in accordance with *Government Auditing Standards*.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 consolidated 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 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Madison, Wisconsin

November 9, 2020

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 its major federal programs for the year ended December 31, 2019. 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.

Community Action Agency of Butte County, Inc.'s financial statements include the operations of CAA North Point Chico, LP, which expended \$104,942 in federal awards, which is not included in Community Action Agency of Butte County, Inc.'s schedule of expenditures of federal awards for the year ended December 31, 2019.

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 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 programs 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 the major federal programs. 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 its major federal programs for the year ended December 31, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Community Action Agency of Butte County, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Agency of Butte County, Inc.'s response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the major federal programs 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 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 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Community Action Agency of Butte County, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Action Agency of Butte County, Inc.'s response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Wipfli LLP
Madison, Wisconsin

November 9, 2020

Community Action Agency of Butte County, Inc. and Subsidiary

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

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?	Yes
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 Uniform Guidance [2 CFR 200.516(a)]?	Yes
Identification of major federal programs:	

<u>CFDA No.</u>	<u>Health Center Cluster/Name of Federal Program</u>
10.568 & 10.569	Food Distribution Cluster
93.568	Low Income Housing Energy Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None.

Community Action Agency of Butte County, Inc. and Subsidiary

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

Section III - Federal Award Program Findings and Questioned Costs

2019-001 – Special Tests and Provisions: Accountability for USDA Foods

United States Department of Agriculture
Food Distribution Cluster CFDA No. 10.568 and 10.569

Questioned Costs: None

How were the questioned costs computed: Not applicable

Condition: Auditor observed that there were discrepancies in the physical inventory counts conducted on June 1, 2020 compared to inventory records maintained by CAA Butte's program employees. Inventory observed was in excess of the amount recorded on the general ledger resulting in an understatement for three of the five commodity food inventory items selected. Through review of monthly distributions of food commodities, there were inconsistencies between the number of cases provided for distribution and the number of cases actually distributed. In the observed cases the excess inventory was left on site but not properly documented by CAA Butte volunteers.

Criteria: 7 CFR 250.19(a) and 7 CFR 250.16(a) require that accurate and complete records be maintained with respect to USDA foods. This section specifies that failure to maintain records in compliance with 7 CFR 250.16(a) would be considered a loss of donated foods.

Cause: Management did not have the time or resources to adequately supervise and train volunteers due to additional demand in the program.

Effect: The lack of proper training resulted in the potential for misstatements in inventory tracking and the potential for mishandling of food inventory by CAA Butte volunteers.

Recommendation: We recommend management ensure that monthly physical inventories are completed in accordance with internal policy and any differences identified are addressed immediately.

View of Responsible Officials: We agree with the recommendation and have begun implementing additional procedures.

Section IV - Prior Year Findings and Questioned Costs

None.