

# Community Action Agency of Butte County, Inc. and Subsidiary

Consolidated Financial Statements and  
Supplemental Information

Years Ended December 31, 2020 and 2019



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

**WIPFLI**

# Community Action Agency of Butte County, Inc.

Years Ended December 31, 2020 and 2019

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## **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, 2020 and 2019, 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 audits. We did not audit the financial statements of CAA North Point Chico, LP, a majority-owned subsidiary, which statements reflect total assets of \$7,957,654 and \$8,179,269 as of December 31, 2020 and 2019 respectively, and total revenues of \$438,185 and \$410,140 respectively, 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 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 consolidated financial statements are free from material misstatement. The financial statements of the majority-owned subsidiary of Community Action Agency of Butte County, Inc. were 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 and the report of the other auditors, 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, 2020 and 2019, and the changes in their net assets and their 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 State of California Department of Community Services and Development ("CSD"). Contracts are presented for purposes of additional analysis, and are not a required part of the consolidated 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, 2019, 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 March 11, 2022, 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  
Madison, Wisconsin

March 11, 2022

# Community Action Agency of Butte County, Inc.

## Consolidated Statements of Financial Position

December 31,	2020	2019
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 995,318	\$ 1,004,793
Grants receivable	1,399,921	840,435
Accounts receivable	18,309	36,082
Inventories and work in progress	1,124,245	793,759
Prepaid expenses	65,684	112,071
Total current assets	3,603,477	2,787,140
Other assets:		
Restricted cash	461,594	442,192
Restricted reserve funds - USDA	27,811	27,811
Tax credit monitoring fees, net	12,664	14,343
Prepaid expenses	71,240	49,624
Total other assets	573,309	533,970
Property and equipment, net	10,161,708	10,305,562
<b>TOTAL ASSETS</b>	<b>\$ 14,338,494</b>	<b>\$ 13,626,672</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 705,059	\$ 725,757
Accrued payroll and related	137,465	137,977
Tenant's security deposits liability	52,359	47,651
Deposits and trust funds payable	44,481	37,358
Annual fee to limited partner	1,247	-
Commodities inventory - Advanced	239,737	260,458
Refundable advances	661,814	214,324
Accrued vacation	72,552	72,552
Current portion of long-term debt	53,003	57,531
Total current liabilities	1,967,717	1,553,608
Long-term liabilities:		
Long-term debt, net	7,327,929	7,375,033
Accrued interest	858,548	753,693
Total long-term liabilities	8,186,477	8,128,726
Total Liabilities	10,154,194	9,682,334
Net assets (deficit):		
Without donor restrictions	1,715,397	1,273,711
Noncontrolling interest	(521,619)	(255,202)
Without donor restrictions - board designated:		
Restricted reserve funds	27,811	27,811
Prepaid lease costs	107,767	133,184
Property and equipment	2,854,944	2,764,834
Total net assets without donor restrictions	4,184,300	3,944,338
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,338,494</b>	<b>\$ 13,626,672</b>

See accompanying notes to consolidated financial statements.

# Community Action Agency of Butte County, Inc.

## Consolidated Statements of Activities

Year Ended December 31,	2020	2019
Public support and revenue:		
Contracts and grants - Federal	\$ 4,535,199	\$ 3,791,842
Contracts and grants - Non-federal	942,681	976,462
Commodities - Federal	1,091,547	805,025
In-kind contributions	184,495	361,759
Donations	524,576	371,548
Other income	89,605	163,276
Rent, net of vacancy	766,762	695,433
Gain from sale of assets	-	1,307
Food programs - Other	-	6,969
<b>Total public support and revenue</b>	<b>8,134,865</b>	<b>7,173,621</b>
Operating expenses:		
Program expenses:		
Food and nutrition program	2,235,592	1,351,194
Community programs	675,755	826,518
Energy/weatherization	2,890,523	2,881,269
Esplanade House	710,403	708,176
Housing	597,904	585,753
<b>Total program expenses</b>	<b>7,110,177</b>	<b>6,352,910</b>
Management and general expense	784,726	781,346
<b>Total expenses</b>	<b>7,894,903</b>	<b>7,134,256</b>
Change in net assets	239,962	39,365
Net assets without donor restrictions at beginning	3,944,338	3,904,973
<b>Net assets without donor restrictions at end</b>	<b>\$ 4,184,300</b>	<b>\$ 3,944,338</b>

See accompanying notes to consolidated financial statements.

# Community Action Agency of Butte County, Inc.

## Consolidated Statements of Functional Expenses

Year Ended December 31, 2020	Food and Nutrition	Community	Energy/ Weatherization	Esplanade House	Housing	Management and General	Totals
Expenses:							
Salary	\$ 44,119	\$ 266,458	\$ 770,244	\$ 237,582	\$ -	\$ 390,056	\$ 1,708,459
Payroll taxes and benefits	34,313	43,953	191,188	51,257	-	70,926	391,637
Professional and contract fees	20,715	192,164	59,524	51,623	25,171	12,127	361,324
Insurance and licensing	8,706	2,663	44,123	26,898	5,885	10,739	99,014
Occupancy	108,572	5,006	(3,722)	23,748	-	93,924	227,528
Consumable supplies	493,370	11,370	1,110,524	16,742	-	10,041	1,642,047
Tools and equipment	34,633	32,829	47,898	12,567	60,202	744	188,873
Training and travel related	1,572	5,099	5,705	4,373	-	3,521	20,270
Utilities and phone	47,773	5,669	91,280	99,987	49,151	6,500	300,360
Depreciation	17,094	1,939	18,349	8,539	240,339	122,117	408,377
Direct assistance to clients	1,188,547	108,037	504,249	126,712	-	-	1,927,545
Vehicle costs	89,702	895	50,013	13,240	-	25,832	179,682
Interest expense	-	-	-	-	194,276	-	194,276
Miscellaneous	(1,109)	(327)	1,148	225	22,880	37,118	59,935
Bad debt expense	-	-	-	-	-	1,081	1,081
In-kind expenses	147,585	-	-	36,910	-	-	184,495
<b>Total expenses</b>	<b>\$ 2,235,592</b>	<b>\$ 675,755</b>	<b>\$ 2,890,523</b>	<b>\$ 710,403</b>	<b>\$ 597,904</b>	<b>\$ 784,726</b>	<b>\$ 7,894,903</b>

See accompanying notes to consolidated financial statements.



## Community Action Agency of Butte County, Inc.

### Consolidated Statements of Functional Expenses (Continued)

Year Ended December 31, 2019	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
<b>Total expenses</b>	<b>\$ 1,351,194</b>	<b>\$ 826,518</b>	<b>\$ 2,881,269</b>	<b>\$ 708,176</b>	<b>\$ 585,753</b>	<b>\$ 781,346</b>	<b>\$ 7,134,256</b>

See accompanying notes to consolidated financial statements.

# Community Action Agency of Butte County, Inc.

## Consolidated Statements of Cash Flows

For the Year Ended December 31,	2020	2019
Increase in cash, cash equivalents, and restricted cash:		
Cash flows from operating activities:		
Change in net assets	\$ 239,962	\$ 39,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	408,377	385,014
Amortization of deferred financing costs	1,679	1,679
Amortization of debt issuance costs	6,044	6,522
Bad debt expense	1,081	8,453
Gain on sale of property and equipment	-	(1,307)
Changes in operating assets and liabilities		
Grants receivable	(590,833)	(84,547)
Accounts receivable	22,957	34,781
Inventories and work in progress	(351,207)	(363,306)
Prepaid expenses	24,771	31,205
Accounts payable	(20,698)	320,006
Accrued payroll and related	4,196	(1,674)
Deposits and trust funds payable	7,123	11,777
Annual fee to limited partner	1,247	(1,247)
Refundable advances	472,572	(27,494)
Accrued interest - first mortgage	(145)	(139)
Accrued interest - other loans	105,000	105,000
Net cash provided by operating activities	332,126	464,088
Cash flows from investing activities:		
Purchase of property and equipment	(264,523)	(117,514)
Proceeds from sale of property and equipment	-	1,307
Net cash used in investing activities	(264,523)	(116,207)
Cash flows from financing activities - Payments on long-term debt	(57,676)	(57,754)
Increase in cash, cash equivalents, and restricted cash	9,927	290,127
Cash, cash equivalents, and restricted cash at beginning	1,474,796	1,184,669
Cash, cash equivalents, and restricted cash at end	\$ 1,484,723	\$ 1,474,796
<b>Supplemental schedule of noncash activities:</b>		
Cash paid for interest	\$ 104,662	\$ 91,592
Change in food commodities	(22,180)	141,281
<b>Reconciliation of cash and cash equivalents and restricted cash to consolidated statement of financial position:</b>		
Cash and cash equivalents	\$ 995,318	\$ 1,004,793
Restricted cash	461,594	442,192
Restricted reserve funds - USDA	27,811	27,811
Total cash and cash equivalents and restricted cash	\$ 1,484,723	\$ 1,474,796

See accompanying notes to consolidated financial statements.

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

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### 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 42% and 47% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization and Community programs during 2020 and 2019, 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 consolidated 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

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### **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).

#### **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.
- *Noncontrolling interest* is the net assets attributable to noncontrolling interest that represents the equity interest of outside owners of CAA North Point Chico, LP. These interests are reported as separate components of the Organization's net assets.
- *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, 2020 and 2019 .

#### **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

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### 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.

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

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### **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 \$34,524 during 2020 and \$76,417 during 2019, 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, 2020 and 2019 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

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### **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, 2020 and 2019, 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 \$2,397,606 and \$2,277,318 at December 31, 2020 and 2019, 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, 2020 and 2019.

#### **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

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Upcoming Accounting Pronouncement

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. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)* that extended the effective date for certain entities to annual periods beginning after December 15, 2021. 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 consolidated 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, 2020 and 2019, accumulated amortization was \$12,523 and \$10,844, respectively.

Amortization expense for the years ended December 31, 2020 and 2019 is \$1,679 each 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

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Reclassification

Certain amounts as previously reported in the December 31, 2019 consolidated financial statements have been reclassified to conform to the December 31, 2020 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

#### Subsequent Events

Subsequent events have been evaluated through March 11, 2022, which is the date the consolidated financial statements were available to be issued.

### 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 consolidated statement of financial position date, comprise the following as of December 31:

	2020	2019
Cash and cash equivalents	\$ 995,318	\$ 1,004,793
Grants receivable	1,399,921	840,435
Accounts receivable	18,309	36,082
Subtotal financial assets	2,413,548	1,881,310
Less: Accounts payable	(705,059)	(725,757)
Less: Accrued payroll and related	(137,465)	(137,977)
Less: Refundable advances	(661,814)	(214,324)
Less: Accrued vacation	(72,552)	(72,552)
Less: Prepaid lease costs - board designated net assets	(107,767)	(133,184)
<b>Total</b>	<b>\$ 728,891</b>	<b>\$ 597,516</b>

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 \$5,360,000 as further described in Note 11.

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

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### 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.

### Note 4: Restricted Cash

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

	2020	2019
Security deposits - housing	\$ 52,359	\$ 47,651
Security deposits - esplanade house	18,394	14,029
Client funds	10,710	9,490
Replacement reserve	86,755	78,080
Operating reserve	293,376	292,942
<b>Totals</b>	<b>\$ 461,594</b>	<b>\$ 442,192</b>

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, which is included in restricted reserve funds - USDA on the consolidated statements of financial position.

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

### Note 5: Related Party Transactions

There is a partnership administration services and asset management fee agreement between CAA North Point Chico LLC and North Point Chico LP for various administrative services. The annual administrative services fee is \$10,000 and payment is subject to cash flows of the partnership. No fees for annual administrative services have been paid or accrued during 2020 and 2019 as North Point Chico LP has not had the cash flow to support payments. The annual asset management fee is \$5,000 and \$1,247 was accrued in annual fee to limited partner at December 31, 2020 and \$0 was accrued in 2019.

### Note 6: Grants Receivable

Grants receivable related to the following programs at December 31:

	2020	2019
Federal programs	\$ 1,146,686	\$ 652,882
State and local programs	253,235	187,553
<b>Totals</b>	<b>\$ 1,399,921</b>	<b>\$ 840,435</b>

### Note 7: Inventories and Work in Progress

Inventories consisted of the following at December 31:

	2020	2019
Food commodities	\$ 238,278	\$ 260,458
EES - Weatherization supplies and work in progress	885,967	533,301
<b>Totals</b>	<b>\$ 1,124,245</b>	<b>\$ 793,759</b>

### Note 8: Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Land	\$ 1,204,156	\$ 1,204,156
Land improvements	700,135	700,135
Building and building improvements	11,561,073	11,561,073
Equipment	1,239,206	1,161,384
Vehicles	448,148	261,447
<b>Subtotal</b>	<b>15,152,718</b>	<b>14,888,195</b>
Less - Accumulated depreciation	4,991,010	4,582,633
<b>Property and equipment, net</b>	<b>\$ 10,161,708</b>	<b>\$ 10,305,562</b>

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

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### 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, 2020 and 2019, was \$60,541 and \$40,675, respectively.

Future minimum lease payments, by year and in the aggregate, on leases having noncancelable terms beyond December 31, 2020, are as follows:

2021	\$	20,298
2022		10,836
<hr/>		
Total	\$	31,134
<hr/>		

### Note 10: Notes Payable

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

	2020		2019
<hr/>			
Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030.	\$	201,595	\$ 217,678
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
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, 2020 and 2019, interest of \$9,000 was incurred and charged to operations. As of December 31, 2020 and 2019, the accrued interest is \$84,415 and \$75,415 respectively.		450,000	450,000

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

### Note 10: Notes Payable (Continued)

	2020	2019
<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, 2020 and 2019, accrued interest is \$6,869 and \$7,014, respectively.</p>	\$ 1,565,589	\$ 1,598,983
<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, 2020, interest of \$96,000 was incurred and charged to operations. As of December 31, 2020 and 2019, the accrued interest is \$767,264 and \$671,264 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	7,517,184	7,574,860
Less - Debt issuance costs	136,252	142,296
Less - Current maturities	53,003	57,531
Total long-term portion	\$ 7,327,929	\$ 7,375,033

# 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, 2020, including current maturities, are summarized as follows:

2021	\$	53,003
2022		55,830
2023		58,808
2024		61,854
2025		65,248
Thereafter		7,222,441
<b>Totals</b>		<b>\$ 7,517,184</b>

### 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, 2020:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 1,492,500
City of Chico Land (2)	395,250	518,189
Affordable Housing Program (3)	500,000	-
<b>Totals</b>	<b>\$ 2,695,250</b>	<b>\$ 2,010,689</b>

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	-
<b>Total</b>	<b>\$ 2,695,250</b>	<b>\$ 1,892,034</b>

# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

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### 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'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

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### Note 11: Commitments and Contingencies (Continued)

The Organization had grant commitments under various grants of approximately \$5,360,000 as of December 31, 2020. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

### Note 12: 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, 2020 and 2019, were \$78,871 and \$76,940, respectively.

### Note 13: Management Agreement

The Partnership'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, 2020 and 2019, \$36,000 and \$35,400 was incurred and paid, respectively.

### Note 14: 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.

### Note 15: 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:

	2020	2019
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	897,151	890,776
Vehicles	43,907	43,907
Subtotal	13,634,486	13,628,111
Accumulated depreciation	(4,159,435)	(3,912,532)
Investment in rental property, net	\$ 9,475,051	\$ 9,715,579



# Community Action Agency of Butte County, Inc.

## Notes to Consolidated Financial Statements

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### **Note 15: Lessor Activity** (Continued)

Rental income on the housing projects for the year ended December 31, 2020 and 2019 was \$437,283 and \$403,870, which was net of vacancies and concessions of \$3,900 and \$13,846, respectively.

Rental income from Esplanade House for the year ended December 31, 2020 and 2019 was \$329,479 and 291,563, respectively.

### **Note 16: Community Foundation**

As of December 31, 2020, and 2019, the Organization is the beneficiary under a fund administered by a community foundation. The agreement indicates that the community foundation has variance power and will hold the funds and, therefore, are not reflected in the Organization's consolidated statements of financial position. The fair value of the funds held at the community foundation as of December 31, 2020 and 2019 was \$1,062,369 and \$906,601, respectively. The Organization received distributions from the fund for the years ended December 31, 2020 and 2019 of \$36,072 and \$0, respectively.

### **Note 17: Paycheck Protection Program**

The Organization was in receipt of an award of \$383,200 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Organization has determined the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Organization has interpreted the condition of the award to be the approval of the forgiveness application by the lender and SBA. Should the conditions of the award not be substantially met or explicitly waived, all or a portion of the award will bear interest at 1% be repayable in monthly amounts of principal and interest of \$21,565, commencing upon receipt of notification of the unforgiven amount by the SBA, and would be required to be paid no later than 2022. The Organization anticipates that the conditions of the award will be substantially met and the full amount of the award will be recognized as revenue. Forgiveness was received in 2021.

## **Supplementary Information**

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# Community Action Agency of Butte County, Inc.

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>US DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through California State Department of Social Services</b>			
Trade Mitigation	10.178	15-MOU-00108 2020 FPDP	\$ 10,229
Trade Mitigation		15-MOU-00108 20/21	6,475
<b>Total CFDA #10.178</b>			<b>16,704</b>
<b>Food Distribution Cluster</b>			
<b>Passed through California State Department of Social Services</b>			
Emergency Food Assistance Program	10.568	15-MOU-00108 19/20	\$ 138,497
Emergency Food Assistance Program		15-MOU-00108 20/21	70,516
COVID-19 - Emergency Food Assistance Program		15-MOU-00108 TEFAP CARES	185,741
<b>Total CFDA #10.568</b>			<b>394,754</b>
<b>NON-MONETARY ASSISTANCE</b>			
<b>Passed through California State Department of Social Services</b>			
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00108 19/20	1,091,547
<b>Total CFDA #10.569</b>			<b>1,091,547</b>
<b>Total Food Distribution Cluster CFDA #10.568 and 10.569</b>			<b>1,486,301</b>
<b>Total US Department of Agriculture</b>			<b>1,503,005</b>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>Passed through the City of Chico</b>			
<b>CDBG - Entitlement Grants Cluster</b>			
Community Development Block Grant	14.218	L-AGR-1-21-38 19/20	11,904
Community Development Block Grant		L-AGR-1-21-38 20/21	13,673
<b>Total CDBG - Entitlement Grants Cluster CFDA #14.218</b>			<b>25,577</b>
<b>Direct Award</b>			
Supportive Housing Program (SHP) - HMIS	14.235	CA0303L9T191811	<b>80,250</b>
<b>Direct Award</b>			
Supportive Housing Program (SHP) - HMIS	14.267	CA1673L9T191800	<b>54,361</b>
<b>Total US Department of Housing and Urban Development</b>			<b>160,188</b>
<b>DEPARTMENT OF THE TREASURY</b>			
<b>Passed through California State Department of Social Services</b>			
COVID-19 Coronavirus Relief Fund	21.019	15-MOU-00108 CRF	449,708
<b>Total US Department of the Treasury</b>			<b>449,708</b>

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

# Community Action Agency of Butte County, Inc.

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF ENERGY</b>			
<b>Passed through State of California Department of Community Service and Development</b>			
Weatherization Assistance Program	81.042	17C-4002	139,220
Weatherization Assistance Program		20C-6002	150,438
<b>Total US Department of Energy</b>			<b>289,658</b>
<b>US DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
<b>Passed through State of California Department of Community Service and Development</b>			
Community Services Block Grant	93.569	20F-3005	\$ 305,307
Community Services Block Grant		19F-4407	6,967
COVID-19 Community Services Block Grant		20F-3644	84,061
Community Services Block Grant		20F-3501	10,441
<b>Total CFDA # 93.569</b>			<b>406,776</b>
<b>Passed through State of California Department of Community Service and Development</b>			
Low Income Energy Assistance - ECIP/HEAP/Assurance 16	93.568	19B-5003	91,669
Low Income Energy Assistance - Weatherization		20B-2003	657,257
Low Income Energy Assistance - ECIP/HEAP/Assurance 16		20B-2003	1,418,130
Low Income Energy Assistance - Weatherization		21B-5003	126,125
Low Income Energy Assistance - ECIP/HEAP/Assurance 16		21B-5003	27,373
COVID-19 Low Income Energy Assistance - CARES Weatherization		20U-2552	73,283
COVID-19 Low Income Energy Assistance - CARES ECIP/HEAP/Assurance 16		20U-2552	247,305
Low Income Energy Assistance - DAP		20D-1003	93,216
<b>Total CFDA #93.568</b>			<b>2,734,358</b>
<b>Total US Department of Health and Human Services</b>			<b>3,141,134</b>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed through United Way Worldwide</b>			
Emergency Food and Shelter Program - Butte	97.024	065400-003 Phase 36	20,000
COVID-19 Emergency Food and Shelter Program - Butte		065400-003 Phase 37 & CARES	40,000
Emergency Food and Shelter Program - Glenn		067600-011 Phase 36	2,287
COVID-19 Emergency Food and Shelter Program - Glenn		067600-011 Phase 37 & CARES	5,300
<b>Total CFDA #97.024</b>			<b>67,587</b>
<b>Total US Department of Homeland Security</b>			<b>67,587</b>
<b>Total Expenditures of Federal awards</b>			<b>\$ 5,611,280</b>

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

# Community Action Agency of Butte County, Inc.

## Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

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### **Note 1: General**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal grant activity of Community Action Agency of Butte County, Inc. under programs of the federal governments for the year ended December 31, 2020. The information in this schedule is presented in accordance with requirements of the 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 operations of Community Action Agency of Butte County, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Agency of Butte County, Inc..

### **Note 2: Basis of Accounting**

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. Pass-through entity identifying numbers are presented where available.

### **Note 3: Indirect Cost Rate**

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

### **Note 4: Sub-Recipients**

Community Action Agency of Butte County, Inc. does not have any sub-recipients of federal awards.

# Community Action Agency of Butte County, Inc. and Subsidiary

## Consolidating Schedule of Financial Position

December 31, 2020

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
<b>Current assets:</b>				
Cash and cash equivalents	\$ 796,755	\$ 198,563	\$ -	\$ 995,318
Grants receivable	1,399,921	-	-	1,399,921
Accounts receivable	11,531	6,778	-	18,309
Inventories and work in progress	1,124,245	-	-	1,124,245
Prepaid expenses	65,289	395	-	65,684
<b>Total current assets</b>	<b>3,397,741</b>	<b>205,736</b>	<b>-</b>	<b>3,603,477</b>
<b>Other assets:</b>				
Restricted Cash	29,104	432,490	-	461,594
Restricted reserve funds - USDA	27,811	-	-	27,811
Tax credit monitoring fees, net	-	12,664	-	12,664
Developer's fees receivable	361,154	-	(361,154)	-
Prepaid expenses	71,240	-	-	71,240
<b>Total other assets</b>	<b>489,309</b>	<b>445,154</b>	<b>(361,154)</b>	<b>573,309</b>
<b>Property and equipment, net</b>	<b>2,854,944</b>	<b>7,306,764</b>	<b>-</b>	<b>10,161,708</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,741,994</b>	<b>\$ 7,957,654</b>	<b>\$ (361,154)</b>	<b>\$ 14,338,494</b>
<b>Current liabilities:</b>				
Accounts payable	\$ 682,140	\$ 22,919	\$ -	\$ 705,059
Accrued payroll and related	133,711	3,754	-	137,465
Tenants' security deposits liability	-	52,359	-	52,359
Deposits and trust funds payable	44,481	-	-	44,481
Annual fee to limited partner	-	1,247	-	1,247
Commodities inventory - Advanced	239,737	-	-	239,737
Refundable advances	661,814	-	-	661,814
Accrued vacation	72,552	-	-	72,552
Current portion of long-term debt	17,966	35,037	-	53,003
<b>Total Current Liabilities</b>	<b>1,852,401</b>	<b>115,316</b>	<b>-</b>	<b>1,967,717</b>
<b>Long-term liabilities:</b>				
Long-term debt, net	183,629	7,144,300	-	7,327,929
Accrued interest	-	858,548	-	858,548
Developer's fees payable	-	361,154	(361,154)	-
<b>Total Long-term Liabilities</b>	<b>183,629</b>	<b>8,364,002</b>	<b>(361,154)</b>	<b>8,186,477</b>
<b>Total Liabilities</b>	<b>2,036,030</b>	<b>8,479,318</b>	<b>(361,154)</b>	<b>10,154,194</b>
<b>Net assets (deficit):</b>				
Without donor restrictions	1,715,442	(45)	-	1,715,397
Noncontrolling interest	-	(521,619)	-	(521,619)
<b>Without donor restrictions - board designated:</b>				
Restricted reserve funds	27,811	-	-	27,811
Prepaid lease costs	107,767	-	-	107,767
Property and equipment	2,854,944	-	-	2,854,944
<b>Total Net Assets</b>	<b>4,705,964</b>	<b>(521,664)</b>	<b>-</b>	<b>4,184,300</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,741,994</b>	<b>\$ 7,957,654</b>	<b>(\$ 361,154)</b>	<b>\$ 14,338,494</b>

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc. and Subsidiary

## Consolidating Schedule of Activities

Year Ended December 31, 2020

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Public support and revenue:				
Contracts and grants - Federal	\$ 4,519,733	\$ -	\$ -	\$ 4,519,733
Contracts and grants - Non-federal	958,147	-	-	958,147
Commodities - Federal	1,091,547	-	-	1,091,547
In-kind contributions	184,495	-	-	184,495
Donations	524,576	-	-	524,576
Other income	88,703	902	-	89,605
Rent, net of vacancy	329,479	437,283	-	766,762
<b>Total public support and revenue</b>	<b>7,696,680</b>	<b>438,185</b>	<b>-</b>	<b>8,134,865</b>
Operating expenses:				
Program expenses:				
Food and nutrition program	2,235,592	-	-	2,235,592
Community programs	675,755	-	-	675,755
Energy/weatherization	2,890,523	-	-	2,890,523
Esplanade house	710,403	-	-	710,403
Housing	-	597,904	-	597,904
<b>Total program expenses</b>	<b>6,512,273</b>	<b>597,904</b>	<b>-</b>	<b>7,110,177</b>
Management and general expense	678,001	106,725	-	784,726
<b>Total expenses</b>	<b>7,190,274</b>	<b>704,629</b>	<b>-</b>	<b>7,894,903</b>
Change in net assets	506,406	( 266,444)	-	239,962
Net assets - December 31, 2019	4,199,558	( 255,220)	-	3,944,338
<b>Net assets - December 31, 2020</b>	<b>\$ 4,705,964</b>	<b>(\$ 521,664)</b>	<b>\$ -</b>	<b>\$ 4,184,300</b>

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, 2020

	Previous Year's Expenditures	1/1/20 - 6/30/20	7/1/20 - 12/31/20	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 355,606	\$ 130,679	\$ 8,541	\$ 494,826		\$ 494,826
<b>Total revenue</b>	<b>\$ 355,606</b>	<b>\$ 130,679</b>	<b>\$ 8,541</b>	<b>\$ 494,826</b>		<b>\$ 494,826</b>
<b>EXPENDITURES</b>						
Administration	\$ 18,504	\$ 6,736	\$ -	25,240	\$ 25,240	\$ 26,645
Administrative equipment	-	-	-	-	-	-
Administrative out-of-state travel	3,079	-	-	3,079	3,079	1,674
Training and technical assistance	20,163	3,944	1	24,108	24,108	40,192
Training and technical assistance (out of state)	1,805	-	-	1,805	1,805	1,806
<b>Total administration costs</b>	<b>43,551</b>	<b>10,680</b>	<b>1</b>	<b>54,232</b>	<b>54,232</b>	<b>70,317</b>
<b>Program:</b>						
Assurance 16	-	-	-	-	-	-
Intake	14,996	-	-	14,996	14,996	15,000
Liability insurance	4,767	3,431	690	8,888	8,888	6,000
Outreach	9,522	2,750	28	12,300	12,300	9,000
Direct Program Sec #200	112,701	40,105	4,992	157,798	157,798	251,752
Automation supplemental	4,827	3,099	317	8,243	8,243	5,000
Other program costs	100,226	44,383	534	145,143	145,143	9,800
Client education	-	-	-	-	-	2,000
Health & Saefy Sec #165	42,696	13,858	1,517	58,071	58,071	101,457
General operating	18,075	11,161	462	29,698	29,633	22,000
Vehicle and equipment	4,245	1,212	-	5,457	5,457	2,500
Workers compensation	-	-	-	-	-	-
<b>Total program costs</b>	<b>312,055</b>	<b>119,999</b>	<b>8,540</b>	<b>440,594</b>	<b>440,529</b>	<b>424,509</b>
<b>Total costs</b>	<b>\$ 355,606</b>	<b>\$ 130,679</b>	<b>\$ 8,541</b>	<b>\$ 494,826</b>	<b>\$ 494,761</b>	<b>\$ 494,826</b>

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, 2020

	Previous Year's Expenditures	1/1/20 - 6/30/20	7/1/20 - 12/31/20	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 23,033	\$ 6,967	\$ -	\$ 30,000		\$ 30,000
<b>Total revenue</b>	<b>\$ 23,033</b>	<b>\$ 6,967</b>	<b>\$ -</b>	<b>\$ 30,000</b>		<b>\$ 30,000</b>
<b>EXPENDITURES</b>						
<b>Administration:</b>						
Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe	-	-	-	-	-	-
Operating expense	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
<b>Total administration costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Program:</b>						
Wages	18,482	6,172	-	24,654	24,654	23,395
Fringe	2,991	795	-	3,786	3,786	5,045
Operating expense	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-	-
Other costs	1,560	-	-	1,560	1,560	1,560
<b>Total program costs</b>	<b>23,033</b>	<b>6,967</b>	<b>-</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b>Total costs</b>	<b>\$ 23,033</b>	<b>\$ 6,967</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>

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, 2020

	Previous Year's Expenditures	1/1/20 - 6/30/20	7/1/20 - 12/31/20	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 1,535,673	\$ 91,669	\$ -	\$ 1,627,342		\$ 1,667,342
<b>Total revenue</b>	<b>\$ 1,535,673</b>	<b>\$ 91,669</b>	<b>\$ -</b>	<b>\$ 1,627,342</b>		<b>\$ 1,667,342</b>
<b>EXPENDITURES</b>						
Administration	\$ 56,231	\$ 7,590	\$ -	\$ 63,821	\$ 63,821	\$ 170,292
Assurance	86,198	7,412	-	93,610	\$ 93,610	170,292
<b>Total administrative costs</b>	<b>142,429</b>	<b>15,002</b>	<b>-</b>	<b>157,431</b>	<b>157,431</b>	<b>340,584</b>
<b>Program:</b>						
Intake	81,946	9,381	-	91,327	91,327	163,293
Outreach	30,191	1,273	-	31,464	31,464	102,058
Training & Technical Assistance	8,415	-	-	8,415	8,415	40,823
<b>Program service costs</b>	<b>1,272,692</b>	<b>66,013</b>	<b>-</b>	<b>1,338,705</b>	<b>1,338,705</b>	<b>980,584</b>
<b>Total program costs</b>	<b>1,393,244</b>	<b>76,667</b>	<b>-</b>	<b>1,469,911</b>	<b>1,469,911</b>	<b>1,286,758</b>
<b>Total costs</b>	<b>\$ 1,535,673</b>	<b>\$ 91,669</b>	<b>\$ -</b>	<b>\$ 1,627,342</b>	<b>\$ 1,627,342</b>	<b>\$ 1,627,342</b>

See Independent Auditor's Report.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 11, 2022. 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

## **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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002.

## **Community Action Agency of Butte County, Inc.'s Response to Findings**

Community Action Agency of Butte County, Inc.'s response to the findings 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 the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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  
Madison, Wisconsin

March 11, 2022

## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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 and Budget Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended December 31, 2020. 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 \$134,405 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, 2020.

### **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 program 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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Community Action Agency of Butte County, Inc.'s compliance.

### **Basis for Qualified Opinion on Food Distribution Cluster**

As described in the accompanying schedule of findings and questioned costs, Community Action Agency of Butte County, Inc. did not comply with requirements regarding Assistance Listing 10.568 Emergency Food Assistance Program as described in finding number 2020-001 for equipment and real property. Compliance with such requirements is necessary, in our opinion, for Community Action Agency of Butte County, Inc. to comply with the requirements applicable to that program.

### **Qualified Opinion on Food Distribution Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 programs for the year ended December 31, 2020.

### **Community Action Agency of Butte County, Inc.'s Response to Finding**

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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  
Madison, Wisconsin

March 11, 2022

# Community Action Agency of Butte County, Inc.

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

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### Section I - Summary of Auditor's Results

#### Consolidated Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

    Material weakness(es) identified?  yes     no

    Significant deficiency(ies) identified?  
    reported  yes     none

Noncompliance material to consolidated financial statements noted?  yes     no

#### Federal and State Awards

Internal control over major programs:

    Material weakness(es) identified?  yes     no

    Significant deficiency(ies) identified?  yes     none reported

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

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform Guidance [2 CFR 200.516(a)]?  yes     no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.568 & 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
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Auditee qualified as low-risk auditee? Yes



# Community Action Agency of Butte County, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2020

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### Section II - Financial Statement Findings

#### Finding 2020-001: Reporting of Property and Equipment

##### **Condition**

At the time of fieldwork, Community Action Agency of Butte County, Inc. (CAA Butte) had not reconciled the property and equipment accounts. It was noted through testing of repairs and maintenance expenses that there were vehicles purchased during the year. These vehicles were not properly capitalized in accordance with CAA Butte's capitalization policy. As a result, property records were not updated appropriately.

##### **Criteria**

Uniform Guidance 200.302(b)(4) states each non-federal entity must provide for *"effective control over, and accountability for, all funds, property, and other assets."*

Uniform Guidance 200.313(d)(1) states for each non-federal entity *"Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."*

##### **Cause**

CAA Butte did not perform appropriate year end processes and procedures to ensure all purchases and dispositions of property and equipment were included in year end reporting.

##### **Effect**

A material weakness in internal control over financial reporting exists due to failure to reconcile the property and equipment accounts, which led to a material adjusting entry being identified during the audit process.

##### **Recommendation**

We recommend CAA Butte implement systems and procedures to ensure the property and equipment records are reconciled timely and accurately.

##### **View of Responsible Officials**

We agree with the recommendation and have begun implementing additional procedures.

# Community Action Agency of Butte County, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2020

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### Section II - Financial Statement Findings (Continued)

#### Finding 2020-002: Account Reconciliations

##### **Condition**

At the time of fieldwork, CAA Butte had not reconciled and adjusted a number of accounts such as inventory, accrued vacation, grants receivable/revenue and refundable advances in preparation for the audit. The lack of timeliness had an impact on the year end close process and CAA Butte's ability to prepare the financial statements and schedule of expenditures of federal awards.

##### **Criteria**

Uniform Guidance 200.302(b)(4) states each non-federal entity must provide for *"effective control over, and accountability for, all funds, property, and other assets."*

##### **Cause**

CAA Butte did not perform appropriate year end processes and procedures to ensure all accounts were accurately reconciled in a timely manner.

##### **Effect**

A significant deficiency in internal control over financial reporting exists due to failure to completely reconcile accounts in a timely manner after year end.

##### **Recommendation**

We recommend CAA Butte implement systems and procedures to ensure accounts are reconciled timely and accurately.

##### **View of Responsible Officials**

We agree with the recommendation and have begun implementing additional procedures.

### Section III – Federal Award Findings and Questioned Costs

#### Finding 2020-001: Reporting of Property and Equipment

Audit finding 2020-001 also represents a material weakness in internal control over compliance and a material non-compliance for CAA Butte's major federal program.

Questioned Costs: None

<u>Grant</u>	<u>Funding Source</u>	<u>Grant Period</u>
<b>Department of Agriculture - CFDA #10.568</b>		
Emergency Food Assistance Program	California State Department of Social Services	10/01/2019 - 09/30/2020
Emergency Food Assistance Program	California State Department of Social Services	07/01/2020 - 11/30/2020

# Community Action Agency of Butte County, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2020

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### Section IV – Summary Schedule of Prior Year Findings

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

##### **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.

##### **Recommendation**

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

##### **Current Year Status**

Auditor did not observe similar discrepancies when observing physical inventory and reviewing monthly distributions of food commodities. The finding has been resolved in the current year.