

Community Action Agency of Butte County, Inc. and Subsidiary

Chico, California

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2021 and 2020



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

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Community Action Agency of Butte County, Inc.

Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Community Action Agency of Butte County, Inc., which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

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 subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of CAA North Point Chico, LP, a majority-owned subsidiary, which statements reflect total assets of \$7,776,437 and \$7,957,654 as of December 31, 2021 and 2020, respectively, and total revenues of \$473,513 and \$438,185, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Community Action Agency of Butte County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. 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*.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, there was a restatement to the consolidated financial statements for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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 of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Action Agency of Butte County, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that audits conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Action Agency of Butte County, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on 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 as required by the 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, 2020 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 September 13, 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 Community Action Agency of Butte County, Inc.'s internal control over financial reporting

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

Madison, Wisconsin
September 13, 2022

Community Action Agency of Butte County, Inc.

Consolidated Statements of Financial Position

December 31,	2021	2020 As Restated
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 615,766	\$ 980,243
Grants receivable, net	1,493,923	1,470,962
Accounts receivable	82,903	18,309
Inventories and work in progress	663,941	1,124,245
Prepaid expenses	59,899	65,684
Total current assets	2,916,432	3,659,443
Other assets:		
Restricted cash	506,964	476,669
Restricted reserve funds - USDA	27,817	27,811
Tax credit monitoring fees, net	10,985	12,664
Prepaid expenses	52,987	71,240
Total other assets	598,753	588,384
Property and equipment, net	9,823,618	10,196,708
TOTAL ASSETS	\$ 13,338,803	\$ 14,444,535
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 298,192	\$ 705,059
Accrued payroll and related	119,881	137,465
Tenant's security deposits liability	55,539	52,359
Deposits and trust funds payable	45,383	44,481
Annual fee to limited partner	-	1,247
Commodities inventory - Advanced	134,680	239,737
Refundable advances	69,171	661,814
Accrued vacation	83,965	72,552
Current portion of long-term debt	55,792	53,003
Total current liabilities	862,603	1,967,717
Long-term liabilities:		
Long-term debt, net	7,277,264	7,327,929
Accrued interest	963,394	858,548
Total long-term liabilities	8,240,658	8,186,477
Total Liabilities	9,103,261	10,154,194
Net assets (deficit):		
Without donor restrictions	2,122,170	1,821,438
Noncontrolling interest	(754,689)	(521,619)
Without donor restrictions - board designated:		
Restricted reserve funds	27,817	27,811
Prepaid lease costs	96,768	107,767
Property and equipment	2,743,476	2,854,944
Total net assets without donor restrictions	4,235,542	4,290,341
TOTAL LIABILITIES AND NET ASSETS	\$ 13,338,803	\$ 14,444,535

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Activities

Year Ended December 31,	2021	2020 As Restated
Public support and revenue:		
Contracts and grants	\$ 5,277,388	\$ 5,548,921
Commodities	1,099,540	1,091,547
In-kind contributions	263,949	184,495
Donations	813,545	524,576
Other income	113,700	89,605
Rent, net of vacancy	722,858	766,762
Gain from sale of assets	64,320	-
Total public support and revenue	8,355,300	8,205,906
Operating expenses:		
Program expenses:		
Food and nutrition program	1,775,228	2,200,592
Community programs	1,455,230	675,755
Energy/weatherization	3,059,313	2,890,523
Esplanade House	571,145	710,403
Housing	593,549	597,904
Total program expenses	7,454,465	7,075,177
Management and general expense	955,634	784,726
Total expenses	8,410,099	7,859,903
Change in net assets	(54,799)	346,003
Net assets without donor restrictions, beginning of year	4,290,341	3,944,338
Net assets without donor restrictions, end of year	\$ 4,235,542	\$ 4,290,341

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Functional Expenses

Year Ended December 31, 2021	Food and Nutrition	Community	Energy/ Weatherization	Esplanade House	Housing	Management and General	Totals
Expenses:							
Salary	\$ 91,294	\$ 352,707	\$ 681,150	\$ 227,495	\$ -	\$ 410,218	\$ 1,762,864
Payroll taxes and benefits	36,674	65,291	185,759	52,961	-	53,818	394,503
Professional and contract fees	18,566	720,956	21,399	41,064	25,400	96,057	923,442
Insurance and licensing	15,555	12,377	48,262	17,409	7,907	11,232	112,742
Occupancy	1,760	20,474	6,674	11,042	-	84,570	124,520
Consumable supplies	256,671	12,405	1,422,891	11,623	(4,082)	7,686	1,707,194
Tools and equipment	17,799	22,955	64,179	15,479	47,236	3,014	170,662
Training and travel related	568	21,521	15,071	1,718	-	1,770	40,648
Utilities and phone	24,320	17,700	83,438	111,381	51,924	4,273	293,036
Depreciation	5,951	583	11,583	8,562	241,068	185,632	453,379
Direct assistance to clients	1,099,540	146,677	462,299	-	-	-	1,708,516
Vehicle costs	55,075	2,220	47,217	8,639	-	73,994	187,145
Interest expense	-	-	-	-	192,480	10,137	202,617
Miscellaneous	1,807	2,505	9,391	6,330	31,616	13,233	64,882
Bad debt expense	-	-	-	-	-	-	-
In-kind expenses	149,648	56,859	-	57,442	-	-	263,949
Total expenses	\$ 1,775,228	\$ 1,455,230	\$ 3,059,313	\$ 571,145	\$ 593,549	\$ 955,634	\$ 8,410,099

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Functional Expenses (Continued)

Year Ended December 31, 2020 As Restated	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	458,370	11,370	1,110,524	16,742	-	10,041	1,607,047
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
Total expenses	\$ 2,200,592	\$ 675,755	\$ 2,890,523	\$ 710,403	\$ 597,904	\$ 784,726	\$ 7,859,903

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,	2021	2020 As Restated
Increase in cash, cash equivalents, and restricted cash:		
Cash flows from operating activities:		
Change in net assets	\$ (54,799)	\$ 346,003
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	453,379	408,377
Amortization of deferred financing costs	1,679	1,679
Amortization of debt issuance costs	6,044	6,044
Bad debt expense	-	1,081
Gain on sale of property and equipment	(64,320)	-
Changes in operating assets and liabilities		
Grants receivable	(22,961)	(661,874)
Accounts receivable	(64,594)	22,957
Inventories and work in progress	355,247	(351,207)
Prepaid expenses	24,038	24,771
Accounts payable	(406,867)	(20,698)
Accrued payroll and related	(14,404)	4,196
Deposits and trust funds payable	902	7,123
Annual fee to limited partner	(1,247)	1,247
Refundable advances	(592,643)	472,572
Accrued vacation	11,413	-
Accrued interest - first mortgage	(154)	(145)
Accrued interest - other loans	105,000	105,000
Net cash (used in) provided by operating activities	(264,287)	367,126
Cash flows from investing activities:		
Purchase of property and equipment	(80,289)	(299,523)
Proceeds from sale of property and equipment	64,320	-
Net cash used in investing activities	(15,969)	(299,523)
Cash flows from financing activities - Principal payments on long-term debt	(53,920)	(57,676)
Increase in cash, cash equivalents, and restricted cash	(334,176)	9,927
Cash, cash equivalents, and restricted cash at beginning	1,484,723	1,474,796
Cash, cash equivalents, and restricted cash at end	\$ 1,150,547	\$ 1,484,723
Supplemental schedule of noncash activities:		
Cash paid for interest	\$ 91,727	\$ 104,662
Change in food commodities	(105,057)	(22,180)
Reconciliation of cash and cash equivalents and restricted cash to consolidated statements of financial position:		
Cash and cash equivalents	\$ 615,766	\$ 980,243
Restricted cash	506,964	476,669
Restricted reserve funds - USDA	27,817	27,811
Total cash and cash equivalents and restricted cash	\$ 1,150,547	\$ 1,484,723

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 53% and 42% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization and Community programs during 2021 and 2020, 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

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 of America (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 consolidated statement of activities as net assets released from restrictions. The Organization does not have any net assets with donor restrictions at December 31, 2021 and 2020 .

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 consolidated statements 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 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. The Organization does not have any grant awards that are exchange transactions.

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. Nonprofessional in-kind of \$30,477 during 2021 and \$34,524 during 2020, 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. 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.

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.

Grants Receivable

Grants receivable consist primarily of reimbursements received as part of programs operated by the Organization. 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 writes off the receivable against the allowance when all collection efforts have been exhausted. There is an allowance of uncollectible accounts of \$44,375 at December 31, 2021 and 2020.

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, 2021 and 2020, 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.

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)

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.

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, 2021 and 2020, 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 \$2,317,700 and \$2,397,606 at December 31, 2021 and 2020, 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, 2021 and 2020.

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)

Restatement

During the year ended December 31, 2021, it was determined that there were misstatements related to the year ended December 31, 2020. As a result, there was an impact to the net assets on the consolidated statement of financial position. The effects of the restatement are summarized below:

	As Originally Reported	Effects of Restatement	As Reported
Consolidated Statement of Financial Position:			
Grants receivable, net	\$ 1,399,921	\$ 71,041	\$ 1,470,962
Property and equipment, net	10,161,708	35,000	10,196,708
Net assets without donor restrictions	1,715,397	106,041	1,821,438
Consolidated Statement of Activities			
Contracts and grants	5,477,880	71,041	5,548,921
Program expenses - food and nutrition program	2,235,592	(35,000)	2,200,592
Change in net assets	\$ 239,962	\$ 106,041	\$ 346,003

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. 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 for annual periods beginning after December 15, 2021. The Organization is currently evaluating the effects of this ASU.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958)*. The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual consolidated financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. The Organization is currently evaluating the effects of this ASU.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

CAA North Point Chico, LLC is organized as a limited liability company and is 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, 2021 and 2020, accumulated amortization was \$14,202 and \$12,523, respectively.

Amortization expense for the years ended December 31, 2021 and 2020 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. As of December 31, 2021 and 2020, debt issuance costs, net of accumulated amortization, was \$130,208 and \$136,252, respectively.

Amortization expense for the years ended December 31, 2021 and 2020 is \$6,044 each year.

Reclassification

Certain amounts as previously reported in the December 31, 2020, consolidated financial statements have been reclassified to conform to the December 31, 2021 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 September 13, 2022, which is the date the consolidated financial statements were available to be issued.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

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:

	2021	2020
Cash and cash equivalents	\$ 615,766	\$ 980,243
Grants receivable	1,493,923	1,470,962
Accounts receivable	82,903	18,309
Subtotal financial assets	2,192,592	2,469,514
Less: Accounts payable	(298,192)	(705,059)
Less: Accrued payroll and related	(119,881)	(137,465)
Less: Refundable advances	(69,171)	(661,814)
Less: Accrued vacation	(83,965)	(72,552)
Less: Prepaid lease costs - board designated net assets	(96,768)	(107,767)
Total	\$ 1,524,615	\$ 784,857

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 \$4,070,000 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:

	2021	2020
Security deposits - housing	\$ 55,539	\$ 52,359
Security deposits - esplanade house	26,101	33,772
Client funds	12,050	10,407
Health reserve	17,812	29,104
Replacement reserve	101,792	86,755
Operating reserve	293,670	293,376
Totals	\$ 506,964	\$ 476,669

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 included as a liability in the consolidated statements of financial position as deposits and trust funds payable. The Organization also maintains a health reserve to cover for self insured payments including dental and vision for employees.

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 \$27,817 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.

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 2021 and 2020 as North Point Chico LP has not had the cash flow to support payments. The annual asset management fee is \$5,000 and \$0 was accrued in annual fee to limited partner at December 31, 2021, and \$1,247 was accrued in 2020.

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:

	2021	2020
Federal programs	\$ 1,141,763	\$ 1,217,727
State and local programs	352,160	253,235
Totals	\$ 1,493,923	\$ 1,470,962

Note 7: Inventories and Work in Progress

Inventories consisted of the following at December 31:

	2021	2020
Food commodities	\$ 134,680	\$ 238,278
EES - Weatherization supplies and work in progress	529,261	885,967
Totals	\$ 663,941	\$ 1,124,245

Note 8: Property and Equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Land	\$ 1,204,156	\$ 1,204,156
Land improvements	700,135	700,135
Building and building improvements	11,661,073	11,596,073
Equipment	1,226,551	1,239,206
Vehicles	448,927	448,148
Subtotal	15,240,842	15,187,718
Less - Accumulated depreciation	5,417,224	4,991,010
Property and equipment, net	\$ 9,823,618	\$ 10,196,708

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, 2021 and 2020, was \$35,223 and \$60,541, respectively.

Future minimum lease payments, by year and in the aggregate, on leases having noncancelable terms beyond December 31, 2021, are as follows:

2022	\$	12,964
2023		12,964
2024		27,399
<hr/>		
Total	\$	53,327

Note 10: Notes Payable

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

	2021	2020
Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030.	\$ 182,864	\$ 201,595
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, 2021 and 2020, interest of \$9,000 was incurred and charged to operations. As of December 31, 2021 and 2020, the accrued interest is \$93,415 and \$84,415 respectively.	450,000	450,000
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, 2021 and 2020, accrued interest is \$6,715 and \$6,869, respectively.	\$ 1,530,400	\$ 1,565,589

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 10: Notes Payable (Continued)

	2021	2020
<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, 2021 and 2020, interest of \$96,000 was incurred and charged to operations. As of December 31, 2021 and 2020, the accrued interest is \$863,264 and \$767,264 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	7,463,264	7,517,184
Less - Debt issuance costs	130,208	136,252
Less - Current maturities	55,792	53,003
Total long-term portion	\$ 7,277,264	\$ 7,327,929

Scheduled principal payments on long-term debt at December 31, 2021, including current maturities, are summarized as follows:

2022	\$	55,792
2023		58,769
2024		61,903
2025		22,044
2026		23,201
Thereafter		7,241,555
Totals	\$	7,463,264

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.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 11: Commitments and Contingencies (Continued)

The following is a summary of contingent long-term debt at December 31, 2021:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 1,582,500
City of Chico Land (2)	395,250	546,845
Totals	\$ 2,195,250	\$ 2,129,345

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
Total	\$ 2,195,250	\$ 2,010,689

(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.

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.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 11: Commitments and Contingencies (Continued)

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.

The Organization had grant commitments under various grants of approximately \$4,070,000 as of December 31, 2021. 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, 2021 and 2020, were \$72,413 and \$78,871, 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, 2021 and 2020, \$38,400 and \$36,000 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.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

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:

	2021	2020
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	909,777	897,151
Vehicles	43,907	43,907
Subtotal	13,647,112	13,634,486
Accumulated depreciation	(4,579,528)	(4,159,435)
Investment in rental property, net	\$ 9,067,584	\$ 9,475,051

Rental income on the housing projects for the year ended December 31, 2021 and 2020 was \$467,526 and \$437,283, 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, 2021 and 2020 was \$255,332 and \$329,479, 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, 2021 and 2020 was \$1,155,229 and \$1,062,369, respectively. The Organization received distributions from the fund for the years ended December 31, 2021 and 2020 of \$46,506 and \$36,072, respectively.

Supplementary Information

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Passed through California State Department of Social Services				
Trade Mitigation	10.178	15-MOU-00108 20/21	\$ 0	\$ (6,475)
Total AL #10.178			0	(6,475)
Food Distribution Cluster				
Passed through California State Department of Social Services				
Emergency Food Assistance Program	10.568	15-MOU-00108 21/22	0	46,322
Emergency Food Assistance Program		15-MOU-00108 20/21	0	118,862
COVID-19 Emergency Food Assistance Program		15-MOU-00108 TEFAP CARES	0	23,149
Total AL #10.568			0	188,333
NON-MONETARY ASSISTANCE				
Passed through California State Department of Social Services				
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00108 20/21	0	729,449
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00108 21/22	0	370,091
Total AL #10.569			0	1,099,540
Total Food Distribution Cluster AL #10.568 and 10.569			0	1,287,873
Total US Department of Agriculture			0	1,281,398
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through the City of Chico				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	L-AGR-1-21-38 20/21	0	13,327
Total US Department of Housing and Urban Development			0	13,327
US DEPARTMENT OF ENERGY				
Passed through State of California Department of Community Service and Development				
Weatherization Assistance Program	81.042	20C-6002	0	136,434
Total US Department of Energy			0	136,434
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through State of California Department of Community Service and Development				
Low Income Energy Assistance - ECIP/HEAP/Assurance 16	93.568	20B-2003	0	242,223
COVID-19 Low Income Energy Assistance - CARES ECIP/HEAP/Assurance 16		20U-2552	0	110,840
COVID-19 Low Income Energy Assistance - CARES Weatherization 2020		20U-2552	0	2,718
Low Income Energy Assistance - ECIP/HEAP/Assurance 16 2021		21B-5003	0	1,339,333
Low Income Energy Assistance - Weatherization 2021		21B-5003	0	627,255
Low Income Energy Assistance - ECIP/HEAP/Assurance 16 2022		22B-4003	0	16,552
Low Income Energy Assistance - Weatherization 2022		22B-4003	0	94,388
COVID-19 Low Income Energy Assistance - ARPA LIHEAP 2021		21V-5552	0	431,257
Low Income Energy Assistance - DAP		20D-1003	0	13,452
Total AL #93.568			0	2,878,018
Passed through State of California Department of Community Service and Development				
Community Services Block Grant - 2020, Regular	93.569	20F-3005	0	36,010
Community Services Block Grant - 2020, Discretionary		20F-3005	0	30,034
COVID-19 Community Services Block Grant - CARES, Regular		20F-3644	0	194,230
COVID-19 Community Services Block Grant - CARES, Discretionary		20F-3644	0	35,403
Community Services Block Grant - DRSF		20F-3501	597,479	642,867
Community Services Block Grant - 2021, Regular		21F-4005	0	245,320
Community Services Block Grant - 2021, Discretionary		21F-4406	0	22,896
Total AL #93.569			597,479	1,206,760
Total US Department of Health and Human Services			597,479	4,084,778
Total Federal Expenditures			\$ 597,479	\$ 5,515,937

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, 2021

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Action Agency of Butte County, Inc. under programs of the federal government for the year ended December 31, 2021. 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.

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2021

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 406,160	\$ 209,606	\$ -	\$ 615,766
Grants receivable, net	1,493,923	-	-	1,493,923
Accounts receivable	58,606	24,297	-	82,903
Inventories and work in progress	663,941	-	-	663,941
Prepaid expenses	59,493	406	-	59,899
Total current assets	2,682,123	234,309	-	2,916,432
Other assets:				
Restricted cash	55,963	451,001	-	506,964
Restricted reserve funds - USDA	27,817	-	-	27,817
Tax credit monitoring fees, net	-	10,985	-	10,985
Developer's fees receivable	324,291	-	(324,291)	-
Prepaid expenses	52,987	-	-	52,987
Total other assets	461,058	461,986	(324,291)	598,753
Property and equipment, net	2,743,476	7,080,142	-	9,823,618
TOTAL ASSETS	\$ 5,886,657	\$ 7,776,437	\$ (324,291)	\$ 13,338,803
Current liabilities:				
Accounts payable	\$ 263,996	\$ 34,196	\$ -	\$ 298,192
Accrued payroll and related	116,299	3,582	-	119,881
Tenants' security deposits liability	-	55,539	-	55,539
Deposits and trust funds payable	45,383	-	-	45,383
Annual fee to limited partner	-	-	-	-
Commodities inventory - Advanced	134,680	-	-	134,680
Refundable advances	69,171	-	-	69,171
Accrued vacation	83,965	-	-	83,965
Current portion of long-term debt	18,871	36,921	-	55,792
Total Current Liabilities	732,365	130,238	-	862,603
Long-term liabilities:				
Long-term debt, net	163,993	7,113,271	-	7,277,264
Accrued interest	-	963,394	-	963,394
Developer's fees payable	-	324,291	(324,291)	-
Total Long-term Liabilities	163,993	8,400,956	(324,291)	8,240,658
Total Liabilities	896,358	8,531,194	(324,291)	9,103,261
Net assets (deficit):				
Without donor restrictions	2,122,238	(68)	-	2,122,170
Noncontrolling interest	-	(754,689)	-	(754,689)
Without donor restrictions - board designated:				
Restricted reserve funds	27,817	-	-	27,817
Prepaid lease costs	96,768	-	-	96,768
Property and equipment	2,743,476	-	-	2,743,476
Total Net Assets	4,990,299	(754,757)	-	4,235,542
TOTAL LIABILITIES AND NET ASSETS	\$ 5,886,657	\$ 7,776,437	(\$ 324,291)	\$ 13,338,803

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended December 31, 2021

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Public support and revenue:				
Contracts and grants	\$ 5,277,388	\$ -	\$ -	\$ 5,277,388
Commodities	1,099,540	-	-	1,099,540
In-kind contributions	263,949	-	-	263,949
Donations	813,545	-	-	813,545
Other income	108,044	5,656	-	113,700
Rent, net of vacancy	255,332	467,526	-	722,858
Gain from sale of assets	64,320	-	-	64,320
Total public support and revenue	7,882,118	473,182	-	8,355,300
Operating expenses:				
Program expenses:				
Food and nutrition program	1,775,228	-	-	1,775,228
Community programs	1,455,230	-	-	1,455,230
Energy/weatherization	3,059,313	-	-	3,059,313
Esplanade house	571,145	-	-	571,145
Housing	-	593,549	-	593,549
Total program expenses	6,860,916	593,549	-	7,454,465
Management and general expense	842,908	112,726	-	955,634
Total expenses	7,703,824	706,275	-	8,410,099
Change in net assets	178,294	(233,093)	-	(54,799)
Net assets - December 31, 2020, restated	4,812,005	(521,664)	-	4,290,341
Net assets - December 31, 2021	\$ 4,990,299	(\$ 754,757)	\$ -	\$ 4,235,542

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, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 1,453,296	\$ 242,223	\$ -	\$ 1,695,519	\$ 1,695,519	\$ 1,695,519
Total revenue	\$ 1,453,296	\$ 242,223	\$ -	\$ 1,695,519	\$ 1,695,519	\$ 1,695,519
EXPENDITURES						
Administration	\$ 69,456	\$ 3,431	\$ -	\$ 72,887	\$ 72,887	\$ 156,428
Assurance	66,707	11,874	-	78,581	78,581	156,428
Total administrative costs	136,163	15,305	-	151,468	151,468	312,856
Program:						
Intake	61,008	7,094	-	68,102	68,102	151,857
Outreach	24,445	3,326	-	27,771	27,771	94,910
Training & technical assistance	2,941	767	-	3,708	3,708	37,964
Program service costs	1,228,739	215,731	-	1,444,470	1,444,470	1,097,932
Total program costs	1,317,133	226,918	-	1,544,051	1,544,051	1,382,663
Total costs	\$ 1,453,296	\$ 242,223	\$ -	\$ 1,695,519	\$ 1,695,519	\$ 1,695,519

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20B-2003 - Wx

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 776,426	\$ -	\$ -	\$ 776,426	\$ 776,426	\$ 776,426
Total revenue	\$ 776,426	\$ -	\$ -	\$ 776,426	\$ 776,426	\$ 776,426
EXPENDITURES						
Intake	\$ 29,347	\$ -	\$ -	\$ 29,347	\$ 29,347	\$ 62,114
Outreach	35,919	-	-	35,919	35,919	38,821
Training and technical assistance	10,474	-	-	10,474	10,474	38,821
Total support costs	75,740	-	-	75,740	75,740	139,756
Program activities and program costs	700,686	-	-	700,686	700,686	636,670
Total costs	\$ 776,426	\$ -	\$ -	\$ 776,426	\$ 776,426	\$ 776,426

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20U-2552 - CARES EHA-16 (ECIP)

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 247,305	\$ 110,840	\$ -	\$ 358,145	\$ 358,145	\$ 359,232
Total revenue	\$ 247,305	\$ 110,840	\$ -	\$ 358,145	\$ 358,145	\$ 359,232
EXPENDITURES						
Administration	\$ 3,857	\$ 890	\$ -	\$ 4,747	\$ 4,747	\$ 38,976
Assurance	4,276	5,719	-	9,995	9,995	38,976
Total administration costs	8,133	6,609	-	14,742	14,742	77,952
Program:						
Intake	12,396	1,214	-	13,610	13,610	46,927
Outreach	8,498	1,116	-	9,614	9,614	29,329
Training & Technical Assistance	83	502	-	585	585	11,732
EHCS Costs	54,325	3,977	-	58,302	58,302	58,659
Business Continuation Plan Costs	126	7,607	-	7,733	7,733	39,919
Program Services and Program Costs	163,744	89,815	-	253,559	253,559	94,714
Total program costs	239,172	104,231	-	343,403	343,403	281,280
Total costs	\$ 247,305	\$ 110,840	\$ -	\$ 358,145	\$ 358,145	\$ 359,232

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20U-2552 - CARES Weatherization (85520)

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 73,282	\$ 2,718	\$ -	\$ 76,000	\$ 76,000	\$ 76,000
Total revenue	\$ -	\$ 2,718	\$ -	\$ 76,000	\$ 76,000	\$ 76,000
EXPENDITURES						
Intake	\$ 2,249	\$ -	\$ -	\$ 2,249	\$ 2,249	\$ 6,080
Outreach	1,162	28	-	1,190	1,190	3,800
Training	131	254	-	385	385	3,800
Total support costs	3,542	282	-	3,824	3,824	13,680
Program activities and program costs	69,740	2,436	-	72,176	72,176	62,320
Total costs	\$ 73,282	\$ 2,718	\$ -	\$ 76,000	\$ 76,000	\$ 76,000

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20D-1003 - DAP EHA

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 79,206	\$ 1,586	\$ 11,866	\$ 92,658	\$ 92,658	\$ 92,658
Total revenue	\$ 79,206	\$ 1,586	\$ 11,866	\$ 92,658	\$ 92,658	\$ 92,658
EXPENDITURES						
Assurance 16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,333
Administrative Costs	3,998	1,335	-	5,333	5,333	5,333
Total administration costs	3,998	1,335	-	5,333	5,333	10,666
Program:						
Intake	-	-	-	-		6,559
Outreach	50	7	-	57	57	4,100
Training & Technical Assistance	5	2	-	7	7	1,640
Program Services & Program Costs	75,153	242	11,866	87,261	87,261	69,693
Total program costs	75,208	251	11,866	87,325	87,325	81,992
Total costs	\$ 79,206	\$ 1,586	\$ 11,866	\$ 92,658	\$ 92,658	\$ 92,658

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20D-1003 - DAP Wx

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 14,009	\$ -	\$ -	\$ 14,009	\$ 14,009	\$ 14,010
Total revenue	\$ 14,009	\$ -	\$ -	\$ 14,009	\$ 14,009	\$ 14,010
EXPENDITURES						
Intake	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,121
Outreach	11	-	-	11	11	701
Training and technical assistance	-	-	-	-	-	701
Total support costs	11	-	-	11	11	2,523
Program activities and program costs	13,998	-	-	13,998	13,998	11,487
Total costs	\$ 14,009	\$ -	\$ -	\$ 14,009	\$ 14,009	\$ 14,010

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20F-3005 - CSBG

For the Period January 1 through December 31, 2021

	Previous Year	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 303,342	\$ 36,010	\$ -	\$ 339,352	\$ 339,352	\$ 372,452
Total revenue	\$ 303,342	\$ 36,010	\$ -	\$ 339,352	339,352	\$ 372,452
EXPENDITURES						
Administration:						
Wages	\$ 133,531	\$ -	\$ -	\$ 133,531	\$ 133,531	\$ 131,112
Fringe	23,647	4,350	-	27,997	27,997	26,747
Operating expense	21,179	174	-	21,353	21,353	42,700
Equipment	7,257	7	-	7,264	7,264	7,363
Out of state travel	1,159	-	-	1,159	1,159	9,000
Contract/Consultant services	52,653	4,000	-	56,653	56,653	52,314
Other costs	1,460	-	-	1,460	1,460	3,375
Total administration costs	240,886	8,531	-	249,417	249,417	272,611
Program:						
Wages	44,416	10,406	-	54,822	54,822	55,061
Fringe	7,473	3,764	-	11,237	11,237	11,232
Operating expense	3,357	13,280	-	16,637	16,637	15,307
Equipment	6,402	-	-	6,402	6,402	8,055
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-	-
Other costs	808	29	-	837	837	10,186
Total program costs	62,456	27,479	-	89,935	89,935	99,841
Total costs	\$ 303,342	\$ 36,010	\$ -	\$ 339,352	339,352	\$ 372,452

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20F-3005 - CSBG DISCRETIONARY

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 1,966	\$ 30,034	\$ -	\$ 32,000	\$ 32,000	\$ 32,000
Total revenue	\$ 1,966	\$ 30,034	\$ -	\$ 32,000	\$ 32,000	\$ 32,000
EXPENDITURES						
Administration:						
Wages	\$ -	\$ 1,727	\$ -	\$ 1,727	\$ 1,727	\$ 2,953
Fringe	-	212	-	212	212	558
Operating expense	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Contract/Consultant services	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total administration costs	-	1,939	-	1,939	1,939	3,511
Program:						
Wages	-	-	-	-	-	-
Fringe	-	-	-	-	-	-
Operating expense	1,966	28,095	-	30,061	30,061	28,489
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total program costs	1,966	28,095	-	30,061	30,061	28,489
Total costs	\$ 1,966	\$ 30,034	\$ -	\$ 32,000	\$ 32,000	\$ 32,000

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20F-3501 - CSBG DRSF

For the Period January 1 through December 31, 2021

	Previous Year's Expenditures	01/01/21 - 06/30/21	07/01/21 - 12/31/21	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 10,441	\$ 212,746	\$ 430,121	\$ 653,308	\$ 653,308	\$ 911,459
Total revenue	\$ 10,441	\$ 212,746	\$ 430,121	\$ 653,308	\$ 653,308	\$ 911,459
EXPENDITURES						
Administration:						
Wages	\$ 516	\$ 6,263	\$ 28,429	\$ 35,208	\$ 35,208	\$ 75,703
Fringe	194	1,222	4,021	5,437	5,437	15,443
Operating expense	197	807	2,688	3,692	3,692	9,115
Equipment	-	-	-	-	-	-
Out of state travel	-	-	-	-	-	-
Contract/Consultant services	-	-	-	-	-	-
Other costs	-	-	-	-	-	-
Total administration costs	907	8,292	35,138	44,337	44,337	100,261
Program:						
Wages	1,722	4,525	43,111	49,358	49,358	182,526
Fringe	260	759	7,993	9,012	9,012	37,235
Operating expense	413	15,956	15,222	31,591	31,591	39,770
Equipment	2,694	2,681	-	5,375	5,375	70,000
Out of state travel	-	-	-	-	-	-
Subcontractor/Consultant services	4,445	180,235	328,652	513,332	513,332	466,667
Other costs	-	298	5	303	303	15,000
Total program costs	9,534	204,454	394,983	608,971	608,971	811,198
Total costs	\$ 10,441	\$ 212,746	\$ 430,121	\$ 653,308	\$ 653,308	\$ 911,459

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, 2021, 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 September 13, 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*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-003 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

Community Action Agency of Butte County, Inc.'s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Community Action Agency of Butte County, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Community Action Agency of Butte County, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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
September 13, 2022

Independent Auditor's Report on Compliance for Each 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

Opinion on 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 each of Community Action Agency of Butte County, Inc.'s major federal programs for the year ended December 31, 2021. Community Action Agency of Butte County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Action Agency of Butte County, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Community Action Agency of Butte County, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Action Agency of Butte County, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Community Action Agency of Butte County, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Action Agency of Butte County, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Community Action Agency of Butte County, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Community Action Agency of Butte County, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002 and 2021-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Community Action Agency of Butte County, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Community Action Agency of Butte County, Inc.'s response was not subjected to the other 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
September 13, 2022

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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? yes none reported

Noncompliance material to consolidated financial statements noted? yes no

Federal 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 Unmodified

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>AL Number</u>	<u>Name of Federal Program or Cluster</u>
10.568 & 10.569	Food Distribution Cluster
93.568	Low-Income Home Energy Assistance Program
93.569	Community Services Block Grant

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? No

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section II - Financial Statement Findings

Finding 2021-001: Account Reconciliations

Condition

At the time of fieldwork, Community Action Agency of Butte County, Inc. 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 Community Action Agency of Butte County, Inc.'s ability to prepare the consolidated financial statements. This is a repeat of finding 2020-002.

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

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

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section II - Financial Statement Findings (continued)

Finding 2021-002: Fiscal Management of Subrecipient

Condition

Community Action Agency of Butte County, Inc. did not properly reconcile the program reports provided by the subrecipient to the actual award resulting in the CSBG grant being overspent. General funds were used to cover excess expenses.

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

Community Action Agency of Butte County, Inc. did not perform appropriate processes throughout the duration of the grant to ensure the subrecipient expenses were being tracked in accordance with the grant budget.

Effect

A significant deficiency in internal control over financial reporting exists due to failure to properly monitor subrecipient activities during the grant period.

Recommendation

We recommend Community Action Agency of Butte County, Inc. implement systems and procedures to ensure subrecipients are appropriately monitored.

View of Responsible Officials

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

Finding 2021-003: Restatement of Financial Information

Condition

During our audit, we noted that Community Action Agency of Butte County, Inc. did not reflect debt forgiveness related to an affordable housing program, which we deem to be material to the consolidated financial statements. This change only affected the notes to the consolidated financial statements, as Community Action Agency of Butte County, Inc. had previously recognized the forgiveness as revenue. Since the internal controls of Community Action Agency of Butte County, Inc. did not identify the forgiveness of the debt described above prior to the audit, a material weakness exists in the Organization's internal controls over this account class in accordance with accounting principles generally accepted in the United States.

In addition, there was a restatement to reflect a deposit made on an addition of property and equipment as well as a correction of grants receivable. Internal controls did not identify these adjustments during the preparation of the 2020 consolidated financial statements and is as a result are included in this material weakness.

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."*

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section II - Financial Statement Findings (continued)

Finding 2021-003: Restatement of Financial Information (continued)

Cause

The internal controls of Community Action Agency of Butte County, Inc. did not identify the adjustments described above prior to the audit.

Effect

As a result of the financial reporting matters identified in the condition paragraph, a material weakness exists in Community Action Agency of Butte County, Inc.'s internal control over financial reporting.

Recommendation

We recommend Community Action Agency of Butte County, Inc. implement procedures to provide sufficient internal control over subsidiary activities such that all necessary transactions are reflected in accordance with generally accepted accounting principles.

View of Responsible Officials

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

Finding 2021-004: Preparation of the Schedule of Expenditures of Federal Awards

Condition

During our audit, we noted inaccuracies in the preparation of the Schedule of Expenditures of Federal Awards that was provided. We identified grants that were not included in the schedule provided for the audit, resulting in adjustments to the schedule.

Criteria

Uniform Guidance (2 CFR Part 200, section 510) states *the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended.*

Cause

The internal controls of Community Action Agency of Butte County, Inc. did not identify all federal awards to be included in the Schedule of Expenditures of Federal Awards prior to the audit.

Effect

As a result of the financial reporting matters identified in the condition paragraph, a significant deficiency exists in Community Action Agency of Butte County, Inc.'s internal control over financial reporting.

Recommendation

We recommend Community Action Agency of Butte County, Inc. implement procedures to provide sufficient internal control over the preparation of the Schedule of Expenditures of Federal Awards.

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, 2021

Section III – Federal Award Findings and Questioned Costs

Finding 2021-002: Fiscal Monitoring of Subrecipient

Audit finding 2021-002 also represents a significant deficiency in internal control over compliance for Community Action Agency of Butte County, Inc.'s CSBG program.

Federal Grantor/Pass-Through Grantor	Grant Number	Grant Period
State of CA Department of CSD	20F-3501	01/01/20 - 09/30/21

Questioned Costs: None

How were questioned costs computed: Not applicable

Finding 2021-005: Tri-Partite Board Composition

Department of Health and Human Services AL # 93.569 Community Services Block Grant

Federal Grantor/Pass-Through Grantor	Grant Number	Grant Period
State of CA Department of CSD	20F-3005	01/01/20 - 05/31/21
State of CA Department of CSD	20F-3644	03/27/20 - 08/31/22
State of CA Department of CSD	20F-3501	01/01/20 - 09/30/21
State of CA Department of CSD	21F-4005	01/01/21 - 05/31/22
State of CA Department of CSD	21F-4406	07/01/21 - 05/31/22

Questioned Costs: None

How were questioned costs computed: Not applicable

Condition

At times during the year, less than 1/3 of the members of the board of directors of Community Action Agency of Butte County, Inc. were representative of the government sector in accordance with the CSBG program. There were also longstanding vacancies on the board of directors that contributed to Community Action Agency of Butte County, Inc. not meeting this requirement.

Criteria

The CSBG Act at 42 USC 9910(b), required that public organizations administer the CSBG program through a Tri-Partite board.

Cause

Community Action Agency of Butte County, Inc. had board vacancies during the year, causing it to not be in compliance with the tri-partite board requirement.

Effect

Due to the above noted conditions, Community Action Agency of Butte County, Inc. was not in compliance with this compliance requirement and a significant deficiency in internal control over compliance exists.

Recommendation

We recommend Community Action Agency of Butte County, Inc. establish procedures to ensure the composition of the members of its board of directors meet this requirement.

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2021-005: Tri-Partite Board Composition (Continued)

View of Responsible Officials

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

Section IV – Summary Schedule of Prior Year 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. 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.

Recommendation

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

Current Year Status

Auditor observed a similar instance regarding not appropriately capitalizing property and equipment. Included as part of finding 2021-003.

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.

Recommendation

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

Current Year Status

Auditor observed similar instances of not having timely reconciliations in the current year. As a result, this will be repeated as finding 2021-001.