

Community Action Agency of Butte County, Inc. and Subsidiary

Chico, California

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2022 and 2021



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

WIPFLI

Community Action Agency of Butte County, Inc.

Years Ended December 31, 2022 and 2021

Table of Contents

| | |
|---|----|
| Independent Auditor's Report..... | 1 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position..... | 4 |
| Consolidated Statements of Activities..... | 5 |
| Consolidated Statements of Functional Expenses..... | 6 |
| Consolidated Statements of Cash Flows..... | 8 |
| Notes to Consolidated Financial Statements..... | 9 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards..... | 26 |
| Notes to Schedule of Expenditures of Federal Awards..... | 27 |
| Consolidating Schedule of Financial Position..... | 28 |
| Consolidating Schedule of Activities..... | 29 |
| Supplemental Statements of Revenues and Expenditures..... | 30 |
| 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 <i>Government Auditing Standards</i> | 38 |
| Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance as Required by the Uniform Guidance..... | 40 |
| Schedule of Findings and Questioned Costs..... | 43 |

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. and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of and for the years ended December 31, 2022 and 2021, 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 other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Action Agency of Butte County, Inc. and Subsidiary as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

We did not audit the financial statements of CAA North Point Chico, LP, a majority-owned subsidiary, which represent 56% and 6%, respectively, of the assets and revenues of the Organization as of and for the year ended December 31, 2022 and 58% and 6%, respectively, of the assets and revenues as of and for the year ended December 31, 2021. 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, a majority-owned subsidiary, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 Community Action Agency of Butte County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Responsibility 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

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* (CFR) 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 basic 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with GAAS. 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, 2021 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 GAAS. 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 18, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Wipfli LLP

Madison, Wisconsin
September 18, 2023

Community Action Agency of Butte County, Inc.

Consolidated Statements of Financial Position

| December 31: | 2022 | 2021 |
|--|----------------------|----------------------|
| <i>Assets</i> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,274,570 | \$ 615,766 |
| Grants receivable, net | 956,609 | 1,493,923 |
| Accounts receivable | 11,389 | 82,903 |
| Inventories and work in progress | 823,154 | 663,941 |
| Prepaid expenses | 43,916 | 59,899 |
| Total current assets | 3,109,638 | 2,916,432 |
| Other assets: | | |
| Restricted cash | 486,955 | 506,964 |
| Restricted reserve funds - USDA | 87,820 | 27,817 |
| Tax credit monitoring fees, net | 9,306 | 10,985 |
| Operating lease - Right of use assets | 18,504 | - |
| Prepaid expenses | - | 52,987 |
| Total other assets | 602,585 | 598,753 |
| Property and equipment, net | 9,816,786 | 9,823,618 |
| TOTAL ASSETS | \$ 13,529,009 | \$ 13,338,803 |
| <i>Liabilities and Net Assets</i> | | |
| Current liabilities: | | |
| Accounts payable | \$ 542,770 | \$ 298,192 |
| Accrued payroll and related | 90,207 | 119,881 |
| Tenants' security deposits liability | 57,056 | 55,539 |
| Deposits and trust funds payable | 40,308 | 45,383 |
| Commodities inventory - Advanced | 223,767 | 134,680 |
| Refundable advances | 119,387 | 69,171 |
| Accrued vacation | 85,676 | 83,965 |
| Current portion of operating lease liabilities | 10,111 | - |
| Current portion of long-term debt | 58,769 | 55,792 |
| Total Current Liabilities | 1,228,051 | 862,603 |
| Long-term liabilities: | | |
| Long-term debt, net | 7,229,096 | 7,277,264 |
| Operating lease liabilities | 8,393 | - |
| Accrued interest | 1,068,233 | 963,394 |
| Total Long-term Liabilities | 8,305,722 | 8,240,658 |
| Total Liabilities | 9,533,773 | 9,103,261 |
| Net assets (deficit): | | |
| Without donor restrictions | 1,906,077 | 2,122,170 |
| Noncontrolling interest | (1,078,108) | (754,689) |
| Without donor restrictions - board designated: | | |
| Restricted reserve funds | 87,820 | 27,817 |
| Prepaid lease costs | - | 96,768 |
| Property and equipment | 2,956,885 | 2,743,476 |
| With donor restrictions | 122,562 | - |
| Total Net Assets | 3,995,236 | 4,235,542 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 13,529,009 | \$ 13,338,803 |

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Activities

| Years Ended December 31, | 2022 | | | 2021 | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|--|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | |
| Public support and revenue: | | | | | |
| Contracts and grants | \$ 5,038,539 | \$ - | \$ 5,038,539 | \$ 5,277,388 | |
| Commodities | 817,504 | - | 817,504 | 1,099,540 | |
| In-kind contributions | 265,248 | - | 265,248 | 263,949 | |
| Donations | 222,620 | 122,562 | 345,182 | 813,545 | |
| Other income | 70,308 | - | 70,308 | 113,700 | |
| Rent, net of vacancy | 723,931 | - | 723,931 | 722,858 | |
| Gain from sale of assets | 2,811 | - | 2,811 | 64,320 | |
| Total public support and revenue | 7,140,961 | 122,562 | 7,263,523 | 8,355,300 | |
| Operating expenses: | | | | | |
| Program expenses: | | | | | |
| Food and nutrition program | 1,830,271 | - | 1,830,271 | 1,775,228 | |
| Community programs | 718,800 | - | 718,800 | 1,455,230 | |
| Energy/weatherization | 2,506,122 | - | 2,506,122 | 3,059,313 | |
| Esplanade house | 606,241 | - | 606,241 | 571,145 | |
| Housing | 649,435 | - | 649,435 | 593,549 | |
| Total program expenses | 6,310,869 | - | 6,310,869 | 7,454,465 | |
| Management and general expense | 1,192,960 | - | 1,192,960 | 955,634 | |
| Total expenses | 7,503,829 | - | 7,503,829 | 8,410,099 | |
| Changes in net assets | (362,868) | 122,562 | (240,306) | (54,799) | |
| Net assets - Beginning of year | 4,235,542 | - | 4,235,542 | 4,290,341 | |
| Net assets - End of year | \$ 3,872,674 | \$ 122,562 | \$ 3,995,236 | \$ 4,235,542 | |

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Consolidated Statements of Functional Expenses

| Year Ended December 31, 2022 | Food and Nutrition | Community | Energy/ Weatherization | Esplanade House | Housing | Management and General | Totals |
|--------------------------------|-----------------------|-------------------|---------------------------|--------------------|-------------------|---------------------------|---------------------|
| Expenses: | | | | | | | |
| Salary | \$ 114,334 | \$ 298,607 | \$ 624,630 | \$ 266,293 | \$ - | \$ 489,708 | \$ 1,793,572 |
| Payroll taxes and benefits | 39,853 | 52,094 | 152,936 | 48,839 | - | 90,423 | 384,145 |
| Professional and contract fees | 30,627 | 191,690 | 27,079 | 9,745 | 39,600 | 117,951 | 416,692 |
| Insurance and licensing | 21,706 | 12,808 | 77,045 | 22,635 | 17,116 | 11,330 | 162,640 |
| Occupancy | 23,200 | 31,358 | 40,390 | 16,855 | - | 9,259 | 121,062 |
| Consumable supplies | 461,236 | 45,481 | 922,767 | 14,788 | - | 162,638 | 1,606,910 |
| Tools and equipment | 28,929 | 23,893 | 56,676 | 13,295 | 77,936 | 4,550 | 205,279 |
| Training and travel related | 1,798 | 23,643 | 14,370 | 2,213 | - | 2,948 | 44,972 |
| Utilities and phone | 26,842 | 6,797 | 84,406 | 107,388 | 57,697 | 27,100 | 310,230 |
| Depreciation | 5,539 | 336 | 9,582 | 6,553 | 248,506 | 189,907 | 460,423 |
| Direct assistance to clients | 817,504 | 25,219 | 445,216 | 164 | - | - | 1,288,103 |
| Vehicle costs | 85,163 | 1,323 | 43,176 | 8,074 | - | 98,245 | 235,981 |
| Interest expense | - | - | - | - | 201,852 | - | 201,852 |
| Miscellaneous | 520 | 290 | 7,849 | 2,432 | 6,728 | (11,099) | 6,720 |
| In-kind expenses | 173,020 | 5,261 | - | 86,967 | - | - | 265,248 |
| Total expenses | \$ 1,830,271 | \$ 718,800 | \$ 2,506,122 | \$ 606,241 | \$ 649,435 | \$ 1,192,960 | \$ 7,503,829 |

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc. Consolidated Statements of Functional Expenses (Continued)

| 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 |
| 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 Cash Flows

| Years Ended December 31, | 2022 | 2021 |
|---|---------------------|---------------------|
| Change in cash, cash equivalents and restricted cash: | | |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (240,306) | \$ (54,799) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 460,423 | 453,379 |
| Amortization | 1,679 | 1,679 |
| Amortization of debt issuance costs | 6,044 | 6,044 |
| Gain on sale of assets | (2,811) | (64,320) |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 555,220 | (22,961) |
| Accounts receivable | 71,514 | (64,594) |
| Inventories and work in progress | (70,126) | 355,247 |
| Prepaid expenses | 68,970 | 24,038 |
| Accounts payable | 244,578 | (406,867) |
| Accrued payroll and related | (28,157) | (14,404) |
| Deposits and trust funds payable | (5,075) | 902 |
| Annual fee payable to limited partner | - | (1,247) |
| Refundable advances | 32,310 | (592,643) |
| Accrued vacation | 1,711 | 11,413 |
| Accrued interest - first mortgage | (161) | (154) |
| Accrued interest - other loans | 105,000 | 105,000 |
| Total adjustments | 1,441,119 | (209,488) |
| Net cash from operating activities | 1,200,813 | (264,287) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (454,765) | (80,289) |
| Proceeds from sale of assets | 3,985 | 64,320 |
| Net cash from investing activities | (450,780) | (15,969) |
| Cash flows from financing activities - Payments on long-term debt | | |
| | (51,235) | (53,920) |
| Change in cash, cash equivalents, and restricted cash | 698,798 | (334,176) |
| Cash, cash equivalents, and restricted cash at beginning | 1,150,547 | 1,484,723 |
| Cash, cash equivalents, and restricted cash at end | \$ 1,849,345 | \$ 1,150,547 |
| Supplemental schedule of other cash activity: | | |
| Cash paid for interest | \$ 100,076 | \$ 91,727 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 13,010 | \$ - |
| Supplemental schedule of non-cash activity: | | |
| Change in food commodities | \$ 89,087 | \$ (105,057) |
| Reconciliation of cash, cash equivalents and restricted cash to consolidated statement of financial position | | |
| Cash and cash equivalents | \$ 1,274,570 | \$ 615,766 |
| Restricted cash | 486,955 | 506,964 |
| Restricted reserve funds - USDA | 87,820 | 27,817 |
| Total cash, cash equivalents and restricted cash | \$ 1,849,345 | \$ 1,150,547 |

See accompanying notes to consolidated financial statements.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Community Action Agency of Butte County, Inc. (the "Organization") is a nonprofit corporation dedicated to the promotion of self-sufficiency and the alleviation of poverty. The food and nutrition program offers surplus food distribution and other food bank and emergency services in a six-county region. The energy program provides home weatherization, housing rehabilitation, and utility assistance. The Agency operates a unique facility providing shelter and essential and outpatient services for homeless families seeking self-sufficiency. The Organization also participates in financial literacy education, low-income tax preparation assistance, homeless prevention services, and disaster recovery assistance. Approximately 47% and 53% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization and Community programs during 2022 and 2021, 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 the Partnership. 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 has net assets with donor restrictions at December 31, 2022 but did not at December 31, 2021. Net assets with donor restrictions are related to contributions received for the food and nutrition program.

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. Rental income is related to operating leases.

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. 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. 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 professional services in the consolidated statements of activities. Nonprofessional in-kind of \$15,552 during 2022 and \$30,477 during 2021, 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 \$0 and \$44,375 at December 31, 2022 and 2021, respectively.

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, 2022 and 2021, 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, 2022 and 2021, 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 \$2,522,141 and \$2,317,700 at December 31, 2022 and 2021, 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, 2022 and 2021.

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)

Change in Accounting Principles

The Organization adopted FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, as of January 1, 2022. The amendments in this update require entities to present contributed nonfinancial assets as a separate line item in the consolidated statements 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. ASU No. 2020-07 has been applied retrospectively to all periods presented. There was no change to reported net assets or the change in net assets for either year presented.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the consolidated statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted this guidance for the year December 31, 2022, with modified retrospective application to January 1, 2022, through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC Topic 840 for embedded leases under ASC Topic 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized the following right-of-use (ROU) assets and lease liabilities as of January 1, 2022:

| | |
|-------------------------------------|----------|
| ROU assets - Operating leases | \$31,234 |
| Lease obligation - Operating leases | \$31,234 |

This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on its operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating leases.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting

The Organization is a lessee in multiple noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election for all underlying classes of assets to not separate the lease components of a contract and its associated non-lease components.

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, 2022 and 2021, accumulated amortization was \$15,881 and \$14,202, respectively.

Amortization expense for the years ended December 31, 2022 and 2021 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. The Organization is amortizing these fees into interest expense using the straight-line method, which approximates the effective interest method. As of December 31, 2022 and 2021, debt issuance costs, net of accumulated amortization, was \$124,164 and 130,208, respectively.

Amortization expense for the years ended December 31, 2022 and 2021 is \$6,044 each year.

Subsequent Events

Subsequent events have been evaluated through September 18, 2023, 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:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,274,570 | \$ 615,766 |
| Grants receivable | 956,609 | 1,493,923 |
| Accounts receivable | 11,389 | 82,903 |
| Subtotal financial assets | 2,242,568 | 2,192,592 |
| Less: Accounts payable | (542,770) | (298,192) |
| Less: Accrued payroll and related | (90,207) | (119,881) |
| Less: Refundable advances | (119,387) | (69,171) |
| Less: Accrued vacation | (85,676) | (83,965) |
| Less: Prepaid lease costs - board designated net assets | - | (96,768) |
| Less: Net assets with donor restrictions | (122,562) | - |
| Totals | \$ 1,281,966 | \$ 1,524,615 |

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 \$4,670,000 as further described in Note 12. In addition, the Organization has available a line of credit further described in Note 16.

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:

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| Security deposits - housing | \$ 57,056 | \$ 55,539 |
| Security deposits - esplanade house | 35,596 | 26,101 |
| Client funds | 15,891 | 12,050 |
| Health reserve | 15,842 | 17,812 |
| Replacement reserve | 68,607 | 101,792 |
| Operating reserve | 293,963 | 293,670 |
| Totals | \$ 486,955 | \$ 506,964 |

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 2022 and 2021 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, 2022 and 2021, respectively.

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:

| | 2022 | 2021 |
|--|-------------------|---------------------|
| Federal programs | \$ 669,701 | \$ 1,141,763 |
| State and local programs, net of allowance | 286,908 | 352,160 |
| Totals | \$ 956,609 | \$ 1,493,923 |

Note 7: Inventories and Work in Progress

Inventories consisted of the following at December 31:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Food commodities | \$ 223,767 | \$ 134,680 |
| EES - Weatherization supplies and work in progress | 599,387 | 529,261 |
| Totals | \$ 823,154 | \$ 663,941 |

Note 8: Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2022 | 2021 |
|------------------------------------|---------------------|---------------------|
| Land | \$ 1,456,701 | \$ 1,204,156 |
| Land improvements | 700,135 | 700,135 |
| Building and building improvements | 11,661,073 | 11,661,073 |
| Equipment | 1,375,379 | 1,226,551 |
| Vehicles | 392,798 | 448,927 |
| Construction in progress | 14,745 | - |
| Subtotal | 15,600,831 | 15,240,842 |
| Less - Accumulated depreciation | 5,784,045 | 5,417,224 |
| Property and equipment, net | \$ 9,816,786 | \$ 9,823,618 |

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 9: Leases

The Organization leases various office equipment and vehicles. The majority of leases entered into include one or more options to renew. The renewal terms allow the option to continue month to month for an unlimited period of time. The exercise of lease renewal options is at the Organization's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for many of the Organization's leases, variable payments. The Organization's leases require it to make variable payments for the Organization's maintenance on the office equipment or of the vehicles. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Components of lease expense were as follows for the year ended December 31, 2022:

| | | |
|--|----|--------|
| Lease cost | | |
| Operating lease cost | \$ | 13,010 |
| <hr/> | | |
| Total lease cost | \$ | 13,010 |
| <hr/> | | |
| Weighted-average remaining lease term - Operating leases | | 2.88 |
| Weighted-average discount rate - Operating leases | | 1.91 % |

Maturities of lease liabilities are as follows as of December 31, 2022:

| | | |
|-----------------------|----|--------|
| 2023 | \$ | 10,111 |
| 2024 | | 2,728 |
| 2025 | | 2,728 |
| 2026 | | 2,728 |
| 2027 | | 890 |
| <hr/> | | |
| Total lease payments | | 19,185 |
| Less imputed interest | | (681) |
| <hr/> | | |
| Total | \$ | 18,504 |
| <hr/> | | |

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 10: Operating Leases Under ASC 840

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 year ended December 31, 2021, was \$35,223.

Future minimum lease payments, by year and in the aggregate, on leases having noncancelable terms beyond December 31, 2021 (before implementation of ASC 842), are as follows:

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

Note 11: Long Term Debt

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

| | 2022 | 2021 |
|---|------------|------------|
| <hr/> | | |
| Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030. | \$ 164,000 | \$ 182,864 |
| 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, 2022 and 2021, interest of \$9,000 was incurred and charged to operations. As of December 31, 2022 and 2021, the accrued interest is \$102,415 and \$93,415 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, 2022 and 2021, accrued interest is \$6,554 and \$6,715, respectively. | 1,498,029 | 1,530,400 |

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 11: Long Term Debt (Continued)

| | 2022 | 2021 |
|---|--------------|--------------|
| <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, 2022 and 2021, the accrued interest is \$959,264 and \$863,264 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 | 7,412,029 | 7,463,264 |
| Less - Debt issuance costs | 124,164 | 130,208 |
| Less - Current maturities | 58,769 | 55,792 |
| Total long-term portion | \$ 7,229,096 | \$ 7,277,264 |

Scheduled principal payments on long-term debt at December 31, 2022, including current maturities, are summarized as follows:

| | | |
|------------|----|--------------|
| 2023 | \$ | 58,769 |
| 2024 | | 61,903 |
| 2025 | | 65,248 |
| 2026 | | 68,729 |
| 2027 | | 72,395 |
| Thereafter | | 7,084,985 |
| Totals | | \$ 7,412,029 |

Note 12: 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 consolidated financial position of the Organization.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 12: Commitments and Contingencies (Continued)

The following is a summary of contingent long-term debt at December 31, 2022:

| | Principal Balance | Accrued Interest |
|-----------------------------|----------------------|---------------------|
| City of Chico Agreement (1) | \$ 1,800,000 | \$ 1,672,500 |
| City of Chico Land (2) | 395,250 | 575,500 |
| Totals | \$ 2,195,250 | \$ 2,248,000 |

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 |
| Total | \$ 2,195,250 | \$ 2,129,345 |

(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 12: 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 \$4,670,000 as of December 31, 2022. These commitments are not recognized in the accompanying consolidated financial statements as they are conditional awards.

Note 13: Retirement Plan

The Organization has established a tax deferred pension plan pursuant to Section 403(B) of the Internal Revenue Code. Annual contributions by the Organization are equal up to 6.25% of each eligible employee's salary. Employees who have been employed by the Organization and worked over 1,000 hours during one year are eligible. The Organization's contribution to the plan during the year ended December 31, 2022 and 2021, were \$73,422 and \$72,413, respectively.

Note 14: 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, 2022 and 2021, \$39,600 and \$38,400 was incurred and paid, respectively.

Note 15: Economic Concentration

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

Note 16: Line of Credit

The Organization maintains a line of credit with Mechanics Bank in the amount of \$500,000 with interest at the index rate. The effective rate at December 31, 2022, was 7.50%. There was no balance in the line of credit at December 31, 2022. The line of credit matures September 22, 2023. The line of credit is collateralized by all assets of the Organization.

Community Action Agency of Butte County, Inc.

Notes to Consolidated Financial Statements

Note 17: 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:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| 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 | 956,546 | 909,777 |
| Vehicles | 18,672 | 43,907 |
| Subtotal | 13,668,646 | 13,647,112 |
| Accumulated depreciation | (4,892,490) | (4,579,528) |
| Investment in rental property, net | \$ 8,776,156 | \$ 9,067,584 |

Rental income on the housing projects for the years ended December 31, 2022 and 2021 was \$478,488 and \$467,526, which was net of vacancies and concessions of \$18,621 and \$3,900, respectively.

Rental income from Esplanade House for the years ended December 31, 2022 and 2021 was \$245,443 and \$255,332, respectively.

Note 18: Community Foundation

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, 2022 and 2021 was \$928,282 and \$1,155,229, respectively. The Organization received distributions from the fund for the years ended December 31, 2022 and 2021 of \$37,950 and \$46,506, respectively.

Note 19: Contributed Nonfinancial Assets

Contributed nonfinancial assets at December 31, 2022 and 2021 consisted of \$265,248 and \$263,949, respectively. The Organization recognizes contributed nonfinancial assets within public support and revenue, including professional volunteer time and services. Unless otherwise noted, contributed nonfinancial assets did not have donor imposed restrictions. Volunteer time and services furnished by professional and technical personnel, consultants, and other skilled labor will be included in in-kind if the services are an integral and necessary part of the program. Volunteer services will be valued at rates consistent with those paid for similar work in the Organization. For skills not found in the Organization, rates will be consistent with those paid for similar work in the Organization's labor market.

Supplementary Information

Community Action Agency of Butte County, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

| Federal Grantor / Pass-Through Grantor / Program or Cluster Title | AL Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|-----------|--|----------------------|
| Food Distribution Cluster | | | |
| Passed through California State Department of Social Services | | | |
| Emergency Food Assistance Program 2021-2022 and BBBI 2022 | 10.568 | 15-MOU-00108 21/22 | \$ 343,452 |
| Emergency Food Assistance Program 2022-2023 | | 15-MOU-00108 22/23 | 78,643 |
| Total AL #10.568 | | | 422,095 |
| NON-MONETARY ASSISTANCE | | | |
| Passed through California State Department of Social Services | | | |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | 15-MOU-00108 21/22 | 601,848 |
| Emergency Food Assistance Program (Food Commodities) | 10.569 | 15-MOU-00108 22/23 | 215,656 |
| Total AL #10.569 | | | 817,504 |
| Total Food Distribution Cluster AL #10.568 and 10.569 | | | 1,239,599 |
| Direct Funding | | | |
| Community Facilities Loans and Grants Cluster | | | |
| USDA | 10.766 | N/A | 182,641 |
| Total Federal Expenditures Community Facilities Loans and Grants Cluster AL #10.766 | | | 182,641 |
| Total US Department of Agriculture | | | 1,422,240 |
| DEPARTMENT OF ENERGY | | | |
| Passed through State of California Department of Community Service and Development | | | |
| Weatherization (DOE 2020 - 2022) | 81.042 | 20C-6002 | 89,471 |
| Weatherization (DOE 2022 - 2023) | | 22C-6001 | 31,782 |
| Total US Department of Energy | | | 121,253 |
| Department of Health and Human Services | | | |
| Passed Through the State of California Department of Community Services & Development | | | |
| Low Income Energy Assistance- WX | 93.568 | 22B-4003 | 511,874 |
| Low Income Energy Assistance- EHA | | 22B-4003 | 1,249,843 |
| Low Income Energy Assistance- EHA | | 23B-5003 | 101,363 |
| Low Income Energy Assistance- WX | | 23B-5003 | 20,852 |
| Low Income Energy Assistance- EHA | | 21B-5003 | 116,811 |
| Supplemental Low Income Energy Assistance | | 22Q-4552 | 14,545 |
| COVID-19 Low Income Energy Assistance- ARPA EHA | | 21V-5552 | 502,051 |
| Low Income Water Assistance - LIHWAP | | 21Z-9551 | 13,853 |
| Total AL #93.568 | | | 2,531,192 |
| Passed Through the State of California Department of Community Services & Development | | | |
| Community Services Block Grant (CSBG) 2021 | 93.569 | 21F-4005 | 129,658 |
| Community Services Block Grant (CSBG) 2022 | | 22F-5005 | 379,941 |
| Community Services Block Grant (CSBG) Discretionary 2022 | | 22F-5005 | 3,422 |
| COVID-19 Community Services Block Grant (CSBG) CARES | | 20F-3644 | 227,447 |
| COVID-19 Community Services Block Grant (CSBG) CARES Discretionary | | 20F-3644 | 4,967 |
| Community Services Block Grant (CSBG) Discretionary 2021 | | 21F-4406 | 5,354 |
| Total CSBG AL #93.569 | | | 750,789 |
| Total US Department of Health and Human Services | | | 3,281,981 |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through United Way Worldwide | | | |
| Emergency Food and Shelter Program | 97.024 | 065400-003 Phase 37 & CARES | 15,620 |
| Total US Department of Health and Homeland Security | | | 15,620 |
| Total Federal Expenditures | | | \$ 4,841,094 |

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, 2022

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, 2022. 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 consolidated financial position, changes in net assets or cash flows of Community Action Agency of Butte County, Inc.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

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

Note 4: Subrecipients

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

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidating Schedule of Financial Position

December 31, 2022

| | Community Action Agency of Butte County, Inc. | CAA North Point Chico | Eliminations | Consolidated |
|--|---|--------------------------|---------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,132,043 | \$ 142,527 | \$ - | \$ 1,274,570 |
| Grants receivable, net | 956,609 | - | - | 956,609 |
| Accounts receivable | 1,504 | 9,885 | - | 11,389 |
| Inventories and work in progress | 823,154 | - | - | 823,154 |
| Prepaid expenses | 42,440 | 1,476 | - | 43,916 |
| Total current assets | 2,955,750 | 153,888 | - | 3,109,638 |
| Other assets: | | | | |
| Restricted cash | 67,329 | 419,626 | - | 486,955 |
| Restricted reserve funds - USDA | 87,820 | - | - | 87,820 |
| Tax credit monitoring fees, net | - | 9,306 | - | 9,306 |
| Developer's fees receivable | 269,506 | - | (269,506) | - |
| Operating lease - Right of use assets | 18,504 | - | - | 18,504 |
| Total other assets | 443,159 | 428,932 | (269,506) | 602,585 |
| Property and equipment, net | 2,938,381 | 6,878,405 | - | 9,816,786 |
| TOTAL ASSETS | \$ 6,337,290 | \$ 7,461,225 | \$ (269,506) | \$ 13,529,009 |
| Current liabilities: | | | | |
| Accounts payable | \$ 524,854 | \$ 17,916 | \$ - | \$ 542,770 |
| Accrued payroll and related | 87,350 | 2,857 | - | 90,207 |
| Tenants' security deposits liability | - | 57,056 | - | 57,056 |
| Deposits and trust funds payable | 40,308 | - | - | 40,308 |
| Commodities inventory - Advanced | 223,767 | - | - | 223,767 |
| Refundable advances | 119,387 | - | - | 119,387 |
| Accrued vacation | 85,676 | - | - | 85,676 |
| Current portion of operating lease liabilities | 10,111 | - | - | 10,111 |
| Current portion of long-term debt | 19,862 | 38,907 | - | 58,769 |
| Total Current Liabilities | 1,111,315 | 116,736 | - | 1,228,051 |
| Long-term liabilities: | | | | |
| Long-term debt, net | 144,138 | 7,084,958 | - | 7,229,096 |
| Operating lease liabilities | 8,393 | - | - | 8,393 |
| Accrued interest | - | 1,068,233 | - | 1,068,233 |
| Developer's fees payable | - | 269,506 | (269,506) | - |
| Total Long-term Liabilities | 152,531 | 8,422,697 | (269,506) | 8,305,722 |
| Total Liabilities | 1,263,846 | 8,539,433 | (269,506) | 9,533,773 |
| Net assets (deficit): | | | | |
| Without donor restrictions | 1,906,177 | (100) | - | 1,906,077 |
| Noncontrolling interest | - | (1,078,108) | - | (1,078,108) |
| Without donor restrictions - board designated: | | | | |
| Restricted reserve funds | 87,820 | - | - | 87,820 |
| Property and equipment | 2,956,885 | - | - | 2,956,885 |
| With donor restrictions | 122,562 | - | - | 122,562 |
| Total Net Assets (Deficit) | 5,073,444 | (1,078,208) | - | 3,995,236 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,337,290 | \$ 7,461,225 | (\$ 269,506) | \$ 13,529,009 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc. and Subsidiary

Consolidating Schedule of Activities

Year Ended December 31, 2022

| | Community Action Agency of Butte County, Inc. | CAA North Point Chico | Eliminations | Consolidated |
|---|---|--------------------------|--------------|---------------------|
| Public support and revenue: | | | | |
| Contracts and grants | \$ 5,038,539 | \$ - | \$ - | \$ 5,038,539 |
| Commodities | 817,504 | - | - | 817,504 |
| In-kind contributions | 265,248 | - | - | 265,248 |
| Donations | 345,182 | - | - | 345,182 |
| Other income | 47,445 | 22,863 | - | 70,308 |
| Rent, net of vacancy | 245,443 | 478,488 | - | 723,931 |
| Gain from sale of assets | 2,811 | - | - | 2,811 |
| Total public support and revenue | 6,762,172 | 501,351 | - | 7,263,523 |
| Operating expenses: | | | | |
| Program expenses: | | | | |
| Food and nutrition program | 1,830,271 | - | - | 1,830,271 |
| Community programs | 718,800 | - | - | 718,800 |
| Energy/weatherization | 2,506,122 | - | - | 2,506,122 |
| Esplanade house | 606,241 | - | - | 606,241 |
| Housing | - | 649,435 | - | 649,435 |
| Total program expenses | 5,661,434 | 649,435 | - | 6,310,869 |
| Management and general expense | 1,017,593 | 175,367 | - | 1,192,960 |
| Total expenses | 6,679,027 | 824,802 | - | 7,503,829 |
| Change in net assets | 83,145 | (323,451) | - | (240,306) |
| Net assets (deficit) - December 31, 2021 | 4,990,299 | (754,757) | - | 4,235,542 |
| Net assets (deficit) - December 31, 2022 | \$ 5,073,444 | (\$ 1,078,208) | \$ - | \$ 3,995,236 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20C-6002 - DOE

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|--|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 286,812 | \$ 89,471 | \$ - | \$ 376,283 | | \$ 580,438 |
| Total revenue | \$ 286,812 | \$ 89,471 | \$ - | \$ 376,283 | | \$ 580,438 |
| EXPENDITURES | | | | | | |
| Administration | \$ 24,550 | \$ 5,965 | \$ - | \$ 30,515 | \$ 30,515 | \$ 42,099 |
| Training and technical assistance | 22,404 | 8,150 | - | 30,554 | 30,555 | 38,348 |
| Training and technical assistance (out of state) | - | - | - | - | - | 10,000 |
| Total administration costs | 46,954 | 14,115 | - | 61,069 | 61,070 | 90,447 |
| Program: | | | | | | |
| Intake | 14,950 | - | - | 14,950 | 14,950 | 23,150 |
| Liability insurance | 4,493 | 5,136 | - | 9,629 | 9,629 | 10,803 |
| Outreach | 13,327 | - | - | 13,327 | 13,327 | 23,150 |
| Direct Program Sec #200 | 72,000 | 36,374 | - | 108,374 | 108,373 | 150,963 |
| Automation supplemental | 3,501 | - | - | 3,501 | 3,502 | 5,000 |
| Other program costs | 80,806 | - | - | 80,806 | 80,806 | 103,757 |
| Health & Safety Sec #165 | 30,256 | 33,846 | - | 64,102 | 64,101 | 116,167 |
| General operating | 19,565 | - | - | 19,565 | 19,565 | 36,284 |
| Vehicle and equipment | 960 | - | - | 960 | 960 | 20,717 |
| Total program costs | 239,858 | 75,356 | - | 315,214 | 315,213 | 489,991 |
| Total costs | \$ 286,812 | \$ 89,471 | \$ - | \$ 376,283 | \$ 376,283 | \$ 580,438 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #21B-5003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|-----------------------------------|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 1,366,706 | \$ 116,811 | \$ - | \$ 1,483,517 | | \$ 1,483,517 |
| Total revenue | \$ 1,366,706 | \$ 116,811 | \$ - | \$ 1,483,517 | | \$ 1,483,517 |
| EXPENDITURES | | | | | | |
| Assurance | \$ 720 | \$ 1,281 | \$ - | \$ 2,001 | \$ 2,001 | \$ 151,617 |
| Administration | 23,009 | 444 | - | 23,453 | 23,453 | 151,617 |
| Total administrative costs | 23,729 | 1,725 | - | 25,454 | 25,454 | 303,234 |
| Program: | | | | - | | |
| Intake | 24,377 | 8,496 | - | 32,873 | 31,057 | 145,266 |
| Outreach | 14,666 | 14,368 | - | 29,034 | 30,764 | 90,791 |
| Training & Technical Assistance | 4,935 | 1,266 | - | 6,201 | 6,287 | 36,316 |
| Program service costs | 1,298,999 | 90,956 | - | 1,389,955 | 1,389,955 | 907,910 |
| Total program costs | 1,342,977 | 115,086 | - | 1,458,063 | 1,458,063 | 1,180,283 |
| Total costs | \$ 1,366,706 | \$ 116,811 | \$ - | \$ 1,483,517 | \$ 1,483,517 | \$ 1,483,517 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #21B-5003 - Weatherization

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|---------------------------------|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 753,380 | \$ - | \$ - | \$ 753,380 | | \$ 753,380 |
| Total revenue | \$ 753,380 | \$ - | \$ - | \$ 753,380 | | \$ 753,380 |
| EXPENDITURES | | | | | | |
| Program: | | | | | | |
| Intake | 28,196 | - | - | 28,196 | 28,196 | 60,270 |
| Outreach | 22,191 | - | - | 22,191 | 22,191 | 37,669 |
| Training & Technical Assistance | 8,911 | - | - | 8,911 | 8,911 | 37,669 |
| Program service costs | 694,082 | - | - | 694,082 | 694,082 | 617,772 |
| Total program costs | 753,380 | - | - | 753,380 | 753,380 | 753,380 |
| Total costs | \$ 753,380 | \$ - | \$ - | \$ 753,380 | \$ 753,380 | \$ 753,380 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #21F-4005 - CSBG

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|-----------------------------------|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 245,320 | \$ 129,658 | \$ - | \$ 374,978 | | \$ 374,978 |
| Total revenue | \$ 245,320 | \$ 129,658 | \$ - | \$ 374,978 | | \$ 374,978 |
| EXPENDITURES | | | | | | |
| Administration: | | | | | | |
| Wages | \$ 84,543 | \$ 34,496 | \$ - | \$ 119,039 | \$ 119,039 | \$ 108,217 |
| Fringe | 7,965 | 13,514 | - | 21,479 | 21,479 | 31,257 |
| Operating expense | 373 | 8,801 | - | 9,174 | 9,174 | 15,000 |
| Equipment | 597 | 3,411 | - | 4,008 | 4,008 | 6,036 |
| Out of state travel | 12,000 | - | - | 12,000 | 12,000 | 12,000 |
| Contract/Consultant services | 75,834 | 15,443 | - | 91,277 | 91,277 | 85,000 |
| Other costs | 1,460 | 5,972 | - | 7,432 | 7,432 | 7,000 |
| Total administration costs | 182,772 | 81,637 | - | 264,409 | 264,409 | 264,510 |
| Program: | | | | | | |
| Wages | 44,429 | 24,835 | - | 69,264 | 69,264 | 62,967 |
| Fringe | 5,110 | 5,625 | - | 10,735 | 10,735 | 12,846 |
| Operating expense | 10,732 | 13,182 | - | 23,914 | 23,914 | 21,740 |
| Equipment | 25 | 2,615 | - | 2,640 | 2,640 | 6,540 |
| Out of state travel | 1,856 | - | - | 1,856 | 1,856 | 2,000 |
| Other costs | 396 | 1,764 | - | 2,160 | 2,160 | 4,375 |
| Total program costs | 62,548 | 48,021 | - | 110,569 | 110,569 | 110,468 |
| Total costs | \$ 245,320 | \$ 129,658 | \$ - | \$ 374,978 | \$ 374,978 | \$ 374,978 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20F-3644 - CSBG CARES

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|-----------------------------------|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 277,670 | \$ 223,715 | \$ 3,732 | \$ 505,117 | | \$ 505,117 |
| Total revenue | \$ 277,670 | \$ 223,715 | \$ 3,732 | \$ 505,117 | | \$ 505,117 |
| EXPENDITURES | | | | | | |
| Administration: | | | | | | |
| Wages | \$ 24,501 | \$ 30,255 | \$ 1,599 | \$ 56,355 | \$ 56,355 | \$ 54,168 |
| Fringe | 5,117 | 4,680 | 687 | 10,484 | 10,484 | 9,991 |
| Operating expense | 5,557 | 9,937 | 1,055 | 16,549 | 16,549 | 15,052 |
| Equipment | - | - | - | - | - | 3,000 |
| Total administration costs | 35,175 | 44,872 | 3,341 | 83,388 | 83,388 | 82,211 |
| Program: | | | | | | |
| Wages | 53,846 | 89,363 | - | 143,209 | 143,209 | 144,009 |
| Fringe | 7,535 | 13,572 | - | 21,107 | 21,107 | 21,656 |
| Operating expense | 9,636 | 2,807 | 391 | 12,834 | 12,834 | 12,442 |
| Equipment | 14,140 | 22,556 | - | 36,696 | 36,696 | 36,696 |
| Subcontractor/Consultant services | - | 35,329 | - | 35,329 | 35,329 | 35,550 |
| Other costs | 157,338 | 15,216 | - | 172,554 | 172,554 | 172,553 |
| Total program costs | 242,495 | 178,843 | 391 | 421,729 | 421,729 | 422,906 |
| Total costs | \$ 277,670 | \$ 223,715 | \$ 3,732 | \$ 505,117 | \$ 505,117 | \$ 505,117 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #20F-3644 - CSBG CARES DISCRETIONARY

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|-----------------------------------|---------------------------------|---------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 35,403 | \$ 4,967 | \$ - | \$ 40,370 | | \$ 40,370 |
| Total revenue | \$ 35,403 | \$ 4,967 | \$ - | \$ 40,370 | | \$ 40,370 |
| EXPENDITURES | | | | | | |
| Administration: | | | | | | |
| Operating expense | \$ 412 | \$ 138 | \$ - | \$ 550 | \$ 550 | \$ 500 |
| Total administration costs | 412 | 138 | - | 550 | 550 | 500 |
| Program: | | | | | | |
| Wages | 10,580 | 4,085 | - | 14,665 | 14,665 | 13,928 |
| Fringe | 2,311 | 744 | - | 3,055 | 3,055 | 2,842 |
| Operating expense | 5,000 | - | - | 5,000 | 5,000 | 6,000 |
| Equipment | 6,100 | - | - | 6,100 | 6,100 | 6,100 |
| Subcontractor/Consultant services | 11,000 | - | - | 11,000 | 11,000 | 11,000 |
| Total program costs | 34,991 | 4,829 | - | 39,820 | 39,820 | 39,870 |
| Total costs | \$ 35,403 | \$ 4,967 | \$ - | \$ 40,370 | \$ 40,370 | \$ 40,370 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Contract #21F-4406 - CSBG DISCRETIONARY

For the Period January 1 through December 31, 2022

| | Previous Years' Expenditures | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Costs | Total Reported Expenses | Total Grant Budget |
|-----------------------------------|---------------------------------|------------------|----------------------|------------------------|----------------------------|-----------------------|
| REVENUE | | | | | | |
| Grant revenue | \$ 22,896 | \$ 5,354 | \$ - | \$ 28,250 | | \$ 28,250 |
| Total revenue | \$ 22,896 | \$ 5,354 | \$ - | \$ 28,250 | | \$ 28,250 |
| EXPENDITURES | | | | | | |
| Administration: | | | | | | |
| Program: | | | | | | |
| Subcontractor/Consultant services | \$ 22,896 | \$ 5,354 | \$ - | \$ 28,250 | \$ 28,250 | \$ 28,250 |
| Total program costs | 22,896 | 5,354 | - | 28,250 | 28,250 | 28,250 |
| Total costs | \$ 22,896 | \$ 5,354 | \$ - | \$ 28,250 | \$ 28,250 | \$ 28,250 |

See Independent Auditor's Report.

Community Action Agency of Butte County, Inc.

Supplemental Statement of Revenue and Expenditures

Excess Revenues & Program Income

For the Period January 1 through December 31, 2022

| | 1/1/22 - 6/30/22 | 7/1/22 - 12/31/22 | Total Audited Expenditures | Running Balance |
|---|---------------------|----------------------|----------------------------------|--------------------|
| Beginning Balance | | | | \$ - |
| Contract #20C-6002 - DOE (87821) | | | | |
| Program Income | \$ - | \$ 12,593 | \$ - | 12,593 |
| Program Expenses | | | | |
| Major Vehicle and Field Equipment | - | - | 12,593 | - |
| Ending Balance | | | | \$ - |

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 of America and the standards applicable to 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, 2022, and the related consolidated statement 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 18, 2023. The financial statements of 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.

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 reasonable possibility that a material misstatement of Community Action Agency of Butte County, Inc.'s consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Action Agency of Butte County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Community Action Agency of Butte County, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the 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 communication is not suitable for any other purpose.



Wipfli LLP

Madison, Wisconsin
September 18, 2023

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 the Major Federal Program

Opinion on the Major Federal Program

We have audited Community Action Agency of Butte County, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. Community Action Agency of Butte County, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Action Agency of Butte County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 the 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 program.

Auditor's Responsibility 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Action Agency of Butte County, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization'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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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 the Organization's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization'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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

Madison, Wisconsin
September 18, 2023

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued on whether the consolidated financial statements were prepared in accordance with GAAP:

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 2 CFR 200.516(a)?

Yes No

Identification of major programs

| <u>AL Number(s)</u> | <u>Federal Program or Cluster</u> |
|---------------------|--|
| 93.568 | Low Income Home Energy Assistance Program (LIHEAP) |

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

Auditee qualified as low-risk auditee?

Yes No

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section II - Financial Statement Findings

Finding 2022-001: 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 and 2021-001.

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, 2022

Section III – Federal Award Findings and Questioned Costs

Finding 2022-002: 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 | 21F-4005 | 01/01/21 - 05/31/22 |
| State of CA Department of CSD | 22F-5005 | 01/01/22 - 05/31/23 |
| State of CA Department of CSD | 20F-3644 | 03/27/20 - 08/31/22 |
| 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. This is a repeat of finding 2021-005.

Criteria

The CSBG Act at 42 USC 9910(b), requires 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.

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, 2022

Section IV – Summary Schedule of Prior Year 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 and 2021-001.

Recommendation

We recommend Community Action Agency of Butte County, Inc. 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 2022-001.

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.

Recommendation

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

Current Year Status

Auditor didn't observe any instances of program reports not reconciling which resulted in grant being overspent in the current year.

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section IV – Summary Schedule of Prior Year Findings (Continued)

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 GAAP.

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 as a result are included in this material weakness.

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 GAAP.

Current Year Status

Auditor didn't observe any similar instances of this in the current year. As a result, the finding is considered resolved.

Community Action Agency of Butte County, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section IV – Summary Schedule of Prior Year Findings (Continued)

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.

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.

Current Year Status

We observed in the current year that the Schedule of Expenditures of Federal Awards was prepared with minimal adjustment. As a result, the finding is considered resolved.

Finding 2021-005: Tri-Partite Board Composition

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.

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.

Current Year Status

Auditor observed similar instances of Community Action Agency of Butte County, Inc. not maintaining the Tri-Partite Board composition requirement by CSBG program during the year. As a result, this will be repeated as finding 2022-002.