

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

Chico, California

Consolidated Financial Statements and  
Supplementary Information

Years Ended December 31, 2023 and 2022



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

**WIPFLI**

**Community Action Agency of Butte County, Inc. and Subsidiary**  
Years Ended December 31, 2023 and 2022

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Community Action Agency of Butte County, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, and the result of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

We did not audit the financial statements of CAA North Point Chico, LP, a majority owned subsidiary, which statements reflect total assets of \$7,252,935 and \$7,461,225, as of December 31, 2023 and 2022, respectively, and total revenues of \$537,231, and \$501,351, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CAA North Point Chico, LP, is based solely on the report of the other auditors.

#### ***Basis for Opinion***

We conducted our 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. 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 Subsidiary 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. The financial statements of CAA North Point Chico, LP were not audited in accordance with *Government Auditing Standards*.

#### ***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. and Subsidiary'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 opinion. 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. and Subsidiary'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. and Subsidiary'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 statement of financial position, the consolidating statement of activities, and the Supplemental Statements of Revenue and Expenditures as required by the State of California Department of Community Services and Development (CSD) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information, including the consolidating statement of financial position and the consolidating statement 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, 2022, 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 27, 2024, on our consideration of Community Action Agency of Butte County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Agency of Butte County, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

Madison, Wisconsin  
September 27, 2024

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

## Consolidated Statements of Financial Position

December 31,	2023	2022
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,907,414	\$ 1,274,570
Grants receivable	1,314,689	956,609
Accounts receivable	11,507	11,389
Inventories and work in progress	637,393	823,154
Prepaid expenses	64,049	43,916
Total current assets	3,935,052	3,109,638
Other assets:		
Restricted cash	497,654	486,955
Restricted reserve funds - USDA	362,839	87,820
Tax credit monitoring fees, net	7,627	9,306
Operating lease - Right of use assets	60,662	18,504
Total other assets	928,782	602,585
Property and equipment, net	9,744,835	9,816,786
<b>TOTAL ASSETS</b>	<b>\$ 14,608,669</b>	<b>\$ 13,529,009</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable	\$ 497,720	\$ 542,770
Accrued payroll and related	88,444	90,207
Tenants' security deposits liability	65,020	57,056
Deposits and trust funds payable	41,739	40,308
Commodities inventory - Advanced	204,633	223,767
Refundable advances	247,550	119,387
Accrued vacation	105,255	85,676
Current portion of operating lease liabilities	14,885	10,111
Current portion of long-term debt	61,925	58,769
Total Current Liabilities	1,327,171	1,228,051
Long-term liabilities:		
Long-term debt, net	7,172,785	7,229,096
Operating lease liabilities	45,777	8,393
Accrued interest	1,173,063	1,068,233
Total Long-term Liabilities	8,391,625	8,305,722
Total Liabilities	9,718,796	9,533,773
Net assets:		
Without donor restrictions	2,293,767	1,906,077
Noncontrolling interest	(1,372,504)	(1,078,108)
Without donor restrictions - board designated:		
Restricted reserve funds	362,839	87,820
Property and equipment	2,715,928	2,956,885
Total net assets without donor restrictions	4,000,030	3,872,674
With donor restrictions	889,843	122,562
Total Net Assets	4,889,873	3,995,236
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 14,608,669</b>	<b>\$ 13,529,009</b>

See accompanying notes to consolidated financial statements.

**Community Action Agency of Butte County, Inc. and Subsidiary**  
**Consolidated Statements of Activities**

Years Ended December 31,	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contracts and grants	\$ 5,168,201	\$ 643,994	\$ 5,812,195	\$ 5,038,539	\$ -	\$ 5,038,539
Commodities	1,198,252	-	1,198,252	817,504	-	817,504
In-kind contributions	238,341	-	238,341	265,248	-	265,248
Donations	202,443	123,287	325,730	222,620	122,562	345,182
Other income	75,614	-	75,614	70,308	-	70,308
Rent, net of vacancies and concessions	789,137	-	789,137	723,931	-	723,931
(Loss) gain on sale of assets	(3,669)	-	(3,669)	2,811	-	2,811
<b>Total public support and revenue</b>	<b>7,668,319</b>	<b>767,281</b>	<b>8,435,600</b>	<b>7,140,961</b>	<b>122,562</b>	<b>7,263,523</b>
Expenses:						
Program services:						
Food and nutrition program	2,329,381	-	2,329,381	1,830,271	-	1,830,271
Community programs	403,846	-	403,846	718,800	-	718,800
Energy / weatherization	2,544,972	-	2,544,972	2,506,122	-	2,506,122
Esplanade house	721,497	-	721,497	606,241	-	606,241
Butte CARES	12,966	-	12,966	-	-	-
Housing	673,736	-	673,736	649,435	-	649,435
<b>Total program services</b>	<b>6,686,398</b>	<b>-</b>	<b>6,686,398</b>	<b>6,310,869</b>	<b>-</b>	<b>6,310,869</b>
Supporting services:						
Management and general expense	840,487	-	840,487	1,192,960	-	1,192,960
Fundraising	14,078	-	14,078	-	-	-
<b>Total supporting services</b>	<b>854,565</b>	<b>-</b>	<b>854,565</b>	<b>1,192,960</b>	<b>-</b>	<b>1,192,960</b>
<b>Total expenses</b>	<b>7,540,963</b>	<b>-</b>	<b>7,540,963</b>	<b>7,503,829</b>	<b>-</b>	<b>7,503,829</b>
Changes in net assets	127,356	767,281	894,637	(362,868)	122,562	(240,306)
Net assets - Beginning of year	3,872,674	122,562	3,995,236	4,235,542	-	4,235,542
Net assets - End of year	\$ 4,000,030	\$ 889,843	\$ 4,889,873	\$ 3,872,674	\$ 122,562	\$ 3,995,236

See accompanying notes to consolidated financial statements.

**Community Action Agency of Butte County, Inc. and Subsidiary**  
Consolidated Statements of Functional Expenses

Year Ended December 31, 2023	Food and Nutrition	Community	Energy / Weatherization	Esplanade House	Housing	Butte CARES	Total Program	Management and General	Fundraising	Total
Salaries	\$ 188,927	\$ 173,640	\$ 737,921	\$ 388,177	\$ -	\$ 5,659	\$ 1,494,324	\$ 414,398	\$ -	\$ 1,908,722
Payroll taxes and benefits	67,138	32,309	176,463	66,928	-	1,034	343,872	65,950	-	409,822
Professional and contract fees	260,628	67,198	7,382	11,418	25,465	256	372,347	81,033	5,331	458,711
Insurance and licensing	31,557	6,288	54,266	18,649	15,041	-	125,801	16,814	5	142,620
Occupancy	22,215	58,607	26,892	14,064	-	12	121,790	25,268	-	147,058
Consumable supplies	327,995	2,952	1,090,205	11,955	-	5,806	1,438,913	8,871	6,726	1,454,510
Tools and equipment	10,642	6,887	58,903	21,396	90,098	17	187,943	510	1,416	189,869
Training and travel	3,441	24,789	12,267	3,232	-	-	43,729	1,730	600	46,059
Utilities and telephone	26,009	6,679	95,418	107,950	56,040	182	292,278	20,884	-	313,162
Depreciation	5,697	160	9,683	6,330	255,842	-	277,712	196,011	-	473,723
Direct assistance to clients	1,198,252	-	195,118	-	-	-	1,393,370	-	-	1,393,370
Vehicle costs	33,379	341	78,037	9,483	-	-	121,240	2,801	-	124,041
Interest expense	-	-	-	-	199,858	-	199,858	-	-	199,858
Miscellaneous	327	224	2,417	520	31,392	-	34,880	6,217	-	41,097
In-kind expense	153,174	23,772	-	61,395	-	-	238,341	-	-	238,341
<b>Total expenses</b>	<b>\$ 2,329,381</b>	<b>\$ 403,846</b>	<b>\$ 2,544,972</b>	<b>\$ 721,497</b>	<b>\$ 673,736</b>	<b>\$ 12,966</b>	<b>\$ 6,686,398</b>	<b>\$ 840,487</b>	<b>\$ 14,078</b>	<b>\$ 7,540,963</b>

See accompanying notes to consolidated financial statements.



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

<b>Year Ended December 31, 2022</b>	<b>Food and Nutrition</b>	<b>Community</b>	<b>Energy / Weatherization</b>	<b>Esplanade House</b>	<b>Housing</b>	<b>Total Program</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 114,334	\$ 298,607	\$ 624,630	\$ 266,293	\$ -	\$ 1,303,864	\$ 489,708	\$ 1,793,572
Payroll taxes and benefits	39,853	52,094	152,936	48,839	-	293,722	90,423	384,145
Professional and contract fees	30,627	191,690	27,079	9,745	39,600	298,741	117,951	416,692
Insurance and licensing	21,706	12,808	77,045	22,635	17,116	151,310	11,330	162,640
Occupancy	23,200	31,358	40,390	16,855	-	111,803	9,259	121,062
Consumable supplies	461,236	45,481	922,767	14,788	-	1,444,272	162,638	1,606,910
Tools and equipment	28,929	23,893	56,676	13,295	77,936	200,729	4,550	205,279
Training and travel	1,798	23,643	14,370	2,213	-	42,024	2,948	44,972
Utilities and telephone	26,842	6,797	84,406	107,388	57,697	283,130	27,100	310,230
Depreciation	5,539	336	9,582	6,553	248,506	270,516	189,907	460,423
Direct assistance to clients	817,504	25,219	445,216	164	-	1,288,103	-	1,288,103
Vehicle costs	85,163	1,323	43,176	8,074	-	137,736	98,245	235,981
Interest expense	-	-	-	-	201,852	201,852	-	201,852
Miscellaneous	520	290	7,849	2,432	6,728	17,819	(11,099)	6,720
In-kind expense	173,020	5,261	-	86,967	-	265,248	-	265,248
<b>Total expenses</b>	<b>\$ 1,830,271</b>	<b>\$ 718,800</b>	<b>\$ 2,506,122</b>	<b>\$ 606,241</b>	<b>\$ 649,435</b>	<b>\$ 6,310,869</b>	<b>\$ 1,192,960</b>	<b>\$ 7,503,829</b>

See accompanying notes to consolidated financial statements.

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

## Consolidated Statements of Cash Flows

Years Ended December 31,	2023	2022
Change in cash, cash equivalents and restricted cash:		
Cash flows from operating activities:		
Change in net assets	\$ 894,637	\$ (240,306)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	473,723	460,423
Amortization	1,679	1,679
Amortization of debt issuance costs	6,044	6,044
Loss (gain) on sale of assets	3,669	(2,811)
Changes in operating assets and liabilities:		
Grants receivable	(358,080)	555,220
Accounts receivable	(118)	71,514
Inventories and work in progress	185,761	(159,213)
Prepaid expenses	(20,133)	68,970
Accounts payable	(45,050)	244,578
Accrued payroll and related	(1,763)	(29,674)
Tenants' security deposits liability	7,964	1,517
Deposits and trust funds payable	1,431	(5,075)
Commodities inventory - Advanced	(19,134)	89,087
Refundable advances	128,163	32,310
Accrued vacation	19,579	1,711
Accrued interest - first mortgage	(170)	(161)
Accrued interest - other loans	105,000	105,000
Total adjustments	488,565	1,441,119
Net cash from operating activities	1,383,202	1,200,813
Cash flows from investing activities:		
Purchase of property and equipment	(405,441)	(454,765)
Proceeds from sale of assets	-	3,985
Net cash from investing activities	(405,441)	(450,780)
Cash flows from financing activities - Payments on long-term debt	(59,199)	(51,235)
Change in cash, cash equivalents, and restricted cash	918,562	698,798
Cash, cash equivalents, and restricted cash at beginning	1,849,345	1,150,547
Cash, cash equivalents, and restricted cash at end	\$ 2,767,907	\$ 1,849,345
<b>Supplemental schedule of other cash activity:</b>		
Cash paid for interest	\$ 96,593	\$ 100,076
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 18,228	\$ 13,010
<b>Supplemental schedule of non-cash activity:</b>		
Change in food commodities	\$ 68,062	\$ 89,087
Right of use assets obtained in exchange for new operating leases	58,812	-
<b>Reconciliation of cash, cash equivalents and restricted cash to consolidated statement of financial position:</b>		
Cash and cash equivalents	\$ 1,907,414	\$ 1,274,570
Restricted cash	497,654	486,955
Restricted reserve funds - USDA	362,839	87,820
Total cash, cash equivalents and restricted cash	\$ 2,767,907	\$ 1,849,345

See accompanying notes to consolidated financial statements.

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

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Community Action Agency of Butte County, Inc. (the "Organization") is a nonprofit corporation dedicated to the promotion of self-sufficiency and the alleviation of poverty. The food and nutrition program offers surplus food distribution and other food bank and emergency services in a six-county region. The energy program provides home weatherization, housing rehabilitation, and utility assistance. The Organization 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 38% and 47% of total revenue was provided from the State of California Department of Community Services and Development under Energy/Weatherization and Community programs during 2023 and 2022, respectively.

The Organization owns 79% of CAA North Point Chico, LLC (North Point). The purpose of North Point is to participate in low-income housing tax credit projects to assist low-to moderate-income families with affordable housing. 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. and Subsidiary

## Notes to Consolidated Financial Statements

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

#### Consolidated Financial Statements

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

#### Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States 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, 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 statements of activities as net assets released from restrictions.

#### Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

## Notes to Consolidated Financial Statements

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

#### **Revenue Recognition**

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

- An explicit identification 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 consists of tenant leases related to the rental property reported in Note 17. Tenant leases are typically for 12 months or less, do not include extension options and are classified as operating leases. Operating lease revenue is recognized as rental revenue over the term of the lease. Advance receipts, if any, are deferred and classified as prepaid rents until earned.

Commodities represent food that is received and valued using a price per pound based on an annual product valuation survey conducted.

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.

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

## Notes to Consolidated Financial Statements

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

#### **Revenue Recognition (Continued)**

##### **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.

#### **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 \$7,898 during 2023 and \$15,552 during 2022, 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 was no allowance of uncollectible accounts as of December 31, 2023 and 2022, respectively.

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

## Notes to Consolidated Financial Statements

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

#### **Accounts Receivable**

Accounts receivable consist primarily of miscellaneous refunds, fees, and credits. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics.

Prior to 2023, the carrying amount of accounts receivable were reduced by an allowance that reflected management's best estimate of the amounts that would not be collected based on prior collection experience and specific customer attributes.

Management expects to collect all receivables and did not consider an allowance for credit losses necessary for accounts receivable as of December 31, 2023 and 2022.

#### **Inventories and Work in Progress**

Materials inventory consists of weatherization materials for use in the Organization's weatherization program. Inventories as of December 31, 2023 and 2022, are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Weatherization materials are expensed in the accounting period when the unit weatherized is claimed as a completed unit. A completed unit is a dwelling unit, which has received weatherization services within the limits established in the weatherization contract for which the final inspection has been performed and the owner sign-off has been obtained.

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

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, 2023 and 2022, 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 and land improvements. The Organization considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

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

## Notes to Consolidated Financial Statements

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

#### **Property and Equipment (Continued)**

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 \$2,715,928 and \$2,522,141 at December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022.

#### **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 payroll taxes and benefits are allocated based on time and effort. Occupancy and related costs are allocated based on square footage.

#### **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.



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

## Notes to Consolidated Financial Statements

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

#### **ASC 842 Lease Accounting (Continued)**

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.

#### **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, 2023 and 2022, accumulated amortization was \$17,560 and \$15,881, respectively.

Amortization expense for the years ended December 31, 2023 and 2022, is \$1,679, respectively.

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

## Notes to Consolidated Financial Statements

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

#### 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, 2023 and 2022, debt issuance costs, net of accumulated amortization, was \$118,120 and \$124,164, respectively.

Amortization expense for the years ended December 31, 2023 and 2022, is \$6,044, respectively.

#### Accounting Pronouncement Adopted

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Organization to present financial assets measured at amortized cost (including accounts receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

The Organization adopted ASU No. 2016-03 on January 1, 2023. The net impact to net assets would have been immaterial, thus no adjustment was made to net assets.

#### Subsequent Events

Subsequent events have been evaluated through September 27, 2024, which is the date the consolidated financial statements were available to be issued.

### Note 2: Liquidity and Availability of Financial Resources

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

	2023	2022
Cash and cash equivalents	\$ 1,907,414	\$ 1,274,570
Grants receivable	1,314,689	956,609
Accounts receivable	11,507	11,389
Subtotal financial assets	3,233,610	2,242,568
Less: Accounts payable	(497,720)	(542,770)
Less: Accrued payroll and related	(88,444)	(90,207)
Less: Refundable advances	(247,550)	(119,387)
Less: Accrued vacation	(105,255)	(85,676)
Less: Net assets with donor restrictions	(889,843)	(122,562)
Totals	\$ 1,404,798	\$ 1,281,966

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

## Notes to Consolidated Financial Statements

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### Note 2: Liquidity and Availability of Financial Resources (Continued)

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 \$3,960,000 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.

### Note 4: Restricted Cash and Restricted Reserve Funds

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

	2023	2022
Security deposits - housing	\$ 65,020	\$ 57,056
Security deposits - Esplanade House	41,184	35,596
Client funds	13,406	15,891
Health reserve	11,808	15,842
Replacement reserve	71,980	68,607
Operating reserve	294,256	293,963
Total restricted cash and reserve funds	\$ 497,654	\$ 486,955

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.

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

## Notes to Consolidated Financial Statements

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### Note 4: Restricted Cash and Restricted Reserve Funds (Continued)

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. The balance was \$362,839 and \$87,820 at December 31, 2023 and 2022, respectively.

### 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 2023 and 2022 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, 2023 and 2022, respectively.

### Note 6: Grants Receivable

Grants receivable related to the following programs at December 31:

	2023	2022
Federal programs	\$ 279,904	\$ 669,701
State and local programs	1,034,785	286,908
Totals	\$ 1,314,689	\$ 956,609

### Note 7: Inventories and Work in Progress

Inventories consisted of the following at December 31:

	2023	2022
Food commodities	\$ 291,829	\$ 223,767
EES - Weatherization supplies and work in progress	345,564	599,387
Totals	\$ 637,393	\$ 823,154

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

## Notes to Consolidated Financial Statements

### Note 8: Property and Equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Land	\$ 1,456,701	\$ 1,456,701
Land improvements	700,135	700,135
Building and building improvements	11,819,551	11,661,073
Equipment	1,382,359	1,375,379
Vehicles	369,655	392,798
Construction in progress	244,662	14,745
Subtotal	15,973,063	15,600,831
Less - Accumulated depreciation	6,228,228	5,784,045
Property and equipment, net	\$ 9,744,835	\$ 9,816,786

Construction in progress consisted of food bank expansion work for Oroville which will help feed thousands more people in the community. The new warehouse is being built at 2640 South Fifth Avenue and will nearly double the food bank's capacity to receive and distribute food. It's 7,800 square feet more of warehouse space that will have additional cold storage, drains in the ground so fresh produce can be brought in. Construction is expected to be complete by December 2024. The Organization has contract commitments available for future expenses of approximately \$2,900,000 as of December 31, 2023.

### 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.

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

## Notes to Consolidated Financial Statements

### Note 9: Leases (Continued)

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

	<u>2023</u>	<u>2022</u>
Lease cost		
Operating lease cost	\$ 18,101	\$ 13,010
Total lease cost	\$ 18,101	\$ 13,010

Other information related to leases is as follows for the years ended December 31,:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term - Operating leases	4.24 years	2.88 years
Weighted-average discount rate - Operating leases	3.57 %	1.91 %

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

2024	\$ 15,593
2025	15,593
2026	15,594
2027	13,755
2028	4,772
Total lease payments	65,307
Less imputed interest	(4,645)
Subtotal	60,662
Less: Current portion	(14,885)
Long-term portion	\$ 45,777

### Note 10: Long Term Debt

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

	<u>2023</u>	<u>2022</u>
Note payable to the USDA, monthly payments of \$2,317, including interest at 5.125%, secured by a warehouse, due in May 2030.	\$ 143,708	\$ 164,000

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

## Notes to Consolidated Financial Statements

### Note 10: Long Term Debt (Continued)

	2023	2022
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 years ended December 31, 2023 and 2022, interest of \$9,000 was incurred and charged to operations. As of December 31, 2023 and 2022, the accrued interest is \$111,415 and \$102,415, 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, 2023 and 2022, accrued interest is \$6,384 and \$6,554, respectively.	1,459,122	1,498,029
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 years ended December 31, 2023 and 2022, interest of \$96,000 was incurred and charged to operations. As of December 31, 2022 and 2021, the accrued interest is \$1,055,264 and \$959,264, respectively.	4,800,000	4,800,000
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.	500,000	500,000
Subtotals	7,352,830	7,412,029
Less - Debt issuance costs, net of amortization	118,120	124,164
Less - Current maturities	61,925	58,769
Total long-term portion	\$ 7,172,785	\$ 7,229,096

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

## Notes to Consolidated Financial Statements

### Note 10: Long Term Debt (Continued)

Scheduled principal payments on long-term debt at December 31, 2023, including current maturities, are summarized as follows:

2024	\$ 61,925
2025	65,228
2026	68,763
2027	72,376
2028	76,236
Thereafter	7,008,302
<b>Totals</b>	<b>\$ 7,352,830</b>

### Note 11: Net Assets with Donor Restrictions

Net assets with donor restrictions are related to contributions received for the food and nutrition and community support programs. The Organization has net assets with donor restrictions of \$889,843 and \$122,562 at December 31, 2023 and 2022, respectively. No net assets were released from donor restrictions for the years ended December 31, 2023 and 2022.

### 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.

The following is a summary of contingent long-term debt at December 31, 2023:

	Principal Balance	Accrued Interest
City of Chico Agreement (1)	\$ 1,800,000	\$ 1,762,500
City of Chico Land (2)	395,250	604,156
<b>Totals</b>	<b>\$ 2,195,250</b>	<b>\$ 2,366,656</b>

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
<b>Totals</b>	<b>\$ 2,195,250</b>	<b>\$ 2,248,000</b>



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

## Notes to Consolidated Financial Statements

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### **Note 12: Commitments and Contingencies (Continued)**

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

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

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

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

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

The Organization had grant commitments under various grants of approximately \$3,960,000 as of December 31, 2023. 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 years ended December 31, 2023 and 2022, was \$83,378 and \$73,422, respectively.

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

## Notes to Consolidated Financial Statements

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### 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, 2023 and 2022, \$40,200 and \$39,600 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, 2023, was 9.75%. There was no balance in the line of credit at December 31, 2023. The line of credit matures December 22, 2024. The line of credit is collateralized by all assets of the Organization.

### 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:

	2023	2022
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	973,592	956,546
Vehicles	18,672	18,672
Subtotal	13,685,692	13,668,646
Accumulated depreciation	(5,238,025)	(4,892,490)
Investment in rental property, net	\$ 8,447,667	\$ 8,776,156

Rental income on the housing projects for the years ended December 31, 2023 and 2022 was \$516,313 and \$478,488, which was net of vacancies and concessions of \$16,152 and \$18,621, respectively.

Rental income from Esplanade House for the years ended December 31, 2023 and 2022 was \$272,824 and \$245,443, respectively.

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

## Notes to Consolidated Financial Statements

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### 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, 2023 and 2022 was \$992,061 and \$928,282, respectively. The Organization received distributions from the fund for the years ended December 31, 2023 and 2022 of \$39,493 and \$37,950, respectively.

### Note 19: Contributed Nonfinancial Assets

Contributed nonfinancial assets consisted of the following for the years ended December 31,:

	2023	2022
Professional services	\$ 238,341	\$ 265,248
Food commodities	1,198,252	817,504
Totals	\$ 1,436,593	\$ 1,082,752

The Organization recognizes contributed nonfinancial assets within public support and revenue, including professional volunteer time and services and commodities. Unless otherwise noted, contributed nonfinancial assets did not have donor imposed restrictions.

Volunteer time and services used in the food and nutrition and Esplanade House programs furnished by professional and technical personnel, consultants, and other skilled labor are included in in-kind if the services are an integral and necessary part of the program. Volunteer services are 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.

Food commodities are received from the State of California for distribution to eligible individuals and are utilized in food and nutrition programs. Values are provided by the State of California.

## **Supplementary Information**

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# Community Action Agency of Butte County, Inc.

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>			
Passed through California State Department of Social Services Commodity Credit Corporation(CCC)	10.187	22-MOU-00108 23	\$ 64,395
Total AL #10.187			<b>64,395</b>
<b>Food Distribution Cluster</b>			
Passed through California State Department of Social Services			
Emergency Food Assistance Program 2022-2023	10.568	22-MOU-00108 22/23	141,548
Emergency Food Assistance Program 2023-2024		22-MOU-00108 23/24	63,832
Total AL #10.568			<b>205,380</b>
<b>NON-MONETARY ASSISTANCE</b>			
Passed through California State Department of Social Services			
Emergency Food Assistance Program (Food Commodities)	10.569	22-MOU-00108 22/23	937,863
Emergency Food Assistance Program (Food Commodities)		22-MOU-00108 23/24	260,389
Total AL #10.569			<b>1,198,252</b>
Total Food Distribution Cluster AL #10.568 and 10.569			<b>1,403,632</b>
<b>Direct Funding</b>			
<b>Community Facilities Loans and Grants Cluster</b>			
Community Facilities Loans and Grants*	10.766	N/A	164,000
Total Federal Expenditures Community Facilities Loans and Grants Cluster AL #10.766			<b>164,000</b>
Total US Department of Agriculture			<b>1,632,027</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through County of Butte			
COVID-19 Community Development Block Grant CV2	14.228	N/A	71,687
COVID-19 Community Development Block Grant CV2		N/A	219,572
Subtotal			<b>291,259</b>
Passed through City of Chico			
Community Development Block Grant	14.228	N/A	9,879
Total US Department of Housing and Urban Development			<b>301,138</b>
<b>DEPARTMENT OF ENERGY</b>			
Passed through State of California Department of Community Service and Development			
Weatherization (DOE 2022 - 2024)	81.042	22C-6001	140,606
Weatherization (DOE BIL 2023 - 2027)		22P-7003	4,867
Total US Department of Energy			<b>145,473</b>
<b>Department of Health and Human Services</b>			
Passed Through the State of California Department of Community Services & Development			
COVID-19 Low Income Water Assistance - LIHWAP	93.499	21Z-9551	64,436
Total AL #93.499			<b>64,436</b>
Passed Through the State of California Department of Community Services & Development			
Low Income Energy Assistance- WX	93.568	23B-5003	752,968
Low Income Energy Assistance- EHA		23B-5003	1,697,302
Supplemental Low Income Energy Assistance		22Q-4552	3,038
Supplemental Low Income Energy Assistance		23Q-5552	25,291
Emergency Supplemental Low Income Energy Assistance- WX		23J-5007	182
Emergency Supplemental Low Income Energy Assistance- EHA		23J-5007	70,303
Total AL #93.568			<b>2,549,084</b>

See Independent Auditor's Report.

\*Federal expenditures consist of outstanding loan funds.

See Notes to Schedule of Expenditures of Federal Awards.

# Community Action Agency of Butte County, Inc.

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Passed Through the State of California Department of Community Services &amp; Development</b>			
COVID-19 Community Services Block Grant (CSBG) Discretionary 2022	93.569	22F-5005	\$ 27,578
Community Services Block Grant (CSBG) 2023		23F-4005	329,100
Community Services Block Grant (CSBG) Discretionary 2023		23F-4005	11,142
Total CSBG AL #93.569			<b>367,820</b>
<b>Total US Department of Health and Human Services</b>			<b>2,981,340</b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Passed through United Way Worldwide</b>			
COVID-19 Emergency Food and Shelter Program	97.024	065400-003 ARPAR	43,380
<b>Total US Department of Homeland Security</b>			<b>43,380</b>
<b>Total Federal Expenditures</b>			<b>\$ 5,103,358</b>

See Independent Auditor's Report.

\*Federal expenditures consist of outstanding loan funds.

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, 2023

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### 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, 2023. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Community Action Agency of Butte County, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Agency of Butte County, Inc.

### Note 2: Basis of Accounting

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

### Note 3: Indirect Cost Rate

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

### Note 4: Subrecipients

Community Action Agency of Butte County, Inc. does not have any subrecipients of federal awards.

### Note 5: Loan Balance

Loans outstanding at the beginning of the year plus any new loans received during the year are reported as federal expenses in the Schedule. The balance of loans outstanding at December 31, 2023 consists of:

<b><u>Program Name</u></b>	<b><u>AL #</u></b>	<b><u>Balance</u></b>
Communities Facilities Loans and Grants	10.766	\$143,708

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

## Consolidating Statement of Financial Position

December 31, 2023

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 1,762,549	\$ 144,865	\$ -	\$ 1,907,414
Grants receivable	1,314,689	-	-	1,314,689
Accounts receivable	8,189	3,318	-	11,507
Inventories and work in progress	637,393	-	-	637,393
Prepaid expenses	37,789	26,260	-	64,049
Total current assets	3,760,609	174,443	-	3,935,052
Other assets:				
Restricted cash	66,398	431,256	-	497,654
Restricted reserve funds - USDA	362,839	-	-	362,839
Tax credit monitoring fees, net	-	7,627	-	7,627
Developer's fees receivable	269,506	-	(269,506)	-
Operating lease - Right of use assets	60,662	-	-	60,662
Total other assets	759,405	438,883	(269,506)	928,782
Property and equipment, net	3,105,226	6,639,609	-	9,744,835
<b>TOTAL ASSETS</b>	<b>\$ 7,625,240</b>	<b>\$ 7,252,935</b>	<b>\$ (269,506)</b>	<b>\$ 14,608,669</b>
Current liabilities:				
Accounts payable	\$ 473,861	\$ 23,859	\$ -	\$ 497,720
Accrued payroll and related	85,455	2,989	-	88,444
Tenants' security deposits liability	-	65,020	-	65,020
Deposits and trust funds payable	41,739	-	-	41,739
Commodities inventory - Advanced	204,633	-	-	204,633
Refundable advances	247,550	-	-	247,550
Accrued vacation	105,255	-	-	105,255
Current portion of operating lease liabilities	14,885	-	-	14,885
Current portion of long-term debt	20,926	40,999	-	61,925
Total Current Liabilities	1,194,304	132,867	-	1,327,171
Long-term liabilities:				
Long-term debt, net	122,782	7,050,003	-	7,172,785
Operating lease liabilities	45,777	-	-	45,777
Accrued interest	-	1,173,063	-	1,173,063
Developer's fees payable	-	269,506	(269,506)	-
Total Long-term Liabilities	168,559	8,492,572	(269,506)	8,391,625
Total Liabilities	1,362,863	8,625,439	(269,506)	9,718,796
Net assets (deficit):				
Without donor restrictions	2,937,761	-	-	2,937,761
Noncontrolling interest	-	(1,372,504)	-	(1,372,504)
Without donor restrictions - board designated:				
Restricted reserve funds	362,839	-	-	362,839
Property and equipment	2,715,928	-	-	2,715,928
With donor restrictions	245,849	-	-	245,849
Total Net Assets (Deficit)	6,262,377	(1,372,504)	-	4,889,873
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,625,240</b>	<b>\$ 7,252,935</b>	<b>(\$ 269,506)</b>	<b>\$ 14,608,669</b>

See Independent Auditor's Report.



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

## Consolidating Statement of Activities

Year Ended December 31, 2023

	Community Action Agency of Butte County, Inc.	CAA North Point Chico	Eliminations	Consolidated
Public support and revenue:				
Contracts and grants	\$ 5,812,195	\$ -	\$ -	\$ 5,812,195
Commodities	1,198,252	-	-	1,198,252
In-kind contributions	238,341	-	-	238,341
Donations	325,730	-	-	325,730
Other income	54,696	20,918	-	75,614
Rent, net of vacancies and concessions	272,824	516,313	-	789,137
Loss from sale of assets	( 3,669)	-	-	( 3,669)
<b>Total public support and revenue</b>	<b>7,898,369</b>	<b>537,231</b>	<b>-</b>	<b>8,435,600</b>
Expenses:				
Program expenses:				
Food and nutrition program	2,329,381	-	-	2,329,381
Community programs	403,846	-	-	403,846
Energy / weatherization	2,544,972	-	-	2,544,972
Esplanade house	721,497	-	-	721,497
Butte CARES	12,966	-	-	12,966
Housing	-	673,736	-	673,736
<b>Total program expenses</b>	<b>6,012,662</b>	<b>673,736</b>	<b>-</b>	<b>6,686,398</b>
Supporting services:				
Management and general expense	682,696	157,791	-	840,487
Fundraising	14,078	-	-	14,078
<b>Total supporting services</b>	<b>696,774</b>	<b>157,791</b>	<b>-</b>	<b>854,565</b>
<b>Total expenses</b>	<b>6,709,436</b>	<b>831,527</b>	<b>-</b>	<b>7,540,963</b>
Change in net assets	1,188,933	( 294,296)	-	894,637
Net assets (deficit) - Beginning of year	5,073,444	( 1,078,208)	-	3,995,236
Net assets (deficit) - End of year	\$ 6,262,377	(\$ 1,372,504)	\$ -	\$ 4,889,873

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc.

## Supplemental Statement of Revenue and Expenditures

Contract #22F-5005 - CSBG

For the Period January 1 through December 31, 2023

	Previous Years' Expenditures	1/1/23 - 6/30/23	7/1/23 - 12/31/23	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 379,941	\$ -	\$ -	\$ 379,941		\$ 379,941
Total revenue	\$ 379,941	\$ -	\$ -	\$ 379,941		\$ 379,941
<b>EXPENDITURES</b>						
Administration:						
Wages	\$ 158,644	\$ -	\$ -	\$ 158,644	\$ 158,644	\$ 149,279
Fringe	19,963	-	-	19,963	19,963	19,801
Operating expense	17,712	-	-	17,712	17,712	17,490
Equipment	4,688	-	-	4,688	4,688	4,692
Out of state travel	10,267	-	-	10,267	10,267	10,267
Contract/Consultant services	51,205	-	-	51,205	51,205	51,399
Other costs	6,098	-	-	6,098	6,098	6,099
Total administration costs	268,577	-	-	268,577	268,577	259,027
Program:						
Wages	27,858	-	-	27,858	27,858	36,272
Fringe	4,933	-	-	4,933	4,933	7,026
Operating expense	36,079	-	-	36,079	36,079	32,799
Equipment	3,985	-	-	3,985	3,985	6,817
Contract/Consultant services	38,509	-	-	38,509	38,509	38,000
Total program costs	111,364	-	-	111,364	111,364	120,914
Total costs	\$ 379,941	\$ -	\$ -	\$ 379,941	\$ 379,941	\$ 379,941

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc.

## Supplemental Statement of Revenue and Expenditures

Contract #22F-5005 - CSBG CARES DISCRETIONARY

For the Period January 1 through December 31, 2023

	Previous Years'	1/1/23 -	7/1/23 -	Total Audited	Total Reported	Total Grant
	Expenditures	6/30/23	12/31/23	Costs	Expenses	Budget
<b>REVENUE</b>						
Grant revenue	\$ 3,422	\$ 27,578	\$ -	\$ 31,000		\$ 31,000
Total revenue	\$ 3,422	\$ 27,578	\$ -	\$ 31,000		\$ 31,000
<b>EXPENDITURES</b>						
Program:						
Operating expense	\$ 2,994	\$ 24,406	\$ -	\$ 27,400	\$ 27,400	\$ 27,400
Equipment	428	3,172	-	3,600	3,600	3,600
Total program costs	3,422	27,578	-	31,000	31,000	31,000
Total costs	\$ 3,422	\$ 27,578	\$ -	\$ 31,000	\$ 31,000	\$ 31,000

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc.

## Supplemental Statement of Revenue and Expenditures

Contract #22B-4003 - EHA-16 (ECIP)

For the Period January 1 through December 31, 2023

	Previous Years' Expenditures	1/1/23 - 6/30/23	7/1/23 - 12/31/23	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 1,266,395	\$ -	\$ -	\$ 1,266,395		\$ 1,266,395
Total revenue	\$ 1,266,395	\$ -	\$ -	\$ 1,266,395		\$ 1,266,395
<b>EXPENDITURES</b>						
Assurance	\$ 5,112	\$ -	\$ -	\$ 5,112	\$ 5,112	\$ 153,549
Administration	130,569	-	-	130,569	130,569	153,549
Total administrative costs	135,681	-	-	135,681	135,681	307,098
Program:						
Intake	69,410	-	-	69,410	69,410	159,544
Outreach	77,415	-	-	77,415	77,415	99,715
Training & Technical Assistance	6,416	-	-	6,416	6,416	39,886
Program service costs	977,473	-	-	977,473	977,473	660,152
Total program costs	1,130,714	-	-	1,130,714	1,130,714	959,297
Total costs	\$ 1,266,395	\$ -	\$ -	\$ 1,266,395	\$ 1,266,395	\$ 1,266,395

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc.

## Supplemental Statement of Revenue and Expenditures

Contract #22B-4003 - Weatherization

For the Period January 1 through December 31, 2023

	Previous Years' Expenditures	1/1/23 - 6/30/23	7/1/23 - 12/31/23	Total Audited Costs	Total Reported Expenses	Total Grant Budget
<b>REVENUE</b>						
Grant revenue	\$ 606,262	\$ -	\$ -	\$ 606,262		\$ 606,306
Total revenue	\$ 606,262	\$ -	\$ -	\$ 606,262		\$ 606,306
<b>EXPENDITURES</b>						
Program:						
Intake	\$ 40,065	\$ -	\$ -	\$ 40,065	\$ 40,065	\$ 48,504
Outreach	30,315	-	-	30,315	30,315	30,315
Training & Technical Assistance	12,170	-	-	12,170	12,170	30,315
Program service costs	523,712	-	-	523,712	523,712	497,172
Total program costs	606,262	-	-	606,262	606,262	606,306
Total costs	\$ 606,262	\$ -	\$ -	\$ 606,262	\$ 606,262	\$ 606,306

See Independent Auditor's Report.

# Community Action Agency of Butte County, Inc.

## Supplemental Statement of Revenue and Expenditures

Contract #22Q-4552 - EHA-16

For the Period January 1 through December 31, 2023

	Previous Years'	1/1/23 -	7/1/23 -	Total Audited	Total Reported	Total Grant
	Expenditures	6/30/23	12/31/23	Costs	Expenses	Budget
<b>REVENUE</b>						
Grant revenue	\$ 14,545	\$ 3,038	\$ -	\$ 17,583		\$ 17,583
Total revenue	\$ 14,545	\$ 3,038	\$ -	\$ 17,583		\$ 17,583
<b>EXPENDITURES</b>						
Assurance	\$ 3,741	\$ -	\$ -	\$ 3,741	\$ 3,741	\$ 3,741
Administration	3,741	-	-	3,741	3,741	3,741
Total administrative costs	7,482	-	-	7,482	7,482	7,482
Program:				-		
Intake	2,879	2,508	-	5,387	5,387	5,387
Outreach	2,837	530	-	3,367	3,367	3,367
Training & Technical Assistance	1,347	-	-	1,347	1,347	1,347
Total program costs	7,063	3,038	-	10,101	10,101	10,101
Total costs	\$ 14,545	\$ 3,038	\$ -	\$ 17,583	\$ 17,583	\$ 17,583

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. and Subsidiary  
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. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2023, 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 27, 2024. The financial statements of CAA North Point Chico, LLC was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with CAA North Point Chico, LLC.

### **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 deficiency 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 2023-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

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

### **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. Community Action Agency of Butte County, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action Agency of Butte County, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Agency of Butte County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wipfli LLP

Madison, Wisconsin  
September 27, 2024



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

Board of Directors  
Community Action Agency of Butte County, Inc. and Subsidiary  
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, 2023. 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, 2023.

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

We are required to be independent of Community Action Agency of Butte County, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Action Agency of Butte County, Inc.'s compliance with the requirements of the major federal program as a whole.

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

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

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

### ***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", and "l" being particularly prominent.

Wipfli LLP

Madison, Wisconsin  
September 27, 2024

# Community Action Agency of Butte County, Inc.

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

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### 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 program:

<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, 2023

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### Section II - Financial Statement Findings

#### Finding 2023-001: 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 fixed assets, 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. In addition, there were three grants identified that were not included on the schedule of expenditures of federal awards. This is a repeat of finding 2020-002, 2021-001, and 2022-001.

##### **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, 2023

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

##### **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 2023-001.

#### 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.

##### **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 noted that Community Action Agency of Butte County, Inc. was in compliance with the tri-partite requirement in the current year. As a result, this finding has been considered resolved.