

**COMMUNITY ACTION PARTNERSHIP OF SONOMA COUNTY**

**SANTA ROSA, CALIFORNIA**

**FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT REPORT**

**FEBRUARY 28, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Action Partnership of Sonoma County  
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Partnership of Sonoma County, which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Action Partnership of Sonoma County as of February 28, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2B, Community Action Partnership of Sonoma County adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended February 28, 2019. The requirements of the Accounting Standards Update have been applied retrospectively to all years presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Community Action Partnership of Sonoma County's 2018 financial statements, and our report dated November 2, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 on our consideration of the Community Action Partnership of Sonoma County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Partnership of Sonoma County'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 Partnership of Sonoma County's internal control over financial reporting and compliance.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 26, 2019

Community Action Partnership of Sonoma County  
STATEMENTS OF FINANCIAL POSITION  
February 28, 2019  
(With Comparative Totals for February 28, 2018)

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 936,803	\$ 1,228,348
Grants and contracts receivable, net of allowance for uncollectible accounts	1,597,794	1,475,101
Prepaid expenses and other current assets	164,539	180,959
Total current assets	2,699,136	2,884,408
Non-current assets:		
Fixed assets, net of accumulated depreciation	3,699,025	3,939,697
Debt issuance costs, net of amortization	2,714	3,192
Total non-current assets	3,701,739	3,942,889
Total assets	\$ 6,400,875	\$ 6,827,297
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 295,685	\$ 376,305
Accrued liabilities	272,342	273,759
Accrued vacation	199,719	188,504
Contract advances and deferred income	1,108,197	1,372,689
Interest payable	636,133	599,320
Notes payable, current portion	68,975	76,926
Total current liabilities	2,581,051	2,887,503
Long-term liabilities:		
Notes payable, net of current portion	2,233,625	2,301,291
Total long-term liabilities	2,233,625	2,301,291
Total liabilities	4,814,676	5,188,794
Net assets - Exhibit A:		
Without donor restrictions	404,458	511,152
With donor restrictions	1,181,741	1,127,351
Total net assets	1,586,199	1,638,503
Total liabilities and net assets	\$ 6,400,875	\$ 6,827,297

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

For the Year Ended February 28, 2019

(With Comparative Totals for the Year Ended February 28, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues:				
Government contracts	\$ 8,588,563	\$ 71,517	\$ 8,660,080	\$ 8,495,193
Grant and contribution income	1,833,633	284,996	2,118,629	1,721,243
Rental income	261,590	-	261,590	259,799
Program service income	49,404	-	49,404	47,680
Miscellaneous income	45,669	9,850	55,519	55,425
Fundraising	34,911	7,198	42,109	19,925
Investment return, net	911	-	911	230
Debt forgiveness	27,260	-	27,260	27,260
Net assets released from restrictions	346,046	(346,046)	-	-
Total revenues	<u>11,187,987</u>	<u>27,515</u>	<u>11,215,502</u>	<u>10,626,755</u>
Expenses:				
Program services:				
Housing program	558,369	-	558,369	514,604
Financial Stability	592,920	-	592,920	555,032
Head Start and Early Head Start program	6,011,744	-	6,011,744	5,785,924
Health service program	370,540	-	370,540	391,960
Community engagement programs	262,148	-	262,148	517,658
Emergency disaster relief program	773,253	-	773,253	435,915
Education (School readiness) programs	1,121,170	-	1,121,170	828,963
Youth programs	33,024	-	33,024	140,355
Total program services	<u>9,723,168</u>	<u>-</u>	<u>9,723,168</u>	<u>9,170,411</u>
Support services				
General and administrative	1,565,425	-	1,565,425	1,469,707
Total support services	<u>1,565,425</u>	<u>-</u>	<u>1,565,425</u>	<u>1,469,707</u>
Agency assets and resource development	6,088	-	6,088	135,618
Total expenses	<u>11,294,681</u>	<u>-</u>	<u>11,294,681</u>	<u>10,775,736</u>
Change in net assets	<u>(106,694)</u>	<u>27,515</u>	<u>(79,179)</u>	<u>(148,981)</u>
Additions of restricted fixed assets	<u>-</u>	<u>26,875</u>	<u>26,875</u>	<u>79,609</u>
Net assets, beginning of period	511,152	1,127,351	1,638,503	1,698,895
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,980</u>
Net assets, as restated	<u>511,152</u>	<u>1,127,351</u>	<u>1,638,503</u>	<u>1,707,875</u>
Net assets, end of period	<u>\$ 404,458</u>	<u>\$ 1,181,741</u>	<u>\$ 1,586,199</u>	<u>\$ 1,638,503</u>

The accompanying notes are an integral part of these financial statements.

Community Action Partnership of Sonoma County  
STATEMENTS OF FUNCTIONAL EXPENSES

Exhibit B

All Program Services  
 For the Year Ended February 28, 2019

	Program Services								Support			2019 Total Expenses	2018 Total Expenses
	Housing Program	Financial Stability	Head Start and Early Head Start	Health Services	Community Engagement Program	Emergency Disaster Relief	Education (School Readiness) Program	Youth Programs	Program Services Total	General and Administrative	Agency Assets and Resource Development		
Expenses:													
Salaries	\$ 147,039	\$ 126,458	\$ 3,512,750	\$ 257,166	\$ 158,988	\$ 182,502	\$ 748,799	\$ 402	\$ 5,134,104	\$ 817,665	\$ 1,120	\$ 5,952,889	\$ 5,565,236
Payroll taxes	12,417	11,304	322,183	22,537	13,334	17,069	68,927	33	467,804	66,446	79	534,329	498,766
Worker's compensation	6,815	941	158,428	6,656	4,009	1,326	30,378	2	208,555	694	7	209,256	278,216
Employee benefits	23,392	7,116	519,675	24,626	21,867	23,908	89,603	40	710,227	93,270	647	804,144	706,054
Total personnel costs	189,663	145,819	4,513,036	310,985	198,198	224,805	937,707	477	6,520,690	978,075	1,853	7,500,618	7,048,272
Occupancy	75,948	15,958	443,255	14,685	15,960	66,136	39,495	13,469	684,906	57,161	-	742,067	686,883
Supplies	14,298	4,197	440,086	17,973	17,388	3,588	38,592	330	536,452	20,960	532	557,944	567,763
Professional fees	11,725	6,886	122,573	2,806	6,714	1,698	5,289	17,400	175,091	111,425	3,642	290,158	312,638
Housing assistance and client fees	-	407,459	-	-	-	-	-	-	407,459	-	-	407,459	611,037
Emergency disaster relief assistance	-	-	-	-	-	452,117	-	-	452,117	-	-	452,117	129,202
Depreciation & amortization	133,413	-	-	-	-	-	-	-	133,413	134,612	-	268,025	248,596
Equipment	1,708	353	28,837	195	1,666	7,186	2,848	90	42,883	21,447	-	64,330	220,847
Telecommunications & network	19,092	6,735	171,788	14,396	10,790	10,194	40,183	432	273,610	111,425	-	385,035	310,716
Interest	77,754	-	-	-	-	-	-	-	77,754	19,845	-	97,599	101,219
Employee development	682	567	58,123	1,462	7,860	912	38,534	795	108,935	6,918	-	115,853	157,454
Insurance	12,085	648	49,888	1,254	786	35	4,042	-	68,738	34,009	-	102,747	86,678
Travel	1,796	729	45,668	3,301	1,935	1,091	12,406	15	66,941	23,044	-	89,985	93,861
Vehicle maint/repair	21	-	33,662	-	41	177	550	-	34,451	2,266	-	36,717	28,008
Building maint/repair	17,530	-	92,083	-	-	3,790	-	-	113,403	2,807	-	116,210	112,773
Miscellaneous	1,141	3,019	6,307	768	-	288	167	-	11,690	20,075	61	31,826	33,812
Conferences & meetings	1,513	550	6,438	2,715	810	1,236	1,357	16	14,635	21,356	-	35,991	25,977
Indirect costs	84,449	28,779	772,949	57,059	24,271	39,980	182,657	2,581	1,192,725	(1,193,325)	600	-	-
Total expenses	\$ 642,818	\$ 621,699	\$ 6,784,693	\$ 427,599	\$ 286,419	\$ 813,233	\$ 1,303,827	\$ 35,605	\$ 10,915,893	\$ 372,100	\$ 6,688	\$ 11,294,681	\$ 10,775,736

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended February 28, 2019

(With Comparative Totals for the Year Ended February 28, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (79,179)	\$ (148,981)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	268,025	248,596
Debt principal forgiveness	(27,260)	(27,260)
Changes in certain assets and liabilities:		
Grants and contracts receivable	(122,693)	235,549
Prepaid expenses and other current assets	16,420	(95,155)
Accounts payable	(80,620)	(188,919)
Accrued liabilities	(1,417)	23,062
Accrued vacation	11,215	(4,939)
Contract advances and deferred income	(264,492)	742,239
Interest payable	36,813	36,812
Net cash provided (used) by operating activities	<u>(243,188)</u>	<u>821,004</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(49,379)
Net cash provided (used) by investing activities	<u>-</u>	<u>(49,379)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(48,357)	(44,975)
Net cash provided (used) by financing activities	<u>(48,357)</u>	<u>(44,975)</u>
Net increase (decrease) in cash during the year	(291,545)	726,650
Cash balance, beginning of period	<u>1,228,348</u>	<u>501,698</u>
Total cash and cash equivalents, end of period	<u>\$ 936,803</u>	<u>\$ 1,228,348</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 60,786</u>	<u>\$ 64,407</u>

The accompanying notes are an integral part of these financial statements.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 1 - GENERAL

Organization

Community Action Partnership of Sonoma County (CAPSC) is a dynamic multi-program human services organization dedicated to partnership with low-income families and individuals to help them achieve economic and social stability, to build community, and to advocate for social and economic justice. Created in 1966 with federal Economic Opportunity Act funds, CAPSC set about meeting its mission to assist low-income families and individuals who live in Sonoma County in achieving a quality of life based on self-sufficiency and the reduction of dependency through the following programs:

**Housing and Financial Stability** – To encourage self-sufficiency, as well as housing, family, and financial stability, the department offers education on financial capacity while providing temporary housing and financial assistance. CAPSC provides the followings programs:

- *HCA Family Fund* – The Fund is designed to assist those who are homeless or at risk of becoming homeless with once in a lifetime assistance combined with Financial Coaching to empower the participant in creating a household budget, develop skills necessary to manage a household and learn the importance of savings.
- *H2O Help to Others* – Water bill assistance program for low income rate payers of Santa Rosa Water.
- *Pathways Housing* – Temporary and low-income shelter, temporary and permanent support housing providing a continuum of care in which participants are provided with Strengths Based Case Management, Trauma Informed Services and Peer Supportive Environments.
- *Volunteer Income Tax Assistance (VITA)* - Free, quality tax return preparation to individuals, families, and seniors. Our preparers are volunteers certified by the IRS.

**Head Start/Early Head Start** – Head Start/Early Head Start is a national child and family development program for low-income children ages birth to five years old and their families, funded by the United States Department of Health and Human Services. In addition to providing developmentally appropriate preschool experiences for young children, Head Start/Early Head Start partners with community agencies and resources to provide comprehensive services to these children and their families in areas such as social, health, dental, nutrition, mental health, and special education. Ten percent of enrollment opportunities are for children with diagnosed disabilities.

**Health and Wellness** – In order for Sonoma County to be the healthiest county in California, Health and Wellness provides access to medical and dental services in order to foster health equity. Health and Wellness includes the following:

- *Community & School Health* – Provides vital school-based health services in the Roseland School District, including vision, hearing and vaccination screening, as well as ensuring that all students have access to health care.
- *Dental Days at WIC* – include preventive dental visits, referrals to dentists for children with cavities, parental education and one-on-one individual instruction on how to care for their children’s teeth.
- *Give Kids A Smile Day!* – An annual event that takes place during the first weekend in February, to provide free dental services to underprivileged children in Sonoma County between the ages of 0 to 18.
- *School Smile Program* – School-based dental health prevention program that provides fluoride application, dental sealant placement on eligible teeth, dental health education, referral for needed treatment and case management.

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2019

NOTE 1 - GENERAL (concluded)

**Community Engagement and Youth Program** – Provides opportunities for community and civic engagement among low-income youth, families and residents in order to achieve academic, social, and economic success. Community Engagement and Youth Program includes the following:

- *Community Building Initiative* – Resident led decision making process to determine the number one issue facing the Roseland neighborhood.
- *DIG Youth Leaders* – Leadership program for youth ages 13 to 24, focusing on preventing problems associated with underage drinking.
- *Southwest Family Resource Center* – Early intervention, school-based program providing family support to address issues that may negatively impact a student’s success in school.
- *Padres Unidos* – A sixteen week Spanish language parent training program designed specifically for the parents’ strong-willed and out-of-control teenagers.

**Education (School Readiness) Program** – Provides learning opportunities for children and their families that will enhance their ability to achieve academic success and break the cycle of poverty. Education includes the following:

- *AVANCE* – Spanish-speaking parent education program teaching parenting skills and encouraging parents as their child’s first teacher, to expand their vision for their own and their children’s future.
- *Pasitos<sup>sm</sup> Playgroups* – Prepares young children aged 3 to 4 years old to be successful in school with activities that build language, early literacy, fine motor skills and social ability.
- *Via Esperanza Centro de Educación* – Located at Cook Middle School, the project provides opportunities for parents and children to succeed through Early Childhood Education Classes and Playgroups, Parent Education, Financial Literacy Education, Leadership Classes, Counseling and Case Management, Books, Videos, and Other Resources, Internet Access, and much more.
- *Youth Connections* – High School Diploma, Work Readiness Preparation, College & Career Mentoring, and Entrepreneurial Development program for out-of-school youth ages 16 to 24 in Sonoma County.

**Administration Services** – Represents management and general expenses, indirect costs, and the administrative cost portion of program services.

CAPSC receives its principal funding from the United States Department of Health & Human Services, the United States Department of Agriculture, and the United States Department of Housing and Urban Development and accordingly, operates under the guidelines and regulations of these funding sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of CAPSC are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. New Accounting Pronouncements

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit organization’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses.

The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Net assets have been reclassified for 2018 due to the adoption of ASU 2016-14 as of February 28, 2018 as follows:

Net Asset Classification February 28, 2018	Without donor restrictions	With donor restrictions	Total Net Assets
Unrestricted	\$ 511,152	\$ -	\$ 511,152
Temporarily restricted	-	1,127,351	1,127,351
Permanently restricted	-	-	-
Total	<u>\$ 511,152</u>	<u>\$ 1,127,351</u>	<u>\$ 1,638,503</u>

C. Description of Net Assets

Without donor restrictions is defined as that portion of net assets that has no use or time restrictions. CAPSC’s bylaws include a variance provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, CAPSC classifies contributions, except as noted below, as without donor restriction for financial statement presentation.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Net Assets (concluded)

With donor restrictions is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated for use based on CAPSC's spending policy. CAPSC also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restriction until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported as net assets released from restrictions.

With donor restricted funds as of February 28 were available for the following purposes:

<u>Program activities</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
<b>Subject to Expenditures for specific purpose:</b>				
Financial Stability	\$ 91,248	\$ 58,839	\$ 82,656	\$ 67,431
Head Start/Early Head Start program	829,053	37,175	101,187	765,041
Health services program	48,464	164,819	94,755	118,528
Community engagement programs	2,960	27,443	28,178	2,225
Emergency disaster relief program	27,655	65,000	1,870	90,785
Education (School readiness)	115,625	18,032	22,680	110,977
Youth programs	551	-	551	-
Other	<u>11,795</u>	<u>29,128</u>	<u>14,169</u>	<u>26,754</u>
Total	<u>\$ 1,127,351</u>	<u>\$ 400,436</u>	<u>\$ 346,046</u>	<u>\$ 1,181,741</u>

D. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid debt instruments purchased with maturities of three months or less.

Cash that is considered as an investment of CAPSC is not included as part of cash and cash equivalents for the purpose of the statement of cash flows.

E. Investments

Investments consisting of certificates of deposit, money market funds, fixed income obligations and equities are recorded at their estimated fair market value based on quoted market values. Interest and dividend income is recognized as it is earned.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fixed Assets

Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. The aggregate cost of assets over \$5,000 acquired through unrestricted grant resources is capitalized in the statement of financial position.

Assets acquired through grant resources are considered to be owned by the grantor while such assets are in use under the funded program, or while they are being used for a similar program. Any disposition of restricted assets or any funds derived therefrom are subject to grant regulations. Total fixed assets acquired through grant resources for the fiscal years ended February 28, 2019 and February 28, 2018, net of accumulated depreciation, amounted to \$753,380 and \$816,688, respectively.

G. Debt Issuance Costs

Debt issuance costs are stated at cost and amortization is computed on the straight-line basis of accounting over the life of the loans. Amortization expense for the years ended February 28, 2019 and February 28, 2018 totaled \$478 and \$478, respectively.

H. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to CAPSC. Contributions restricted by the donor are reported as an increase in without donor restrictions if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government grants and revenue are recognized when CAPSC incurs expenditures related to the required services. Amounts billed or received in advance are recorded as contract advances and deferred revenue until the related services are performed. Amounts due CAPSC for services performed at February 28, 2019 and February 28, 2018 are included in accounts receivable.

CAPSC accrued \$16,843 and \$16,843 for an uncollectible receivable at February 28, 2019 and 2018. It is the opinion of management that it is highly probable that the remaining receivables will be collected. This is based on previous experiences and management's analysis and assurances made by the staff.

I. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CAPSC. Volunteers also provided services that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

The Head Start Program requires 20% of the total expenses to be provided by the sponsor and participants in the program. To comply with this requirement, CAPSC has developed a reporting system to determine all in-kind contributions, which consist primarily of parent volunteer services valued at a nominal hourly rate, to the Head Start Program. The value of Head Start in-kind contributions for the fiscal years ended February 28, 2019 and February 28, 2018 of \$1,355,598 and \$1,043,465 has not been reflected in the financial statements.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Cost Allocation Policy

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Charging of costs will be determined on the basis of whether that expense is a direct cost or indirect (allocable) cost. Direct cost expenses will be charged directly to the grant or project and specific cost category. Expenses related to more than one function are charged to program services on the ratio of total program shared direct expenses. Indirect costs represent administrative costs recorded in the general administration fund which are allocable to all programs as indirect administrative costs per the rate approved by the U.S. Department of Health and Human Services.

K. Fundraising Expenses

Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.

L. Use of Estimates

The financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

M. Risk Management

CAPSC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which CAPSC carries commercial insurance.

N. Contingencies

CAPSC's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose of such audits is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CAPSC has made no provisions for the possible disallowance of program costs on its financial statements.

O. Concentrations

CAPSC receives a substantial amount of revenue for its programs from the U.S. Department of Health & Human Services. During the years ended February 28, 2019 and February 28, 2018, CAPSC received \$6,966,774 and \$6,810,244, which amounts to 62% and 64% of total revenue for the fiscal years ended February 28, 2019 and February 28, 2018, respectively.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 3 - INCOME TAXES

CAPSC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CAPSC is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors and grantors may obtain tax benefits. In addition, CAPSC has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code.

CAPSC adopted the recognition requirements for uncertain income tax positions as required by Generally Accepted Accounting Principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. CAPSC has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. CAPSC believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on CAPSC’s financial condition, results of operations or cash flows. Accordingly, CAPSC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at February 28, 2019.

CAPSC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. CAPSC’s policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE 4 - CASH

Cash balances at February 28, 2019 and February 28, 2018 are as follows:

	2019	2018
Unrestricted:		
Exchange Bank checking	\$ 485,268	\$ 562,467
Exchange Bank money market account	388,611	300,243
Paypal	8,011	11,065
Petty cash	4,312	3,321
Restricted cash:		
HCA Account – WestAmerica	43,206	343,866
IDA Account – Exchange Bank	7,395	7,386
Total cash and cash equivalents	\$ 936,803	\$ 1,228,348

At February 28, 2019 and February 28, 2018, the respective bank balances were \$1,145,827 and \$1,376,948 of which \$370,170 and \$511,065 were insured under the Federal Deposit Insurance Corporation (FDIC), respectively. The remaining bank balances of \$775,657 and \$865,883 at February 28, 2019 and February 28, 2018, were uninsured and held by the financial institutions in CAPSC’s name. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 5 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects CAPSC's financial assets as of February 28, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

<u>Financial assets</u>	
Cash and cash equivalents	\$ 497,591
Investments	388,611
Restricted accounts	50,601
Grants and contracts receivable, net of allowance for uncollectible accounts	<u>1,597,794</u>
Total financial assets as of February 28, 2019	<u>2,534,597</u>
Less those unavailable for general expenditures within one year due to:	
Restricted account	(50,601)
With donor restrictions	<u>(1,181,741)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 1,302,255</u>

NOTE 6 - GRANTS/CONTRACTS RECEIVABLE

Grants/contracts receivable at February 28 consisted of the following:

	<u>2019</u>	<u>2018</u>
U.S. DHHS – Head Start and Early Head Start	\$ 768,171	\$ 753,137
U.S. Dept of Treasury – United Way	13,923	34,063
California Community Service Development – CSBG grant	184,154	116,697
California Department of Education – CACFP Food Program	63,110	50,049
California Department of Health Care Services	-	78,933
First 5 Sonoma County	104,731	173,438
County of Sonoma	20,975	46,308
Santa Rosa City School	70,000	60,000
Roseland School District	123,831	-
City of Santa Rosa	15,541	75,640
Healdsburg Unified School District	-	4,000
Kaiser Permanente	-	21,667
HCA	34,041	41,880
John Muir Charter School	66	12,375
Bay Area Council of Economic Institute	20,000	-
Catholic Charities of the Diocese of Santa Rosa	63,038	-
Office of Child Abuse Prevention	82,029	-
Other	<u>34,184</u>	<u>6,914</u>
Total	<u>\$ 1,597,794</u>	<u>\$ 1,475,101</u>

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 7 - FIXED ASSETS

Fixed assets as of February 28 were as follows:

	2019	2018
Land	\$ 554,706	\$ 554,706
Buildings and improvements	5,020,612	5,020,612
Leasehold improvements	984,256	957,381
Furniture and equipment	105,896	105,896
Vehicle	382,077	382,077
Subtotal	7,047,547	7,020,672
Less accumulated depreciation	(3,348,522)	(3,080,975)
Total fixed assets, net of accumulated depreciation	\$ 3,699,025	\$ 3,939,697

Depreciation expense was \$267,547 and \$248,117, for the years ended February 28, 2019 and February 28, 2018, respectively.

NOTE 8 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of CAPSC. The amount of accrued vacation was \$199,719 and \$188,504 as of February 28, 2019 and February 28, 2018, respectively.

NOTE 9 - CONTRACT ADVANCES AND DEFERRED INCOME

Contract advances and deferred income as of February 28 consisted of the following:

	2019	2018
Emergency Disaster Relief – Foundation grants & donations	\$ 450,556	\$ 609,243
California Department of Community Services – CSBG and CSBG discretionary grant	11,220	101,370
HS-EHS Program - First 5 Sonoma County Commission	174,220	74,220
Financial Stability Program – Foundation grants	38,423	57,677
Housing – Foundation grants	15,227	18,668
Community Engagement Program – City of Santa Rosa	1,398	2,000
Community Engagement Program – First 5	-	94,702
Community Engagement Program – Foundation grants	32,751	12,983
School Readiness – Foundation grants	334,193	398,208
Education – San Francisco Foundation	28,493	-
Other	21,716	3,618
Total	\$ 1,108,197	\$ 1,372,689

NOTE 10 - LINE OF CREDIT

CAPSC had a \$300,000 revolving line of credit with a bank with interest payable monthly on the outstanding balance at a variable interest rate, currently at 4.5%, expiring February 1, 2019. The outstanding balance at February 28, 2019 and February 28, 2018 was \$-0- and \$-0-, respectively.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 11 - NOTES PAYABLE

The summary of notes payable at February 28 is as follows:

	2019	2018
<u>Forgivable loans:</u>		
First 5 Sonoma County - Starr Rd	\$ 29,532	\$ 56,792
National Bank of the Redwoods/WestAmerica – Aston Ave	60,000	60,000
Total forgivable loans	89,532	116,792
 Non-forgivable loans:		
Mortgage loans:		
Exchange Bank - Star Rd #1	310,531	317,059
Exchange Bank - Star Rd #2	72,514	74,026
Luther Burbank Savings - Earle St #1	157,542	167,895
Luther Burbank Savings - Giffen #1	98,597	103,626
WestAmerica Bank 2008 - Aston Ave #5	346,800	371,735
 <u>Deferred loans:</u>		
*Housing Authorities of City of Santa Rosa 1998 - Earle St #2	175,000	175,000
*Housing Authorities of City of Santa Rosa 1999 - Earle St #3	37,626	37,626
*Housing Authorities of City of Santa Rosa 1998 - Giffen #2	143,886	143,886
Sonoma County Community Development 2000 - Giffen #3	143,343	143,343
*Housing Authorities of City of Santa Rosa 1987 - Chanate #1	23,700	23,700
*Housing Authorities of City of Santa Rosa 2005 - Chanate #2	145,458	145,458
*Housing Authorities of City of Santa Rosa 2002 - Aston #1	5,481	5,481
*Housing Authorities of City of Santa Rosa 2002 - Aston #2	111,000	111,000
*Housing Authorities of City of Santa Rosa 2002 - Aston #3	311,416	311,416
*Housing Authorities of City of Santa Rosa 2007 - Aston #4	130,174	130,174
Total non-forgivable loans	2,213,068	2,261,425
 Total notes payable	 2,302,600	 2,378,217
Less current portion	(68,975)	(76,926)
Total, net of current portion	\$ 2,233,625	\$ 2,301,291

Contingent payments for all of the notes payable are as follows:

<u>Fiscal Year Ending February 28:</u>		
2020 (current portion)		\$ 41,715
2021		51,404
2022		54,366
2023		57,509
2024		60,842
Thereafter		1,947,232
Total		\$ 2,213,068

Notes expected to be forgiven at maturity are as follows:

<u>Fiscal Year Ending February 28:</u>		
2020 (current portion)		\$ 27,260
2021		2,272
2022		60,000
Total		\$ 89,532

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 11 - NOTES PAYABLE (continued)

Total interest paid and accrued on all notes payable was \$97,599 and \$101,219 for the fiscal years ended February 28, 2019 and February 28, 2018, respectively. Total interest accrued on deferred loans was \$636,133 and \$599,320 at February 28, 2019 and February 28, 2018, respectively.

\*The term of deferred loans due to Housing Authority of City of Santa Rosa will likely be extended up to 30 years at maturity.

**Forgivable Loans**

**First 5 Sonoma County – Starr Rd**

In April 2010, CAPSC obtained a note payable in the amount of \$272,600 from County of Sonoma Children and Families Commission. The note is non-interest bearing and is scheduled to be forgiven over a period of 10 years with effect from April 1, 2010 to March 31, 2019. The forgiveness of the note is contingent upon CAPSC's compliance with the issuer's requirements. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$29,532 and \$56,792, respectively.

**National Bank of the Redwoods/WestAmerica – Aston Ave**

In February 2005, CAPSC obtained a note payable in the amount of \$60,000, which is secured by a deed of trust of real property located on Aston Avenue, Santa Rosa, California. The note is non-interest bearing and is scheduled to be forgiven in February 2020. The forgiveness of the note is contingent upon CAPSC's compliance with the issuer's requirements. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$60,000.

**Mortgage Loans**

**Exchange Bank – Star Rd #1**

In August 2008, CAPSC obtained a note payable in the amount of \$365,047 with Exchange Bank, which is secured by a deed of trust of real property. The note bears an interest rate at 5.00% as of February 28, 2019. The note is payable in monthly installments of \$1,853 through November 1, 2026. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$310,531 and \$317,059, respectively.

**Exchange Bank – Star Rd #2**

In August 2008, CAPSC obtained a note payable in the amount of \$84,953 with Exchange Bank, which is secured by a deed of trust of real property. The note bears an interest rate at 5.00% as of February 28, 2019. The note is payable in monthly installments of \$436 through November 1, 2026. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$72,514 and \$74,026, respectively.

**Luther Burbank Savings – Earle St #1**

In May 2003, CAPSC obtained a note payable in the amount of \$280,000 with Luther Burbank Savings, which is secured by a deed of trust of real property. The note bears an interest rate at 6.00%. The note is payable in monthly installments of \$1,679 through October 1, 2029. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$157,542 and \$167,895, respectively.

**Luther Burbank Savings - Giffen #1**

In April 2000, CAPSC obtained a \$147,000 loan secured by deed of trust of real property located on Giffen Avenue, Santa Rosa, California. The loan has an annual interest rate of 8.83%, with monthly payments of principal and interest in the amount of \$1,165, and matures on April 1, 2030. As of February 28, 2019 and February 28, 2018, the outstanding principal on the note was \$98,597 and \$103,626, respectively.

Community Action Partnership of Sonoma County  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2019

NOTE 11 - NOTES PAYABLE (continued)

**WestAmerica Bank 2008 - Aston Ave #5**

In March 2006, CAPSC obtained a note payable in the amount of \$545,000 with WestAmerica Bank, which is secured by a deed of trust of real property located on Aston Avenue, Santa Rosa, California. The note bears an interest rate at 7.00%. The note is payable in monthly installments of \$3,361 through August 2030. As of February 28, 2019 and February 28, 2018, the outstanding balance was \$346,800 and \$371,735, respectively.

**Deferred Loans**

**Department of Housing & Community Dev 1998 and 1999 revision (Earle Street #2 and #3)**

In December 1998, CAPSC purchased a property on Earle Street, Santa Rosa, California. To finance the purchase, CAPSC obtained a note payable in the amount of \$175,000 with the HASR, which is secured by a deed of trust of real property. In May 1999 the promissory note was revised to include an additional \$37,626. The interest rate of 3% is accrued in annual installments of interest only through May 2029 with a final payment of principal and accrued interest due at that date. At February 28, 2019 and February 28, 2018, the outstanding combined principal was \$212,626 and accrued interest was \$128,278 and \$121,894, respectively.

**Housing Authorities of City of Santa Rosa 1998 - Giffen #2**

In September 1998, CAPSC obtained a \$143,886 loan secured by deed of trust of real property located on Giffen Avenue, Santa Rosa, California. The interest rate of 3% is accrued in annual installments of interest only through September 2028, with a final payment of principal and accrued interest due at that time. At February 28, 2019 and February 28, 2018, the outstanding principal was \$143,886 and the amount of accrued interest was \$88,484 and \$84,167, respectively.

**Sonoma County Community Development 2000 - Giffen #3**

In January 2000, CAPSC obtained a \$143,343 note secured by deed of trust of real property located on Giffen Avenue, Santa Rosa, California. The interest rate of 3% is accrued annually through January 2030, with a final payment of principal and accrued interest due at that time. At February 28, 2019 and February 28, 2018, the outstanding combined principal was \$143,343 and the amount of accrued interest was \$82,389 and \$78,088, respectively.

**Housing Authorities of City of Santa Rosa 1987 - Chanate #1**

In April 1987, CAPSC obtained a \$23,700 note secured by deed of trust of real property located on Chanate Road, Santa Rosa, California. The annual interest rate of 3% was accrued annually through June 1, 1992 when a final payment of principal and accrued interest was due. Prior to the maturity date this note was renegotiated and the new maturity date is in March 2035. At February 28, 2019 and February 28, 2018, the outstanding principal was \$23,700 and the amount of accrued interest was \$22,664 and \$21,953, respectively.

**Housing Authorities of City of Santa Rosa 2005 - Chanate #2**

In March 2005, CAPSC obtained a \$145,458 note secured by deed of trust of real property located on Chanate Road, Santa Rosa, California. The annual interest rate of 3% is accrued annually through March 2035, with a final payment of principal and accrued interest due at that time. At February 28, 2019 and February 28, 2018, the outstanding principal was \$145,458 and the amount of accrued interest was \$60,937 and \$56,573, respectively.

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2019

NOTE 11 - NOTES PAYABLE (concluded)

**Housing Authorities of City of Santa Rosa 2002 - Aston #1, Aston #2, Aston #3**

In December 2002, CAPSC obtained a \$427,897 note secured by deed of trust of real property located on Aston Avenue, Santa Rosa, California. The funds for the note came from two sources: \$311,416 received from HOME-CHDO funds was for predevelopment and development costs of 10 new apartment units for transitional housing, \$111,000 from CDBG funds was for the purchase price of the property, \$5,481 received from HOME-CHDO funds was a conversion of a grant in 1994 by Housing Authority to a loan secured by the deed of trust when CAPSC acquired the title to real property. The annual interest rate of 3% is accrued annually through December 2032, with a final payment of principal and accrued interest due at that time. At February 28, 2019 and February 28, 2018, the outstanding principal was \$427,897 and the amount of accrued interest was \$207,606 and \$194,769, respectively.

**Housing Authorities of City of Santa Rosa 2007 - Aston #4**

In June 2007, CAPSC obtained a \$130,174 note secured by deed of trust of real property located on Aston Avenue, Santa Rosa, California. The annual interest rate of 3% is accrued annually through January 2037, with a final payment of principal and accrued interest due at that time. At February 28, 2019 and February 28, 2018, the outstanding principal was \$130,174 and the amount of accrued interest was \$45,900 and \$41,994, respectively.

NOTE 12 - EMPLOYEE BENEFIT PLAN

CAPSC has an Internal Revenue Code Section 401(k) salary deferred and profit sharing plan covering all of its employees who are at least 21 years old, have completed one year of service and have worked at least 1,000 hours during the 12-months immediately following their date of hire or during any plan year beginning after their date of hire. CAPSC may make discretionary matching and profit sharing contributions to the plan. For the years ended February 28, 2019 and February 28, 2018, CAPSC's contribution expense was \$131,527 and \$118,011, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Operating leases

CAPSC leases various facilities under operating leases with various terms. In May 2016, CAPSC sold its main office building on Dutton Ave and signed a 7-year lease agreement for its fiscal office location on Stony Circle, Santa Rosa, California.

Including the lease commitment for the new office location, future minimum payments, by year, and in the aggregate, under non-cancellable leases with initial or remaining terms of one year or more consist of the following:

Fiscal Year Ending February 28:

2020	\$	374,570
2021		371,499
2022		372,279
2023		380,897
2024		<u>63,773</u>
Total	\$	<u>1,563,018</u>

Rent expense under operating leases for the years ended February 28, 2019 and February 28, 2018 was \$506,571 and \$437,305, respectively.

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2019

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

CAPSC's beginning net assets at March 1, 2017 was adjusted to adjust deferred revenues that were not recognized as matching revenues and temporarily restricted net assets in prior years in error. The net effect was an increase of temporarily net assets by \$8,980.

NOTE 15 - COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CAPSC's financial statements for the year ended February 28, 2018, from which the summarized information was derived.

NOTE 16 - RECLASSIFICATIONS

Certain amounts in the February 28, 2018 financial statements have been reclassified to conform to the February 28, 2019 presentation. These reclassifications have no effect on the change in net assets as previously reported.

NOTE 17 - SUBSEQUENT EVENTS

CAPSC has evaluated events and transactions for potential recognition or disclosure through November 26, 2019, the date the financial statements were available to be issued.

COMBINING SCHEDULE OF ACTIVITIESHEAD START AND EARLY HEAD START PROGRAM

For the Year Ended February 28, 2019

	Grant No. 09CH9187-04-04		
	Head Start*	Early Head Start*	Total
Revenues:			
Government contracts	\$ 5,291,756	\$ 1,149,139	\$ 6,440,895
Child care food program	221,576	26,198	247,774
Other revenue	-	-	-
In-kind revenue	<u>1,178,124</u>	<u>177,474</u>	<u>1,355,598</u>
Total revenues	<u>6,691,456</u>	<u>1,352,811</u>	<u>8,044,267</u>
Expenses:			
Salaries	2,749,532	613,673	3,363,205
Payroll taxes	243,902	64,134	308,036
Worker's compensation	125,987	26,736	152,723
Employee benefits	387,791	99,039	486,830
Professional fees	110,083	9,290	119,373
Facilities and communication	135,208	20,387	155,595
Occupancy	312,549	46,545	359,094
Tools and equipment	10,958	3,050	14,008
Vehicle and equipment maintenance	33,220	442	33,662
Building repairs & maintenance	166,335	5,174	171,509
Miscellaneous	3,963	25	3,988
Program supplies	161,177	101,083	262,260
Insurance	47,163	2,726	49,889
Employee development	47,380	8,019	55,399
Travel	40,206	3,899	44,105
Printing & publications	2,790	635	3,425
Office supplies	14,850	725	15,575
Equipment rental	14,319	511	14,830
In-kind expenses	1,178,124	177,474	1,355,598
Food service supplies	278,339	34,741	313,080
Indirect cost allocation	<u>627,580</u>	<u>134,503</u>	<u>762,083</u>
Total expenses	<u>6,691,456</u>	<u>1,352,811</u>	<u>8,044,267</u>
Change in net assets	-	-	-
Net assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* Includes In-kind revenue and expenses which are not recognized in the financial statements.

Community Action Partnership of Sonoma County  
DHHS SCHEDULE OF REVENUE AND EXPENSES  
HEAD START AND EARLY HEAD START PROGRAM

Schedule 2

Grant No. 09CH9187-04-04

For the Period March 1, 2018 through February 28, 2019

	Audited Costs* Head Start	Audited Costs* Early Head Start	Total Audited Costs*	Total Budgets
Revenues:				
U.S. Dept. of Health & Human Services	\$ 5,291,756	\$ 1,149,139	\$ 6,440,895	\$ 6,818,502
Child care food program	221,576	26,198	247,774	-
Other revenue	-	-	-	-
In-kind revenue	1,178,124	177,474	1,355,598	1,704,626
Total revenues	6,691,456	1,352,811	8,044,267	8,523,128
Expenses:				
Personnel	2,749,532	613,673	3,363,205	3,399,196
Fringe benefits	757,680	189,909	947,589	990,171
Travel	40,206	3,899	44,105	11,943
Equipment	58,497	4,003	62,500	80,000
Supplies	273,360	113,188	386,548	343,703
Contractual	110,083	9,290	119,373	38,197
Facilities/construction	614,092	72,106	686,198	-
Other	3,963	25	3,988	1,148,415
Food service supplies	278,339	34,741	313,080	-
In-kind expenses	1,178,124	177,474	1,355,598	1,704,626
Indirect costs	627,580	134,503	762,083	806,877
Total expenses	6,691,456	1,352,811	8,044,267	8,523,128
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

\* Revenue and expenses include in-kind of \$1,355,598 which is not recognized in the financial statements.

Community Action Partnership of Sonoma County  
DEPT OF CSD SCHEDULE OF REVENUE AND EXPENSES

Schedule 3

Contract No.19F-4046 (CSBG ADMIN)

For the Period January 1, 2019 through February 28, 2019

	1/1/2019 through 2/28/2019	Total Actual Costs	Total Reported Expenses	Total Budgets
<b>Revenues:</b>				
Contract revenue	\$ 83,370	\$ 83,370	\$ 83,370	\$ 448,690
Other revenue	-	-	-	-
Total revenues	83,370	83,370	83,370	448,690
<b>Expenses:</b>				
Administrative costs:				
Salaries and wages	11,785	11,785	11,785	76,873
Fringe benefits	1,609	1,609	1,609	18,560
Operating expenses	20,373	20,373	19,196	20,103
Equipment	-	-	-	2,000
Out-of-State travel	668	668	668	12,000
Contract/consultant services	2,470	2,470	2,470	8,686
Other costs	5,831	5,831	7,008	27,597
Subtotal administrative costs	42,736	42,736	42,736	165,819
Program costs:				
Salaries and wages	23,821	23,821	23,821	170,531
Fringe benefits	6,265	6,265	6,265	46,444
Operating expenses	4,390	4,390	4,390	24,000
Out-of-State travel	655	655	655	5,000
Subcontractor/consultant services	-	-	-	-
Other costs	5,503	5,503	5,503	36,896
Subtotal program costs	40,634	40,634	40,634	282,871
Total expenses	83,370	83,370	83,370	448,690
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

Community Action Partnership of Sonoma County  
DEPT OF CSD SCHEDULE OF REVENUE AND EXPENSES

Schedule 4

Contract No. 18F-5046 (CSBG ADMIN)

For the Period January 1, 2018 through December 31, 2018

	1/1/2018 through 2/28/2018	3/1/2018 through 12/31/2018	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:					
Contract revenue	\$ 65,824	\$ 388,032	\$ 453,856	\$ 453,855	\$ 453,855
Other revenue	-	-	-	-	-
Total revenues	65,824	388,032	453,856	453,855	453,855
Expenses:					
Administrative costs:					
Salaries and wages	11,473	68,827	80,300	81,029	81,029
Fringe benefits	3,135	12,325	15,460	14,732	14,732
Operating expenses	3,007	43,052	46,059	20,103	20,103
Equipment	5,160	-	5,160	5,000	5,000
Out-of-State travel	2,707	7,905	10,612	14,725	14,725
Contract/consultant services	-	-	-	16,420	16,420
Other costs	3,716	22,321	26,037	31,917	31,917
Subtotal administrative costs	29,198	154,430	183,628	183,926	183,926
Program costs:					
Salaries and wages	16,781	131,818	148,599	149,740	149,740
Fringe benefits	5,020	26,536	31,556	30,415	30,415
Operating expenses	10,107	38,405	48,512	44,679	44,679
Out-of-State travel	-	4,364	4,364	8,196	8,196
Subcontractor/consultant services	-	-	-	-	-
Other costs	4,718	32,479	37,197	36,899	36,899
Subtotal program costs	36,626	233,602	270,228	269,929	269,929
Total expenses	65,824	388,032	453,856	453,855	453,855
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -	\$ -

Community Action Partnership of Sonoma County  
DEPT OF CSD SCHEDULE OF REVENUE AND EXPENSES  
 Contract No. 18F-5046 (CSBG DISCRETIONARY)  
 For the Period January 1, 2019 through February 28, 2019

Schedule 5

	1/1/2019 through 2/28/2019	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:				
Contract revenue	\$ 33,963	\$ 33,963	\$ 33,963	\$ 35,000
Other revenue	-	-	-	-
Total revenues	33,963	33,963	33,963	35,000
Expenses:				
Administrative costs:				
Salaries and wages	-	-	-	-
Fringe benefits	-	-	-	-
Operating expenses	-	-	-	-
Equipment	-	-	-	-
Out-of-State travel	-	-	-	-
Contract/consultant services	-	-	-	-
Other costs	-	-	-	-
Subtotal administrative costs	-	-	-	-
Program costs:				
Salaries and wages	-	-	-	-
Fringe benefits	-	-	-	-
Operating expenses	21,816	21,816	21,816	22,709
Equipment	-	-	-	-
Out-of-State travel	-	-	-	-
Subcontractor/consultant services	7,500	7,500	7,500	7,500
Other costs	4,647	4,647	4,647	4,791
Subtotal program costs	33,963	33,963	33,963	35,000
Total expenses	33,963	33,963	33,963	35,000
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

Community Action Partnership of Sonoma County  
DEPT OF CSD SCHEDULE OF REVENUE AND EXPENSES  
 Contract No. 17F-2046 (CSBG DISCRETIONARY)  
 For the Period November 1, 2017 through July 31, 2018

Schedule 6

	<u>11/1/2017</u> <u>through</u> <u>2/28/2018</u>	<u>3/1/2018</u> <u>through</u> <u>7/31/2018</u>	<u>Total</u> <u>Actual</u> <u>Costs</u>	<u>Total</u> <u>Reported</u> <u>Expenses</u>	<u>Total</u> <u>Budgets</u>
Revenues:					
Contract revenue	\$ 9,458	\$ 20,542	\$ 30,000	\$ 30,000	\$ 30,000
Unearned revenue	-	-	-	-	-
Total revenues	<u>9,458</u>	<u>20,542</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Expenses:					
Administrative costs:					
Salaries and wages	-	-	-	-	-
Fringe benefits	-	-	-	-	-
Operating expenses	-	-	-	-	-
Out-of-State travel	-	-	-	-	-
Contract/consultant services	-	-	-	-	-
Other costs	-	-	-	-	-
Subtotal administrative costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program costs:					
Salaries and wages	6,070	14,126	20,196	19,177	19,177
Fringe benefits	1,180	448	1,628	2,456	2,456
Operating expenses	912	3,152	4,064	4,230	4,230
Out-of-State travel	-	-	-	-	-
Subcontractor/consultant services	-	-	-	-	-
Other costs	1,296	2,816	4,112	4,137	4,137
Subtotal program costs	<u>9,458</u>	<u>20,542</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total expenses	<u>9,458</u>	<u>20,542</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INDEPENDENT AUDITORS' 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 Partnership of Sonoma County  
Santa Rosa, California

We have audited, in accordance with the 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 financial statements of Community Action Partnership of Sonoma County, which comprise the statement of financial position as of February 28, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Partnership of Sonoma County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Action Partnership of Sonoma County's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Action Partnership of Sonoma County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 26, 2019

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

Board of Directors  
Community Action Partnership of Sonoma County  
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited Community Action Partnership of Sonoma County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Action Partnership of Sonoma County's major federal programs for the year ended February 28, 2019. Community Action Partnership of Sonoma County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community Action Partnership of Sonoma County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Action Partnership of Sonoma County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community Action Partnership of Sonoma County's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Action Partnership of Sonoma County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2019.

Report on Internal Control Over Compliance

Management of Community Action Partnership of Sonoma County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community Action Partnership of Sonoma County's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Community Action Partnership of Sonoma County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*R. J. Ricciardi, Inc.*

R. J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
November 26, 2019

Community Action Partnership of Sonoma County  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended February 28, 2019

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Amount Provided to Sub-recipients</u>
<u>U.S. Department of Agriculture:</u>						
Pass through the California State Department of Education:						
Child Care Food Program (Center)	10.558	49-1781-0	\$ 247,774	\$ 247,774	\$ 247,774	\$ -
Total pass through the California State Department of Education:				<u>247,774</u>	<u>247,774</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>				<u>247,774</u>	<u>247,774</u>	<u>-</u>
<u>U.S. Department of Treasury:</u>						
Pass through United Way Wine Country						
Volunteer Income Tax Assistance 2017-2018	21.009	N/A	55,000	20,266	20,266	
Volunteer Income Tax Assistance 2018-19	21.009	N/A	55,000	<u>14,559</u>	<u>14,559</u>	<u>-</u>
Total pass through United Way Wine Country				<u>34,825</u>	<u>34,825</u>	<u>-</u>
<b>Total U.S. Department of Treasury</b>				<u>34,825</u>	<u>34,825</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>						
Direct awards:						
Head Start and Early Head Start*	93.600	09CH9187-04-04	8,523,128	<u>7,796,493</u>	<u>7,796,493</u>	<u>-</u>
Total direct awards from U.S. Department of Health & Human Services				<u>7,796,493</u>	<u>7,796,493</u>	<u>-</u>
Pass through California Department of Community Services						
Community Services Block Grant	93.569	19F-4046	448,690	83,370	83,370	-
Community Services Block Grant	93.569	18F-5046	453,855	388,032	388,032	-
Community Services Block Grant - Discretionary	93.569	18F-5046	35,000	33,963	33,963	-
Community Services Block Grant - Discretionary	93.569	17F-2046	30,000	<u>20,542</u>	<u>20,542</u>	<u>-</u>
Total pass through California Department of Community Services				<u>525,907</u>	<u>525,907</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>8,322,400</u>	<u>8,322,400</u>	<u>-</u>
Total federal awards				<u>\$ 8,604,999</u>	<u>\$ 8,604,999</u>	<u>\$ -</u>

\* The match in-kind revenue and expenses of \$1,355,598 was not recognized in the financial statements because it did not meet the criteria for recognition under FASB ASC 958.

Community Action Partnership of Sonoma County  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended February 28, 2019

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Community Action Partnership of Sonoma County and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the award contract, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 3 - INDIRECT COSTS

Community Action Partnership of Sonoma County elected not to use the 10% de minimis cost rate as covered in the Uniform Guidance Part 200.414 Indirect (F&A) Costs.

Community Action Partnership of Sonoma County  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended February 28, 2019

**Section I – Summary of Auditors’ Results**

1. Type of auditors’ report issued: unmodified
2. Internal control over financial reporting:
  - A. Material weakness(es) identified? no
  - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
  - C. Noncompliance material to financial statements noted? no
3. Internal control over major programs:
  - A. Material weakness(es) identified? no
  - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
  - C. Type of auditors’ report issued on compliance for major programs: unmodified
  - D. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? no
4. Audited as Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
93.600	Head Start and Early Head Start Program	\$7,796,493
93.569-93.570	Community Services Block Grant and Discretionary	\$525,907
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
6. The auditee qualifies as a low-risk auditee? yes

**Section II – Financial Statement Findings**

There were no financial statement findings.

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

There were no federal award findings and questioned costs.

Community Action Partnership of Sonoma County  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
February 28, 2019

Recommendation

Status/Explanation

There were no prior year findings or recommendations.