

COMMUNITY ACTION PARTNERSHIP OF SONOMA COUNTY

SANTA ROSA, CALIFORNIA

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT**

FEBRUARY 28, 2018

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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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Community Action Partnership of Sonoma County's 2017 financial statements, and our report dated November 21, 2017, 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, 2017, 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 7 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 2, 2018 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 2, 2018

Community Action Partnership of Sonoma County
STATEMENTS OF FINANCIAL POSITION
February 28, 2018
(With Comparative Totals for February 28, 2017)

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,228,348	\$ 501,698
Accounts receivable	1,816	1,241
Grants and contracts receivable, net of allowance for uncollectible accounts	1,473,285	1,709,409
Prepaid expenses and other current assets	180,959	85,804
Total current assets	2,884,408	2,298,152
Non-current assets:		
Fixed assets, net of accumulated depreciation	3,939,697	4,058,826
Debt issuance costs, net of amortization	3,192	3,671
Total non-current assets	3,942,889	4,062,497
Total assets	\$ 6,827,297	\$ 6,360,649
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 376,305	\$ 565,224
Accrued liabilities	273,759	250,697
Accrued vacation	188,504	193,443
Contract advances and deferred income	1,372,689	639,430
Interest payable	599,320	562,508
Notes payable, current portion	76,926	74,150
Total current liabilities	2,887,503	2,285,452
Long-term liabilities:		
Notes payable, net of current portion	2,301,291	2,376,302
Total long-term liabilities	2,301,291	2,376,302
Total liabilities	5,188,794	4,661,754
Net assets - Exhibit A:		
Unrestricted	511,152	580,914
Temporarily restricted	1,127,351	1,117,981
Total net assets	1,638,503	1,698,895
Total liabilities and net assets	\$ 6,827,297	\$ 6,360,649

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

STATEMENTS OF ACTIVITIES

For the Year Ended February 28, 2018

(With Comparative Totals for the Year Ended February 28, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Revenues:				
Government contracts	\$ 8,033,783	\$ 461,410	\$ 8,495,193	\$ 8,131,993
Grant and contribution income	1,546,414	174,829	1,721,243	1,648,526
Rental income	259,799	-	259,799	250,417
Program service income	47,680	-	47,680	80,650
Miscellaneous income	48,925	6,500	55,425	121,867
Fundraising	-	19,925	19,925	14,906
Interest and dividends	230	-	230	71
Debt forgiveness	27,260	-	27,260	27,260
Gains on disposal of fixed assets	-	-	-	1,196,945
Net assets released from restrictions	737,644	(737,644)	-	-
Total revenues	<u>10,701,735</u>	<u>(74,980)</u>	<u>10,626,755</u>	<u>11,472,635</u>
Expenses:				
Program services:				
Housing program	514,604	-	514,604	469,547
Financial Stability	555,032	-	555,032	519,398
Head Start and Early Head Start program	5,785,924	-	5,785,924	5,452,709
Health service program	391,960	-	391,960	408,723
Community engagement programs	517,658	-	517,658	552,831
Emergency disaster relief program	435,915	-	435,915	-
Education (School readiness) programs	828,963	-	828,963	887,118
Youth programs	140,355	-	140,355	267,247
General and administration	1,469,707	-	1,469,707	1,482,652
Agency assets and resource development	135,618	-	135,618	162,911
Other agency services	-	-	-	-
Total expenses	<u>10,775,736</u>	<u>-</u>	<u>10,775,736</u>	<u>10,203,136</u>
Change in net assets	(74,001)	(74,980)	(148,981)	1,269,499
Changes to net assets				
Additions of restricted fixed assets	-	79,609	79,609	124,659
Net assets, beginning of period	580,914	1,117,981	1,698,895	347,930
Prior period adjustments	4,239	4,741	8,980	(43,193)
Net assets, as restated	<u>585,153</u>	<u>1,122,722</u>	<u>1,707,875</u>	<u>304,737</u>
Net assets, end of period	<u>\$ 511,152</u>	<u>\$ 1,127,351</u>	<u>\$ 1,638,503</u>	<u>\$ 1,698,895</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, 2018

	Program Services											2018 Total Expenses	2017 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 Administration	Agency Assets and Resource Development		
Expenses:													
Salaries	\$ 134,362	\$ 138,110	\$ 3,218,389	\$ 282,251	\$ 361,402	\$ 24,903	\$ 554,661	\$ 46,178	\$ 4,760,256	\$ 767,171	\$ 37,809	\$ 5,565,236	\$ 5,022,969
Payroll taxes	11,291	12,038	293,670	25,651	33,054	2,462	52,171	3,698	434,035	61,137	3,594	498,766	473,671
Worker's compensation	8,448	1,140	204,969	6,267	17,119	269	32,064	2,024	272,300	5,633	283	278,216	247,736
Employee benefits	22,280	3,560	468,406	30,945	30,615	1,817	67,487	4,792	629,902	70,848	5,304	706,054	732,415
Total personnel costs	176,381	154,848	4,185,434	345,114	442,190	29,451	706,383	56,692	6,096,493	904,789	46,990	7,048,272	6,476,791
Occupancy	68,833	15,491	406,283	17,008	14,710	2,469	27,341	50,566	602,701	80,757	3,425	686,883	715,671
Supplies	5,601	3,671	465,434	11,057	15,021	518	37,692	2,582	541,576	21,473	4,714	567,763	536,658
Professional fees	2,834	4,142	86,115	2,882	17,914	1,000	7,061	1,724	123,672	172,221	16,745	312,638	521,638
Housing assistance and client fees	-	338,487	-	-	-	272,550	-	-	611,037	-	-	611,037	317,538
Emergency disaster relief assistance	-	-	-	-	-	129,202	-	-	129,202	-	-	129,202	-
Depreciation & amortization	131,248	-	-	-	-	-	-	-	131,248	83,377	33,971	248,596	257,526
Equipment	4,259	1,946	152,076	480	193	-	63	6,819	165,836	53,641	1,370	220,847	325,995
Telecommunications & network	8,101	4,668	176,979	9,806	16,831	544	29,391	5,399	251,719	57,751	1,246	310,716	323,794
Interest	77,390	-	-	-	-	-	-	-	77,390	-	23,829	101,219	142,660
Employee development	1,311	29,744	100,794	1,907	3,858	14	3,967	6,281	147,876	9,528	50	157,454	107,827
Insurance	7,890	789	54,390	2,118	3,742	-	3,892	2,424	75,245	10,951	482	86,678	95,224
Travel	2,077	835	49,047	1,190	1,993	167	10,955	2,669	68,933	24,300	628	93,861	82,037
Vehicle maint/repair	62	-	24,658	-	-	-	29	2,293	27,042	887	79	28,008	19,638
Building maint/repair	28,224	-	79,909	-	120	-	339	1,033	109,625	3,148	-	112,773	129,317
Miscellaneous	95	83	4,422	157	-	-	-	1,583	6,340	26,374	1,098	33,812	123,038
Conferences & meetings	298	328	383	241	1,086	-	1,850	290	4,476	20,510	991	25,977	27,784
Indirect costs	74,870	63,876	722,294	61,786	67,302	5,433	126,504	22,412	1,144,477	(1,155,520)	11,043	-	-
Total expenses	\$ 589,474	\$ 618,908	\$ 6,508,218	\$ 453,746	\$ 584,960	\$ 441,348	\$ 955,467	\$ 162,767	\$ 10,314,888	\$ 314,187	\$ 146,661	\$ 10,775,736	\$ 10,203,136

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

STATEMENTS OF CASH FLOWS

For the Year Ended February 28, 2018

(With Comparative Totals for the Year Ended February 28, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (148,981)	\$ 1,269,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	248,596	257,526
Debt principal forgiveness	(27,260)	(27,260)
Gains on disposal of fixed assets	-	(1,196,945)
Changes in certain assets and liabilities:		
Accounts receivable	(575)	2,464
Grants and contracts receivable	236,124	(691,453)
Prepaid expenses and other current assets	(95,155)	82,465
Accounts payable	(188,919)	251,442
Accrued liabilities	23,062	(163,030)
Accrued vacation	(4,939)	4,990
Contract advances and deferred income	742,239	(593,503)
Interest payable	<u>36,812</u>	<u>36,688</u>
Net cash provided (used) by operating activities	<u>821,004</u>	<u>(767,117)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(49,379)	(124,659)
Disposal of property and equipment	<u>-</u>	<u>3,178,004</u>
Net cash provided (used) by investing activities	<u>(49,379)</u>	<u>3,053,345</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	2,144
Principal payments on line of credit	-	(856,000)
Principal payments on notes payable	<u>(44,975)</u>	<u>(1,816,593)</u>
Net cash provided (used) by financing activities	<u>(44,975)</u>	<u>(2,670,449)</u>
Net increase (decrease) in cash during the year	726,650	(384,221)
Cash balance, beginning of period	<u>501,698</u>	<u>885,919</u>
Total cash and cash equivalents, end of period	<u>\$ 1,228,348</u>	<u>\$ 501,698</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 64,407</u>	<u>\$ 107,887</u>

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

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

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 0-18.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

NOTE 1 - GENERAL (concluded)

Health and Wellness (concluded)

- *School Smile Program* – School-based dental health prevention program which provides fluoride application, dental sealant placement on eligible teeth, dental health education, referral for needed treatment and case management.

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.
- *Pasitossm Playgroups* – Prepares young children aged 3-4 years old to be successful in school with activities that build language, early literacy, fine motor skills and social ability.
- *Via Esperanza Centro de Educacion* – 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.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

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.

B. Basis of Presentation

The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, CAPSC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of CAPSC and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by CAPSC in the course of its operations.

D. Temporarily Restricted Net Assets

Temporarily restricted net assets represent the portion of net assets that contains donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CAPSC.

E. 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.

F. 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.

G. 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.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Fixed Assets (concluded)

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, 2018 and February 28, 2017, net of accumulated depreciation, amounted to \$816,688 and \$814,627, respectively.

H. 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, 2018 and February 28, 2017 totaled \$478 and \$1,818, respectively.

I. 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 unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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, 2018 and February 28, 2017 are included in accounts receivable.

CAPSC accrued \$16,843 and \$16,843 for an uncollectible receivable at February 28, 2018 and 2017. 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.

J. 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, 2018 and February 28, 2017 of \$1,043,465 and \$1,005,390 has not been reflected in the financial statements.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. 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.

L. Fundraising Expenses

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

M. 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.

N. 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.

O. 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.

P. 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, 2018 and February 28, 2017, CAPSC received \$6,810,244 and \$6,328,791, which amounts to 64% and 55% of total revenue for the fiscal years ended February 28, 2018 and February 28, 2017, respectively.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

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, 2018.

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, 2018 and February 28, 2017 are as follows:

	2018	2017
Unrestricted:		
Exchange Bank checking	\$ 562,467	\$ 233,465
Exchange Bank money market account	300,243	200,058
Paypal	11,065	3,100
Petty cash	3,321	2,830
Restricted cash:		
HCA Account – WestAmerica	343,866	55,256
IDA Account – Exchange Bank	7,386	6,989
Total cash and cash equivalents	\$ 1,228,348	\$ 501,698

At February 28, 2018 and February 28, 2017, the respective bank balances were \$1,376,948 and \$597,252 of which \$511,065 and \$319,985 were insured under the Federal Deposit Insurance Corporation (FDIC), respectively. The remaining bank balances of \$865,883 and \$277,267 at February 28, 2018 and February 28, 2017, 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, 2018

NOTE 5 - GRANTS/CONTRACTS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
U.S. DHHS – Head Start and Early Head Start	\$ 753,137	\$ 1,028,732
U.S. Dept of Treasury - United Way	34,063	31,476
California Community Service Development – CSBG grant	116,697	149,871
California Department of Education - CACFP Food Program	50,049	45,029
California Department of Health Care Services	78,933	79,221
First 5 Sonoma County	173,438	16,188
County of Sonoma	46,308	134,844
Santa Rosa City School	60,000	101,141
City of Santa Rosa	75,640	19,256
Healdsburg Unified School District	4,000	4,000
Kaiser Permanente	21,667	21,433
HCA	41,880	28,000
John Muir Charter School	12,375	41,718
Other	<u>5,098</u>	<u>8,500</u>
Total	<u>\$ 1,473,285</u>	<u>\$ 1,709,409</u>

NOTE 6 - FIXED ASSETS

Fixed assets as of February 28 were as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 554,706	\$ 554,706
Buildings and improvements	5,010,497	5,000,382
Leasehold improvements	967,496	918,190
Furniture and equipment	105,896	105,896
Vehicle	<u>382,077</u>	<u>312,510</u>
Subtotal	7,020,672	6,891,684
Less accumulated depreciation	<u>(3,080,975)</u>	<u>(2,832,858)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 3,939,697</u>	<u>\$ 4,058,826</u>

Depreciation expense was \$248,117 and \$255,708, for the years ended February 28, 2018 and February 28, 2017, respectively.

A total of \$3,336,066 of fixed assets, with a carrying cumulative depreciation expense of \$1,418,385 was disposed of during fiscal year 2016-2017. Disposed assets consisted mainly of the fiscal building on Dutton Avenue, leasehold improvements at two Head Start classrooms disposed of in previous years, and fully depreciated software and vehicles. The Dutton building was sold on May 2016 and CAPSC recorded a gain on disposal of assets of \$1,338,430.

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2018

NOTE 7 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of CAPSC. The amount of accrued vacation was \$188,504 and \$193,443 as of February 28, 2018 and February 28, 2017, respectively.

NOTE 8 - CONTRACT ADVANCES AND DEFERRED INCOME

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

	2018	2017
Emergency Disaster Relief – Foundation grants & donations	\$ 609,243	\$ -
County of Sonoma	-	266,092
California Department of Community Services – CSBG and CSBG discretionary grant	101,370	16,118
U.S. DHHS - Pass through City of Cloverdale	-	4,239
HS-EHS Program - First 5 Sonoma County Commission	74,220	127,647
Financial Stability Program – Foundation grants	57,677	57,591
Housing – Foundation grants	18,668	-
Community Engagement Program – City of Santa Rosa	2,000	3,529
Community Engagement Program – First 5	94,702	-
Community Engagement Program – Foundation grants	12,983	52,331
School Readiness – Foundation grants	398,208	94,541
Health Program – Foundation grants	-	7,882
Youth Program – Foundation grants	-	9,460
Other	3,618	-
Total	\$ 1,372,689	\$ 639,430

NOTE 9 - 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, 2018 and February 28, 2017 was \$-0- and \$-0-, respectively.

NOTE 10 - NOTES PAYABLE

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

	2018	2017
<u>Forgivable loans:</u>		
First 5 Sonoma County - Starr Rd	\$ 56,792	\$ 84,052
National Bank of the Redwoods/WestAmerica – Aston Ave	60,000	60,000
Total forgivable loans	116,792	144,052

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

NOTE 10 - NOTES PAYABLE (continued)

<u>Non-forgivable loans:</u>	2018	2017
<u>Mortgage loans:</u>		
Exchange Bank - Star Rd #1	\$ 317,059	\$ 326,094
Exchange Bank - Star Rd #2	74,026	76,085
Luther Burbank Savings - Earle St #1	167,895	177,646
Luther Burbank Savings - Giffen #1	103,626	108,230
WestAmerica Bank 2008 - Aston Ave #5	371,735	391,261
 <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	2,261,425	2,306,400
 Total notes payable	2,378,217	2,450,452
Less current portion	(76,926)	(74,150)
Total, net of current portion	\$ 2,301,291	\$ 2,376,302

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

<u>Fiscal Year Ending February 28:</u>	
2019 (current portion)	\$ 49,666
2020	52,614
2021	55,744
2022	59,068
2023	62,598
Thereafter	1,981,735
Total	\$ 2,261,425

Notes expected to be forgiven at maturity are as follows:

<u>Fiscal Year Ending February 28:</u>	
2019 (current portion)	\$ 27,260
2020	27,260
2021	2,272
2022	60,000
Total	\$ 116,792

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2018

NOTE 10 - NOTES PAYABLE (continued)

Total interest paid and accrued on all notes payable was \$101,219 and \$142,660 for the fiscal years ended February 28, 2018 and February 28, 2017, respectively. Total interest accrued on deferred loans was \$599,320 and \$562,508 at February 28, 2018 and February 28, 2017, 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, 2018 and February 28, 2017, the outstanding balance was \$56,792 and \$84,052, 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, 2018 and February 28, 2017, 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 6.00% as of February 28, 2018. The note is payable in monthly installments of \$2,363 through November 1, 2026. As of February 28, 2018 and February 28, 2017, the outstanding balance was \$317,059 and \$326,094, 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 6.00% as of February 28, 2018. The note is payable in monthly installments of \$547 through November 1, 2026. As of February 28, 2018 and February 28, 2017, the outstanding balance was \$74,026 and \$76,085, 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, 2018 and February 28, 2017, the outstanding balance was \$167,895 and \$177,646, respectively.

Community Action Partnership of Sonoma County
NOTES TO FINANCIAL STATEMENTS
February 28, 2018

NOTE 10 - NOTES PAYABLE (continued)

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, 2018 and February 28, 2017, the outstanding principal on the note was \$103,626 and \$108,230, respectively.

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, 2018 and February 28, 2017, the outstanding balance was \$371,735 and \$391,261, 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, 2018 and February 28, 2017, the outstanding combined principal was \$212,626 and accrued interest was \$121,894 and \$115,520, 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, 2018 and February 28, 2017, the outstanding principal was \$143,886 and the amount of accrued interest was \$84,167 and \$79,851, 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, 2018 and February 28, 2017, the outstanding combined principal was \$143,343 and the amount of accrued interest was \$78,088 and \$73,788, 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, 2018 and February 28, 2017, the outstanding principal was \$23,700 and the amount of accrued interest was \$21,953 and \$21,242, respectively.

NOTE 10 - NOTES PAYABLE (concluded)

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, 2018 and February 28, 2017, the outstanding principal was \$145,458 and the amount of accrued interest was \$56,454 and \$52,209, respectively.

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, 2018 and February 28, 2017, the outstanding principal was \$427,897 and the amount of accrued interest was \$194,769 and \$181,932, 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, 2018 and February 28, 2017, the outstanding principal was \$130,174 and the amount of accrued interest was \$41,994 and \$38,089, respectively.

NOTE 11 - 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, 2018 and February 28, 2017, CAPSC's contribution expense was \$118,011 and \$111,550, respectively.

NOTE 12 - 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.

Community Action Partnership of Sonoma County

NOTES TO FINANCIAL STATEMENTS

February 28, 2018

NOTE 12 - COMMITMENTS AND CONTINGENCIES (continued)

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:

2019	\$	422,910
2020		374,570
2021		371,499
2022		372,279
2023		380,897
Thereafter		<u>63,773</u>
Total	\$	<u>1,985,928</u>

Rent expense under operating leases for the years ended February 28, 2018 and February 28, 2017 was \$437,305 and \$358,846, respectively.

NOTE 13 - 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.

CAPSC's beginning net assets at March 1, 2016 was adjusted to record prior year Head Start receivables that were written off in error; to write off amounts that were recorded in the Allowance for Uncollectible account and were later allowed to be drawn and were collected. Prior period adjustments also include write off of accounts payables, payroll liabilities, deferred revenue and other grants and contract receivables that were not reconciled and recognized correctly in prior years. The net effect was a decrease of unrestricted net assets by \$43,193.

NOTE 14 - 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, 2017, from which the summarized information was derived.

NOTE 15 - SUBSEQUENT EVENTS

CAPSC has evaluated events and transactions for potential recognition or disclosure through November 2, 2018, the date the financial statements were available to be issued.

Community Action Partnership of Sonoma County
COMBINING SCHEDULE OF ACTIVITIES
HEAD START AND EARLY HEAD START PROGRAM
For the Year Ended February 28, 2018

Schedule 1

	<u>Grant No. 09CH9187-03-04</u>			
	<u>Head Start*</u>	<u>Early Head Start*</u>	<u>Other Grants/ Contracts</u>	<u>Total</u>
Revenues:				
Government contracts	\$ 5,418,754	\$ 888,939	\$ 53,427	\$ 6,361,120
Child care food program	210,582	16,255	-	226,837
Other revenue	-	-	-	-
In-kind revenue	<u>1,002,002</u>	<u>41,463</u>	<u>-</u>	<u>1,043,465</u>
Total revenues	<u>6,631,338</u>	<u>946,657</u>	<u>53,427</u>	<u>7,631,422</u>
Expenses:				
Salaries	2,737,889	473,240	-	3,211,129
Payroll taxes	243,250	40,867	-	284,117
Worker's compensation	166,255	31,983	-	198,238
Employee benefits	382,032	58,683	-	440,715
Professional fees	73,434	4,395	-	77,829
Facilities and communication	300,070	16,839	-	316,909
Occupancy	234,206	39,160	-	273,366
Tools and equipment	-	1,367	1,303	2,670
Vehicle and equipment maintenance	79,048	41,361	-	120,409
Building repairs & maintenance	64,331	4,299	50,543	119,173
Miscellaneous	2,286	86	-	2,372
Program supplies	257,652	37,599	1,581	296,832
Insurance	50,578	3,812	-	54,390
Employee development	77,732	22,945	-	100,677
Travel	46,051	2,996	-	49,047
Printing & publications	2,741	42	-	2,783
Office supplies	10,938	454	-	11,392
Equipment rental	13,058	-	-	13,058
In-kind expenses	1,002,002	41,463	-	1,043,465
Food service supplies	274,792	22,464	-	297,256
Indirect cost allocation	<u>615,314</u>	<u>102,782</u>	<u>-</u>	<u>718,096</u>
Total expenses	<u>6,633,659</u>	<u>946,837</u>	<u>53,427</u>	<u>7,633,923</u>
Change in net assets	(2,321)	(180)	-	(2,501)
Net assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u>\$ (2,321)</u>	<u>\$ (180)</u>	<u>\$ -</u>	<u>\$ (2,501)</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
 Grant No. 09CH9187-03-04
 For the Period March 1, 2017 through February 28, 2018

Schedule 2

	Audited Costs* Head Start	Audited Costs* Early Head Start	Total Audited Costs*	Total Budgets
Revenues:				
U.S. Dept. of Health & Human Services	\$ 5,418,754	\$ 888,939	\$ 6,307,693	\$ 6,818,502
Child care food program	210,582	16,255	226,837	-
Other revenue	-	-	-	-
In-kind revenue	1,002,002	41,463	1,043,465	1,704,626
Total revenues	6,631,338	946,657	7,577,995	8,523,128
Expenses:				
Personnel	2,737,889	473,240	3,211,129	3,399,196
Fringe benefits	791,537	131,533	923,070	990,171
Travel	17,873	1,139	19,012	11,943
Equipment	-	-	-	80,000
Supplies	268,590	38,053	306,643	343,703
Contractual	40,002	3,995	43,997	38,197
Facilities/construction	-	-	-	-
Other	885,661	132,168	1,017,829	1,148,415
Food service supplies	274,791	22,464	297,255	-
In-kind expenses	1,002,002	41,463	1,043,465	1,704,626
Indirect costs	615,314	102,782	718,096	806,877
Total expenses	6,633,659	946,837	7,580,496	8,523,128
Revenue over (under) expenses	\$ (2,321)	\$ (180)	\$ (2,501)	\$ -

* Revenue and expenses include in-kind of \$1,043,465 which is not recognized in the financial statements.

Community Action Partnership of Sonoma County
DHHS SCHEDULE OF REVENUE AND EXPENSES
ASSETS FOR INDEPENDENCE (AFI) PROGRAM

Schedule 3

Grant No. 09EI0789-01-00

For the Period March 1, 2017 through February 28, 2018

	Total Audited Costs*	Total Budgets
Revenues:		
U.S. Dept. of Health & Human Services	\$ 16,990	\$ 50,000
Other revenue	-	-
In-kind revenue	12,545	50,000
Total revenues	29,535	100,000
Expenses:		
Personnel	-	12,000
Fringe benefits	-	3,000
Travel	-	-
Equipment	-	-
Supplies	-	-
Contractual	-	-
Facilities/construction	-	-
Other	29,535	85,000
Food service supplies	-	-
In-kind expenses	-	-
Indirect costs	-	-
Total expenses	29,535	100,000
Revenue over (under) expenses	\$ -	\$ -

* Revenue and expenses include in-kind of \$12,545 which is not recognized in the financial statements.

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 February 28, 2018

	1/1/2018 through 2/28/2018	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:				
Contract revenue	\$ 65,824	\$ 65,824	\$ 56,553	\$ 442,562
Other revenue	-	-	-	-
Total revenues	65,824	65,824	56,553	442,562
Expenses:				
Administrative costs:				
Salaries and wages	11,473	11,473	10,432	77,277
Fringe benefits	3,135	3,135	1,926	19,261
Operating expenses	3,007	3,007	2,163	30,731
Equipment	5,160	5,160	5,000	5,000
Out-of-State travel	2,707	2,707	1,027	19,000
Contract/consultant services	-	-	-	30,000
Other costs	3,716	3,716	3,963	40,460
Subtotal administrative costs	29,198	29,198	24,511	221,729
Program costs:				
Salaries and wages	16,781	16,781	18,213	117,944
Fringe benefits	5,020	5,020	4,325	31,507
Operating expenses	10,107	10,107	3,106	34,122
Out-of-State travel	-	-	1,979	6,800
Subcontractor/consultant services	-	-	-	-
Other costs	4,718	4,718	4,419	30,460
Subtotal program costs	36,626	36,626	32,042	220,833
Total expenses	65,824	65,824	56,553	442,562
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

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

Schedule 5

	1/1/2017 through 2/28/2017	3/1/2017 through 12/31/2017	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:					
Contract revenue	\$ 57,826	\$ 401,202	\$ 459,028	\$ 446,528	\$ 446,528
Unearned revenue	(12,500)	-	(12,500)	-	-
Total revenues	<u>45,326</u>	<u>401,202</u>	<u>446,528</u>	<u>446,528</u>	<u>446,528</u>
Expenses:					
Administrative costs:					
Salaries and wages	12,163	62,456	74,619	74,619	89,490
Fringe benefits	3,444	16,241	19,685	19,685	20,583
Operating expenses	1,379	16,411	17,790	17,790	26,636
Out-of-State travel	721	19,584	20,305	20,305	20,000
Contract/consultant services	-	60,781	60,781	60,781	16,494
Other costs	12,737	55,731	68,468	68,468	72,202
Subtotal administrative costs	<u>30,444</u>	<u>231,204</u>	<u>261,648</u>	<u>261,648</u>	<u>245,405</u>
Program costs:					
Salaries and wages	10,970	92,714	103,684	103,684	127,254
Fringe benefits	2,590	19,947	22,537	22,537	29,269
Operating expenses	1,322	46,561	47,883	47,883	29,600
Out-of-State travel	-	6,776	6,776	6,776	10,000
Subcontractor/consultant services	-	4,000	4,000	4,000	5,000
Other costs	-	-	-	-	-
Subtotal program costs	<u>14,882</u>	<u>169,998</u>	<u>184,880</u>	<u>184,880</u>	<u>201,123</u>
Total expenses	<u>45,326</u>	<u>401,202</u>	<u>446,528</u>	<u>446,528</u>	<u>446,528</u>
Revenue over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 February 28, 2018

Schedule 6

	11/1/2017 through 2/28/2018	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:				
Contract revenue	\$ 9,458	\$ 9,458	\$ 9,457	\$ 30,000
Unearned revenue	-	-	-	-
Total revenues	9,458	9,458	9,457	30,000
Expenses:				
Administrative costs:				
Salaries and wages	-	-	-	-
Fringe benefits	-	-	-	-
Operating expenses	-	-	-	-
Out-of-State travel	-	-	-	-
Contract/consultant services	-	-	-	-
Other costs	-	-	-	-
Subtotal administrative costs	-	-	-	-
Program costs:				
Salaries and wages	6,070	6,070	6,070	19,177
Fringe benefits	1,180	1,180	1,180	2,456
Operating expenses	912	912	912	4,230
Out-of-State travel	-	-	-	-
Subcontractor/consultant services	-	-	-	-
Other costs	1,296	1,296	1,295	4,137
Subtotal program costs	9,458	9,458	9,457	30,000
Total expenses	9,458	9,458	9,457	30,000
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -

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

Schedule 7

Contract No. 16F-5523 (CSBG Discretionary)
 For the Period June 15, 2016 through May 31, 2017

	6/15/2016 through 2/28/2017	3/1/2017 through 5/31/2017	Total Actual Costs	Total Reported Expenses	Total Budgets
Revenues:					
Contract revenue	\$ 23,001	\$ 9,077	\$ 32,078	\$ 32,078	\$ 32,078
Revenue adjustment (deferred)	-	-	-	-	-
Total revenues	23,001	9,077	32,078	32,078	32,078
Expenses:					
Administrative costs:					
Salaries and wages	-	-	-	-	-
Employee benefits	-	-	-	-	-
Operating expenses	-	-	-	-	-
Other costs	-	-	-	-	-
Subtotal administrative costs	-	-	-	-	-
Program costs:					
Salaries and wages	14,399	5,429	19,828	19,828	20,400
Fringe benefits	1,913	643	2,556	2,556	2,748
Operating expenses	3,470	964	4,434	4,434	3,770
Equipment	-	-	-	-	-
Out-of-State travel	-	835	835	835	735
Subcontractor/consultant services	-	-	-	-	-
Other costs	3,219	1,206	4,425	4,425	4,425
Subtotal program costs	23,001	9,077	32,078	32,078	32,078
Total expenses	23,001	9,077	32,078	32,078	32,078
Revenue over (under) expenses	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018, 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 2, 2018.

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 2, 2018

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, 2018. 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, 2018.

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 2, 2018

Community Action Partnership of Sonoma County
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended February 28, 2018

<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	\$ 226,837	\$ 226,837	\$ 226,837	-
Total pass through the California State Department of Education:				<u>226,837</u>	<u>226,837</u>	-
Total U.S. Department of Agriculture				<u>226,837</u>	<u>226,837</u>	-
<u>U.S. Department of Treasury:</u>						
Pass through United Way Wine Country						
Volunteer Income Tax Assistance 2016-2017	21.009	N/A	55,000	22,854	22,854	
Volunteer Income Tax Assistance 2017-2018	21.009	N/A	55,000	<u>34,734</u>	<u>34,734</u>	-
Total pass through United Way Wine Country				<u>57,588</u>	<u>57,588</u>	-
Total U.S. Department of Treasury				<u>57,588</u>	<u>57,588</u>	-
<u>U.S. Department of Health and Human Services:</u>						
Direct awards:						
Head Start and Early Head Start*	93.600	09CH9187-03-04	8,523,128	7,351,158	7,353,659	-
Assets for Independence (AFI) program	93.602	09EI0789-01-00	50,000	<u>29,535</u>	<u>29,535</u>	-
Total direct awards from U.S. Department of Health & Human Services				<u>7,380,693</u>	<u>7,383,194</u>	-
Pass through California Department of Community Services						
Community Services Block Grant	93.569	18F-5046	442,562	65,824	65,824	-
Community Services Block Grant	93.569	17F-2046	446,528	401,202	401,202	-
Community Services Block Grant - Discretionary	93.569	17F-2046	30,000	9,458	9,458	
Community Services Block Grant - Discretionary	93.569	16F-5523	32,078	<u>9,077</u>	<u>9,077</u>	-
Total pass through California Department of Community Services				<u>485,561</u>	<u>485,561</u>	-
Total U.S. Department of Health and Human Services				<u>7,866,254</u>	<u>7,868,755</u>	-
Total federal awards				<u>\$ 8,150,679</u>	<u>\$ 8,153,180</u>	<u>\$ -</u>

* The match in-kind revenue and expenses of \$1,043,465 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, 2018

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, 2018

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	\$7,353,659
93.569-93.570	Community Services Block Grant and Discretionary	\$485,561
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
6. The auditee is not qualified as a low-risk auditee.

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, 2018

Recommendation

Status/Explanation

There were no prior year findings or recommendations.