

Community Action Partnership of Sonoma County

Santa Rosa, California

Financial Statements and
Supplementary Information

Year Ended February 28, 2022



Community Action Partnership of Sonoma County

Financial Statements and Supplementary Information
Year Ended February 28, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Action Partnership of Sonoma County as of February 28, 2022, 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.

Basis for Opinion

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

Responsibilities of Management 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 State, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 19 to 24, which includes the schedule of expenditures of federal awards on pages 19 and 20 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis, and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the statement of financial position of Community Action Partnership of Sonoma County as of February 28, 2021, and the related statements of activities and cash flows for the year then ended (not presented herein),

and we expressed an unmodified opinion on those financial statements. That audit was conducted for purposes of forming an opinion on the financial statements as a whole. The prior year revenue and expenses included in the schedules of pages 23 and 24, are presented for purposes of additional analysis. Such information is the responsibility of management, and the prior year revenue and expenses were derived from and relate directly to the underlying accounting and other records used to prepare the February 28, 2021, financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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. In our opinion, the prior year revenue and expenses included in the schedules of pages 23 and 24 are fairly stated, in all material respects, in relation to the financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, on our consideration of 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Action 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.

Wipfli LLP

Wipfli LLP

October 18, 2022
Madison, Wisconsin

Community Action Partnership of Sonoma County

Statement of Financial Position

February 28, 2022

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 1,454,943
Grants receivable	1,608,335
Accounts receivable	85,217
Prepaid expenses and other assets	145,823
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Total current assets	3,294,318
Non-current assets:	
Property and equipment, net	3,374,745
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Total non-current assets	3,374,745
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TOTAL ASSETS	\$ 6,669,063

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Notes payable, current portion	\$ 56,539
Accounts payable	402,037
Accrued payroll and related liabilities	293,725
Accrued vacation	275,693
Refundable advances	865,602
Interest payable	760,174
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Total current liabilities	2,653,770
Long term liabilities:	
Notes payable, net	2,084,552
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Total liabilities	4,738,322
Net assets:	
Net assets without donor restrictions	1,019,417
Net assets with donor restrictions	911,324
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Total net assets	1,930,741
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TOTAL LIABILITIES AND NET ASSETS	\$ 6,669,063

See accompanying notes to financial statements.

Community Action Partnership of Sonoma County

Statement of Activities

Year Ended February 28, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Government contracts	\$ 12,467,083	\$ 0	\$ 12,467,083
Grant and contribution income	667,469	644,340	1,311,809
Contract revenue	386,745	0	386,745
Rental income	191,527	0	191,527
Program service income	21,561	0	21,561
Miscellaneous income	51,973	0	51,973
Interest income	1,256	0	1,256
In-kind	50,401	0	50,401
Debt forgiveness	829,460	0	829,460
Net assets released from restrictions	865,285	(865,285)	0
Total revenues and other support	15,532,760	(220,945)	15,311,815
Expenses:			
Program services:			
Housing program	568,874	0	568,874
Financial stability	773,954	0	773,954
Head Start and Early Head Start	6,442,838	0	6,442,838
Health services program	390,126	0	390,126
School readiness & family services	876,501	0	876,501
Emergency disaster relief	3,497,819	0	3,497,819
Other programs	655,009	0	655,009
Total program services	13,205,121	0	13,205,121
Supporting services:			
Mangement and general expenses	1,569,001	0	1,569,001
Fund-raising	120,526	0	120,526
Total supporting services	1,689,527	0	1,689,527
Total expenses	14,894,648	0	14,894,648
Changes in net assets	638,112	(220,945)	417,167
Net assets - Beginning of year	381,305	1,132,269	1,513,574
Net assets - End of the year	\$ 1,019,417	\$ 911,324	\$ 1,930,741

See accompanying notes to financial statements.

Community Action Partnership of Sonoma County

Statement of Functional Expenses
Year Ended February 28, 2022

	PROGRAM SERVICES				
	Housing	Financial Stability	Head Start and Early Head Start	Health Services	School Readiness & Family Services
Salaries	\$ 48,837	\$ 197,677	\$ 3,692,557	\$ 308,182	\$ 578,916
Fringe benefits	9,432	25,175	522,391	20,726	77,976
Payroll taxes	4,315	17,864	292,571	25,475	50,429
Worker's compensation	3,360	7,970	171,568	7,268	23,608
Occupancy	61,828	48,483	467,321	6,817	61,515
Supplies	6,380	15,822	329,585	5,027	18,987
Professional fees	1,318	3,863	90,575	1,017	7,142
Housing assistance and client fees	0	386,064	0	0	0
Emergency disaster relief assistance	0	21,256	0	0	0
Depreciation	120,571	0	0	0	0
Equipment	2,567	536	76,486	225	0
Telecommunication & network	18,152	26,805	259,051	11,908	35,630
Interest expense	79,288	0	0	0	0
Employee development	52	784	99,610	513	9,649
Insurance	13,381	3,388	63,528	1,097	5,656
Travel	134	57	9,117	830	2,659
Vehicle maint/repair	0	0	34,739	0	0
Building maint/repair	198,791	0	312,613	0	288
Conferences & meetings	0	380	3,594	1,041	3,695
Subrecipients	0	0	0	0	0
In-kind	25	15,129	17,390	0	0
Miscellaneous	443	2,701	142	0	351
TOTAL EXPENSES	\$ 568,874	\$ 773,954	\$ 6,442,838	\$ 390,126	\$ 876,501

Community Action Partnership of Sonoma County

Statement of Functional Expenses (Continued)
Year Ended February 28, 2022

	PROGRAM SERVICES			SUPPORTING SERVICES		Total Expenses
	Emergency Disaster Relief	Other Programs	Total Program Services	Management & General	Fundraising	
Salaries	\$ 322,136	\$ 375,278	\$ 5,523,583	\$ 929,589	\$ 48,654	\$ 6,501,826
Fringe benefits	26,626	40,520	722,846	119,064	8,664	850,574
Payroll taxes	26,646	31,097	448,397	73,997	3,484	525,878
Worker's compensation	6,196	9,913	229,883	4,575	287	234,745
Occupancy	19,485	42,437	707,886	6,175	6,622	720,683
Supplies	48,670	453	424,924	24,825	734	450,483
Professional fees	74,107	11,707	189,729	61,176	37,547	288,452
Housing assistance and client fees	2,311,940	29,218	2,727,222	0	0	2,727,222
Emergency disaster relief assistance	271,081	4,003	296,340	0	0	296,340
Depreciation	0	0	120,571	144,901	0	265,472
Equipment	150	0	79,964	18,752	0	98,716
Telecommunication & network	10,662	84,876	447,084	75,578	1,406	524,068
Interest expense	0	0	79,288	29,350	0	108,638
Employee development	4,289	680	115,577	37,590	0	153,167
Insurance	8,314	1,501	96,865	12,152	381	109,398
Travel	113	10,308	23,218	3,088	0	26,306
Vehicle maint/repair	0	0	34,739	1,000	0	35,739
Building maint/repair	29	0	511,721	814	0	512,535
Conferences & meetings	20	9,868	18,598	1,177	0	19,775
Subrecipients	362,063	0	362,063	0	0	362,063
In-kind	0	3,150	35,694	14,707	0	50,401
Miscellaneous	5,292	0	8,929	10,491	12,747	32,167
TOTAL EXPENSES	\$ 3,497,819	\$ 655,009	\$ 13,205,121	\$ 1,569,001	\$ 120,526	\$ 14,894,648

See accompanying notes to financial statements.

Community Action Partnership of Sonoma County

Statement of Cash Flows

Year Ended February 28, 2022

Cash flows from operating activities:	
Change in net assets	\$ 417,167
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	265,472
Amortization of debt issuance costs	959
Loss on disposal of property	40,000
Debt principal forgiveness	(829,460)
Changes in operating assets and liabilities:	
Grants receivable	(201,784)
Accounts receivable	(60,484)
Prepaid expenses and other assets	15,690
Accounts payable	56,208
Accrued payroll and related liabilities	(7,914)
Accrued vacation	5,517
Refundable advances	252,293
Interest payable	50,416
Net cash provided by operating activities	4,080
Cash flows from investing activities:	
Capital expenditures	(327,425)
Net cash used in investing activities	(327,425)
Cash flows from financing activities:	
Proceeds from note payable	29,700
Principal payments on notes payable	(713,552)
Net cash used in financing activities	(683,852)
Change in cash and cash equivalents	(1,007,197)
Cash and cash equivalents - Beginning of year	2,462,140
Cash and cash equivalents - End of the year	\$ 1,454,943
Supplemental schedule of other cash activity:	
Cash paid for interest	\$ 85,106

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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.

Disaster Relief – The Disaster Relief program was developed after the 2017 Tubbs Fire and has continued to assist the community through subsequent disasters and crises. Financial assistance is provided for rent, deposit, mortgage, essential needs, and uninsured or underinsured rebuilding costs associated with the fires.

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.

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.

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.

Approximately 47% and 18% of CAPSC's total revenue was received under their federal Head Start and Emergency Rental Assistance Program grants.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CAPSC and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of CAPSC and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates the resources to be maintained in perpetuity. Generally, the donors of these assets permit CAPSC to use all, or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions

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

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Government contracts

Government contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Government Contracts that are Contributions – Government contracts that are contributions are evaluated for conditions and recognized as revenue in accordance with ASC Topic 958-605 when conditions in the award are satisfied.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reflected as a refundable advance liability.

Government Contracts That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized in accordance with ASC Topic 606 when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration in which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. CAPSC does not have any government contracts that are exchange transactions.

Contract revenue

CAPSC has entered into annual contracts with the Roseland School District (RSD) to provide health services to students at RSD schools and its Charter School for grades K-6 and 7-12. The contract period runs from July to June. CAPSC recognizes revenue as it incurs expenditures related to the delivery of services to RSD students during the contract term. CAPSC invoices RSD on a quarterly basis for actual expenses incurred for work performed under the contracts. As CAPSC is paid based on expenses incurred, no contract liability is recorded at year end. Accounts receivable in the statement of financial position related to the RSD contracts was \$85,217 at February 28, 2022 and \$24,733 at February 28, 2021.

Rental income

Rental income is recognized as revenue when earned.

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.

Accounts Receivable

Accounts receivable consists of amounts due related to health services provided for the Roseland School District. CAPSC analyzes the receivables for collectability and an allowance for doubtful accounts is recorded based on prior collection experience and specific customer attributes. CAPSC writes off a receivable against the allowance when all collection efforts have been exhausted. As of February 28, 2022, CAPSC has no allowance recorded for uncollectible amounts.

Property and Equipment

Property and equipment are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. CAPSC considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Property and equipment acquired are owned by CAPSC while used in the programs for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds; therefore, the disposition of buildings or equipment, as well as the ownership of any proceeds therefrom, are subject to funding source regulations. The net book value of property and equipment purchased with grant funds was \$911,744 at February 28, 2022.

In-Kind Contributions

CAPSC has recorded in-kind contributions for supplies and professional services on the statements of activities and functional expenses in accordance with a financial accounting standard that requires that only contributions of service received that create or enhance a nonfinancial asset or required specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. CAPSC received nonprofessional volunteer services during the year ended February 28, 2022, with a value of approximately \$130,000, primarily for its Head Start and Early Head Start programs, which are not recorded in the statements of activities or functional expenses.

Debt Issuance Costs

Debt issuance costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method which approximates the effective interest method. Unamortized financing fees have been recorded as a reduction to the related debt obligation.

Income Taxes

CAPSC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It also has been granted tax exempt status by the California Franchise Tax Board under section 23701(d).

CAPSC is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. CAPSC has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Functional Allocation of Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

Upcoming Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements (Continued)

ASU No. 2016-02 must be applied modified retrospectively. On June 30, 2020, the FASB issued ASU 2020-05 that extended the effective date for certain entities to annual periods beginning after December 15, 2021. CAPSC is currently evaluating the impact of the provisions of ASU Topic 842.

Subsequent Events

Subsequent events have been evaluated through October 18, 2022, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

CAPSC maintains cash and cash equivalents and restricted deposit balances at two financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

Note 3: Liquidity and Availability

As of February 28, 2022, CAPSC has approximately \$400,000 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The amount of restrictions on financial assets, including the portion of net assets with donor restrictions that is included in cash and cash equivalents, were subtracted from total financial assets to determine the amount of available financial assets. CAPSC does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents. CAPSC can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source. CAPSC has grant commitments for future expenses of approximately \$4,500,000 as of February 28, 2022.

Note 4: Grants Receivable

The balance as of February 28, 2022 consists of amounts due from various agencies as follows:

U.S. DHHS – Head Start and Early Head Start	\$ 750,516
California Community Services and Development – CSBG grant	121,732
First 5 Sonoma County	81,290
Sonoma County Community Development Commission	401,711
Santa Rosa City School	35,000
City of Santa Rosa	83,148
HCA	63,520
Other	71,418
Total	\$ 1,608,335

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 5: Property and Equipment

Property and equipment consist of the following at February 28, 2022:

Land	\$ 554,706
Buildings and improvements	5,002,053
Leasehold improvements	1,382,491
Furniture and equipment	36,590
Vehicle	318,232
Subtotals	7,294,072
Less - Accumulated depreciation	(3,919,327)
<u>Property and equipment - Net</u>	<u>\$ 3,374,745</u>

Note 6: Refundable Advances

Refundable advances represent grant funds received in excess of grant expenses for the following funding sources:

CSBG	\$ 115,258
Emergency Disaster Relief	112,500
HS-EHS Program (local funding)	3,397
Housing	30,202
School Readiness and Family Services	36,200
Indirect cost charges due to funding sources	563,350
Other	4,695
<u>Total</u>	<u>\$ 865,602</u>

Note 7: Notes Payable

CAPSC has the following mortgages payable as of February 28, 2022:

In August 2008, CAPSC obtained a note payable in the amount of \$365,047 with Exchange Bank, which is collateralized by property at Starr Rd. In March 2020, CAPSC refinanced the loan to obtain an interest rate of 4.5%. The note is payable in monthly installments of \$1,685 through February 2027 with a balloon payment due at maturity of \$253,713. The note includes a prepayment fee. \$ 295,391

In August 2008, CAPSC obtained a note payable in the amount of \$84,953 with Exchange Bank, which is collateralized by property at Starr Rd. In March 2020, CAPSC refinanced the loan to obtain an interest rate of 4.5%. The note is payable in monthly installments of \$396 through February 2027 with a balloon payment due at maturity of \$59,336. The note includes a prepayment fee. 68,989

In May 2003, CAPSC obtained a note payable in the amount of \$280,000 with Luther Burbank Savings, which is collateralized by property at Earle St. The note bears an interest rate at 6.00%. The note is payable in monthly installments of \$1,679 through October 2029. The note includes a prepayment fee. 123,559

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 7: Notes Payable (Continued)

In April 2000, CAPSC obtained a \$147,000 with Luther Burbank Savings, which is collateralized by property at Giffen Ave. 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 April 2030. The note includes a prepayment fee. 81,135

In March 2006, CAPSC obtained a note payable in the amount of \$545,000 with WestAmerica Bank, which is collateralized by property located on Aston Ave. The note bears an interest rate at 5.5%. The note is payable in monthly installments of \$3,413 through August 2030. The note includes a prepayment fee. 275,721

In December 2019, CAPSC received a loan in the amount of \$103,712 from the Housing Authority of the City of Santa Rosa (HASR) to renovate the property at Giffen Ave. CAPSC has drawn \$69,700 of the loan as of February 28, 2022. The interest rate of 3% is accrued in annual installments of interest only through January 2075, with a final payment of principal and accrued interest due at that time. 69,700

In December 1998, CAPSC purchased a property on Earle St. To finance the purchase, CAPSC obtained a note payable in the amount of \$175,000 with the HASR, which is collateralized by property at Earle St. In May 1999, the promissory note was revised to include an additional \$37,456. 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. If the project has a cash surplus, 75% of the surplus cash is to be applied to the note. 212,456

In September 1998, CAPSC obtained a \$143,886 loan from the HASR, collateralized by property located on Giffen Ave. The interest rate of 3% is accrued in annual installments of interest only through March 2030, with a final payment of principal and accrued interest due at that time. If the project has a cash surplus, 51% of the surplus cash is to be applied to the note. 143,886

In January 2000, CAPSC obtained a \$143,343 note from Sonoma County Community Development, collateralized by property located on Giffen Ave. The interest rate of 3% is accrued annually through January 2075, with a final payment of principal and accrued interest due at that date. 143,343

In April 1987, CAPSC obtained a \$23,700 note from the HASR, collateralized by property located on Aston Ave. 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 due February 2035. 23,700

In March 2005, CAPSC obtained a \$145,458 note from the HASR, collateralized by property located on Aston Ave. The annual interest rate of 3% is accrued annually through February 2035, with a final payment of principal and accrued interest due at that time. 145,458

In December 2002, CAPSC obtained a \$427,897 note collateralized by property located on Aston Ave. 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 the HASR to a loan secured by

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 7: Notes Payable (Continued)

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 date. If the project has a cash surplus, 75% of the surplus cash is to be applied to the note.

427,897

In June 2007, CAPSC obtained a \$130,174 note from the HASR, collateralized by property located on Aston Avenue. The annual interest rate of 3% is accrued annually through June 2037, with a final payment of principal and accrued interest due at that date. If the project has cash surplus, 75% of the surplus cash is to be applied to the note.

130,174

Total notes payable	\$ 2,141,409
----------------------------	---------------------

Long-term notes payable net of debt issuance costs are as follows:

Total notes payable	\$ 2,141,409
Unamortized debt issuance costs	(318)
Current portion	(56,539)

Long-term notes payable	\$ 2,084,552
--------------------------------	---------------------

Future maturities are as follows:

Year	Amount
2023	\$ 56,539
2024	59,776
2025	63,211
2026	66,855
2027	386,862
Thereafter	1,508,166
Total	\$ 2,141,409

Interest expense for the year ended February 28, 2022 was \$108,638.

Note 8: Net Assets With Donor Restrictions

Net assets with donor restrictions, which have either purpose or time restrictions, are as follows as of February 28, 2022:

Health services	\$ 28,014
Emergency Disaster Relief	369,719
HS-EHS Program (local funding)	195,927
Housing	58,395
School Readiness and Family Services	201,810
Other	57,459
Total	\$ 911,324

Net assets of \$865,285 were released from donor restrictions by incurring expenses, satisfying the restricted purpose specified by the donor.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 9: Operating Lease Agreements

As Lessee

CAPSC leases various facilities for the operation of its programs. Operating lease payments were \$473,590 for the year ended February 28, 2022. Future minimum lease payments beyond February 28, 2022, are as follows:

2023	\$	462,718
2024		147,146
2025		88,551
2026		91,207
2027		93,944
Thereafter		96,762
<hr/>		
Total	\$	980,328

As Lessor

CAPSC operates low-income transitional housing projects. Leases are for one year or less. Rental income from operating leases was \$191,527 for the year ended February 28, 2022. A summary of the acquisition costs and accumulated depreciation on the rental properties at February 28, 2022, is as follows:

Land	\$	304,706
Buildings and improvements		2,840,202
<hr/>		
Subtotals		3,144,908
Less - Accumulated depreciation		(1,663,209)
<hr/>		
Land, building and improvements, and construction in progress – Net	\$	1,481,699

Note 10: Employee Retirement 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. Employer contributions charged to expense for the year ended February 28, 2022 was \$133,103.

Note 11: 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. The line of credit expired on July 1, 2021, and was not renewed.

Note 12: Government Contract Commitments

At February 28, 2022, CAPSC had commitments under various grants of approximately \$4,500,000. These commitments are not recognized in the accompanying financial statements as they are conditional awards.

Community Action Partnership of Sonoma County

Notes to Financial Statements

Note 13: Commitments and Contingencies

CAPSC participates in federally assisted and state grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any disallowed costs may constitute a liability of CAPSC. CAPSC believes that they are in substantial compliance with all grant requirements. Disallowed costs, if any, would not be significant.

Note 14: Debt Forgiveness – Paycheck Protection Program

For the year ended February 28, 2021, CAPSC applied for and received an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP originated from legislation passed to assist businesses in navigating the Coronavirus Pandemic. CAPSC received an award of \$1,492,538 and recognized it as a note payable. The SBA forgave \$829,460 on September 28, 2021, and CAPSC recognized the revenue as debt forgiveness revenue in the statement of activities. CAPSC repaid \$663,078 of the note payable that was not forgiven as of February 28, 2022.

Supplementary Information

Community Action Partnership of Sonoma County

Schedule of Expenditures of Federal Awards Year Ended February 28, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying	Passed-Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed Through California State Department of Education				
Child Care Food Program	10.558	49-1781-0	\$ 0	\$ 95,383
U.S. Department of Housing and Urban Development				
Passed Through Sonoma County Community Development Commission				
COVID 19 - Community Development Block Grants (CDBG Entitlement Grants Cluster)	14.218	N/A	277,062	316,450
Homeless Housing Assistance Prevention - Sloan Emergency Shelter	14.231	N/A	0	38,194
U.S. Department of Treasury				
Passed Through United Way Wine Country				
Volunteer Income Tax Assistance	21.009	N/A	0	21,188
Volunteer Income Tax Assistance	21.009	N/A	0	18,808
Total Federal Expenditures - AL #21.009			0	39,996
Passed Through Sonoma County Community Development Commission				
COVID-19 - Emergency Rental Assistance Program	21.023	N/A	0	2,767,346
U.S. Department of Health and Human Services				
Direct				
Head Start Cluster				
Head Start and Early Head Start	93.600	N/A	0	6,992,429
COVID 19 - Head Start and Early Head Start	93.600	N/A	0	279,713
Total Federal Expenditures Head Start Cluster - AL #93.600			0	7,272,142
Direct				
Low-Income Home Energy Assistance	93.568	N/A	0	88,160
Passed Through California Department of Community Services and Development				
Community Services Block Grant	93.569	21F-4447	0	21,119
Community Services Block Grant	93.569	22F-5046	0	47,341
Community Services Block Grant	93.569	21F-4046	0	400,681
COVID 19 - Community Services Block Grant	93.569	20F-3685	0	296,345
Total Federal Expenditures - AL #93.569			0	765,486

Community Action Partnership of Sonoma County

Schedule of Expenditures of Federal Awards (Continued)

Year Ended February 28, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing	Pass-Through Entity Identifying	Passed-Through to Subrecipients	Federal Expenditures
Department of Health and Human Services (Continued)				
Passed Through California Department of Social Services				
Your Money Your Goals	93.669	EE-S-18-20	0	50,162
TOTAL FEDERAL EXPENDITURES			\$ 277,062	\$ 11,433,319

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Community Action Partnership of Sonoma County under programs of the federal government for the year ended February 28, 2022. 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). Because the Schedule presents only a selected portion of the operations of Community Action Partnership of Sonoma County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Action Partnership of Sonoma County.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

Community Action Partnership of Sonoma County has not elected to use the 10-percent de minimis indirect cost rate. Community Action Partnership of Sonoma County has an indirect rate that has been approved by the U.S. Department of Health and Human Services (DHHS).

Community Action Partnership of Sonoma County

Supplemental Statement of Revenue and Expenditures

Contract #21F-4447 - CSBG DISC

For the Period June 1, 2021 through May 31, 2022

	06/01/2021 - 02/28/2022	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE				
Grant revenue	\$ 21,119	\$ 21,119		\$ 28,250
Total revenue	\$ 21,119	\$ 21,119		\$ 28,250
EXPENDITURES				
Program:				
Operating expenses	\$ 11,026	\$ 11,026	\$ 11,026	\$ 14,669
Other	10,093	10,093	10,093	13,581
Total program costs	21,119	21,119	21,119	28,250
Total costs	\$ 21,119	\$ 21,119	\$ 21,119	\$ 28,250

Community Action Partnership of Sonoma County

Supplemental Statement of Revenue and Expenditures

Contract #22F-5046 - CSBG ADMIN

For the Period January 1, 2022 through May 31, 2023

	01/01/2022 - 02/28/2022	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE				
Grant revenue	\$ 47,341	\$ 47,341		\$ 461,030
Total revenue	\$ 47,341	\$ 47,341		\$ 461,030
EXPENDITURES				
Administrative:				
Salaries and wages	\$ 4,480	\$ 4,480	\$ 4,480	\$ 107,930
Fringe benefits	1,102	1,102	1,102	16,177
Operating expenses	3,584	3,584	1,348	22,216
Out of state travel	-	-	380	6,020
Other costs	541	541	1,681	25,851
Total administrative costs	9,707	9,707	8,991	178,194
Program:				
Salaries and wages	11,300	11,300	11,300	156,475
Fringe benefits	3,317	3,317	3,317	42,953
Operating expenses	23,017	23,017	5,165	31,170
Out of state travel	-	-	-	16,356
Other costs	-	-	2,874	35,882
Total program costs	37,634	37,634	22,656	282,836
Total costs	\$ 47,341	\$ 47,341	\$ 31,647	\$ 461,030

Community Action Partnership of Sonoma County

Supplemental Statement of Revenue and Expenditures

Contract #21F-4046 - CSBG ADMIN

For the Period January 1, 2021 through May 31, 2022

	01/01/2021 - 02/28/2021	03/01/2021 - 02/28/22	Total Audited Costs	Total Reported Expenses	Total Grant Budget
REVENUE					
Grant revenue	\$ 65,006	\$ 400,681	\$ 465,687		\$ 465,687
Total revenue	\$ 65,006	\$ 400,681	\$ 465,687		\$ 465,687
EXPENDITURES					
Administrative:					
Salaries and wages	\$ 15,767	\$ 82,321	\$ 98,088	\$ 98,088	\$ 92,000
Fringe benefits	2,131	12,253	14,384	14,384	18,000
Operating expenses	25	23,426	23,451	23,451	25,353
Out of state travel	1,900	3,550	5,450	5,450	6,020
Other costs	4,379	23,883	28,262	28,262	28,262
Total administrative costs	24,202	145,433	169,635	169,635	169,635
Program:					
Salaries and wages	21,239	151,615	172,854	172,854	176,000
Fringe benefits	3,439	34,708	38,147	38,147	35,000
Operating expenses	12,541	17,648	30,189	30,189	30,080
Out of state travel	-	16,246	16,246	16,246	16,356
Other	3,585	35,031	38,616	38,616	38,616
Total program costs	40,804	255,248	296,052	296,052	296,052
Total costs	\$ 65,006	\$ 400,681	\$ 465,687	\$ 465,687	\$ 465,687

Community Action Partnership of Sonoma County

Supplemental Statement of Revenue and Expenditures

Contract #20F-3685 - COVID-19/CARES CSBG

For the Period March 27, 2020 through May 31, 2022

	03/27/2020 - 02/28/2021	03/01/2021 - 2/28/2022	Total Audited Costs		Total Reported Expenses	Total Grant Budget
REVENUE						
Grant revenue	\$ 244,299	\$ 296,345	\$ 540,644			\$ 667,677
Total revenue	\$ 244,299	\$ 296,345	\$ 540,644			\$ 667,677
EXPENDITURES						
Administrative:						
Operating expenses	\$ 12,903	\$ 25,579	38,482		\$ 38,482	\$ 53,334
Contract/consultant services	7,925	-	7,925		7,925	7,926
Other costs	3,124	3,837	6,961		6,961	9,230
Total administrative costs	23,952	29,416	53,368		53,368	70,490
Program:						
Salaries and wages	54,923	125,562	180,485		180,485	245,284
Fringe benefits	21,132	30,151	51,283		51,283	53,963
Operating expenses	126,069	59,791	185,860		185,860	210,105
Equipment	-	6,090	6,090		6,090	10,000
Other	18,223	45,335	63,558		63,558	77,835
Total program costs	220,347	266,929	487,276		487,276	597,187
Total costs	\$ 244,299	\$ 296,345	\$ 540,644		\$ 540,644	\$ 667,677

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States 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 (a nonprofit organization), which comprise the statement of financial position as of February 28, 2022, 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 October 18, 2022.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

October 18, 2022
Madison, Wisconsin

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Action Partnership of Sonoma County’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2022. Community Action Partnership of Sonoma County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Action 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

October 18, 2022
Madison, Wisconsin

Community Action Partnership of Sonoma County

Schedule of Findings and Questioned Costs
Year Ended February 28, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	Yes
Identification of major federal programs:	
<u>Name of Federal Major Programs or Cluster</u>	<u>AL #</u>
Emergency Rental Assistance Program	21.023
Community Services Block Grant	93.569
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Community Action Partnership of Sonoma County

Schedule of Findings and Questioned Costs
Year Ended February 28, 2022

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001: Tri-Partite Board Composition

Department of Health and Human Services – AL #93.569

Community Services Block Grant	California Department of Community Services and Development	21F-4447 22F-5046 21F-4046
COVID-19 Community Services Block Grant	California Department of Community Services and Development	20F-3685

Questioned Costs: None

Condition

Less than 1/3 of the members of the board of directors of Community Action Partnership of Sonoma County were representative of the government sector in accordance with Community Services Block Grant (CSBG) requirements.

Criteria

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

Cause

Community Action Partnership of Sonoma County had board vacancies and experienced board recruiting difficulties during the year, causing it to not be in compliance with the tri-partite board requirement.

Effect

Due to the above noted conditions, CAPSC was not in compliance with this particular CSBG compliance requirement.

Recommendation

We recommend Community Action Partnership of Sonoma County recruit board members to comply with the tri-partite board composition requirement.

Views of Responsible Officials

Community Action Partnership of Sonoma County agrees with the audit finding and has written a corrective action plan.

Community Action Partnership of Sonoma County

Schedule of Findings and Questioned Costs
Year Ended February 28, 2022

Section IV – Status of Prior Year Audit Findings

Finding 2021-001: Recognition of Donor Conditions and Restrictions

Condition

It was noted that CAPSC was not performing an assessment on whether contributions received included a barrier(s) to entitlement and was recognizing all contributions as a refundable advance. CAPSC determined there were contributions without barrier(s) to entitlement and should have recorded the revenue in the period the contribution was received. Wipfli proposed and management posted an adjusting journal entry to decrease refundable advances and increase net assets by \$281,603 as of February 29, 2020.

Criteria

Federal Regulation 2 CFR 200.302(4) requires that an organization have...*Effective control over, and accountability for, all funds, property, and other assets.*

Cause

CAPSC did not perform an assessment on the contributions received to determine whether amounts received included a barrier(s) to entitlement.

Effect

As a result of not performing an assessment on contributions received, resulting in a prior period adjustment, a significant deficiency exists in internal controls over financial reporting.

Current Year Status

CAPSC performed an assessment of contributions received for the year ended February 28, 2022, this finding has been resolved.