



Independent Auditor's Reports,
Financial Statements
and Supplementary Information

DECEMBER 31, 2019



COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16
Supplementary Information:	
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards	17 – 18
Other Auditor's Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21
Independent Auditor's Report on Compliance for Each Major Program and Internal Control over Compliance Required by Audit of Financial Statements Performed in Accordance with by the Uniform Guidance	22 – 23
Schedules of Findings and Questioned Costs	24



Community
Action
Commission
OF SANTA BARBARA COUNTY



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: 1 (805) 880-0350, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Action Commission of Santa Barbara County, Inc.
Santa Barbara, California

We have audited the accompanying financial statements of the Community Action Commission of Santa Barbara County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Action Commission of Santa Barbara County, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Community Action Commission of Santa Barbara County, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated September 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Santa Barbara, California
May 6, 2020

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(with comparative totals for 2018)

	ASSETS	2019	2018
ASSETS			
Cash and cash equivalents		\$ 864,517	\$ 1,133,531
Grants / contracts receivable		1,705,356	1,768,531
Prepaid expenses and other current assets		258,984	189,112
Investments (Note 5)		1,446,816	1,243,549
Fixed assets, net of accumulated depreciation (Note 6)		311,309	331,520
Total Assets		<u>\$ 4,586,982</u>	<u>\$ 4,666,243</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses		\$ 529,810	\$ 692,980
Accrued payroll		618,014	599,692
Accrued vacation (Note 7)		623,358	604,139
Deferred revenue		449,477	99,781
Total Liabilities		<u>2,220,659</u>	<u>1,996,592</u>
NET ASSETS			
Without Donor Restriction:			
Undesignated		2,055,014	2,338,131
Invested in Fixed Assets		311,309	331,520
Total Net Assets		<u>2,366,323</u>	<u>2,669,651</u>
Total Liabilities and Net Assets		<u>\$ 4,586,982</u>	<u>\$ 4,666,243</u>

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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF ACTIVITIES
December 31, 2019
(with comparable totals for 2018)

	2019	2018
PUBLIC SUPPORT		
Special Events, Gross	\$ 24,750	\$ 16,250
Less: Direct Costs Benefitting Donors	(19,166)	(16,994)
Special Events, Net	5,584	(744)
Contributions & Grants	563,479	680,381
Total Public Support	569,063	679,637
REVENUE		
Grants and contracts	22,059,267	22,413,582
Program income	228,353	1,594,622
In-kind	1,082,421	1,046,685
Other investment earnings (loss)	205,788	(58,769)
Total Public Support and Revenue	24,144,892	25,675,757
EXPENSES		
PROGRAM SERVICES		
Children's services	16,045,509	15,659,062
Nutrition services	1,761,691	3,081,324
Family & Youth services	1,346,086	1,559,038
Community services	2,790,699	2,583,124
Total Program Services	21,943,985	22,882,548
SUPPORTING SERVICES		
Management and General	2,299,216	2,464,820
Fundraising	205,019	194,508
Total Supporting Services	2,504,235	2,659,328
TOTAL EXPENSES	24,448,220	25,541,876
CHANGE IN NET ASSETS	(303,328)	133,881
NET ASSETS, Beginning of Year	2,669,651	2,535,770
NET ASSETS, End of Year	\$ 2,366,323	\$ 2,669,651

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2019
(with comparative totals for 2018)

	2019								2018
	Program Services				Total Programs Services	Support Services		Grand Total Expenses	Grand Total Expenses
	Children's	Nutrition	Family & Youth	Community		Management & General	Fundraising		
Compensation & Related Benefits									
Salaries	\$ 8,491,831	\$ 498,736	\$ 861,069	\$ 1,078,748	\$ 10,930,385	\$ 1,158,787	\$ 141,520	\$ 12,230,692	\$ 12,305,827
Payroll Taxes & Fringe Benefits	2,849,958	146,131	289,709	342,933	3,628,730	399,797	48,136	4,076,663	4,367,700
Total Compensation & Related Benefits	11,341,790	644,867	1,150,778	1,421,681	14,559,115	1,558,584	189,656	16,307,355	16,673,527
Other Expenses									
Professional services	216,113	4,408	475	6,465	227,461	53,519	-	280,980	284,254
Travel	91,961	28,621	82,600	39,167	242,349	6,514	2,788	251,650	272,377
Subcontractors	636,776	14,185	180	893,691	1,544,832	187,497	-	1,732,329	1,633,271
Space and equipment rental	410,617	25,819	43,428	87,892	567,755	135,581	-	703,336	669,348
Equipment and building maintenance	393,629	22,158	659	5,414	421,860	20,080	-	441,940	374,806
Equipment purchases	14,670	857	-	58,000	73,527	73,168	-	146,695	88,148
Vehicle	122,620	26,006	-	5,529	154,155	24,134	-	178,289	155,335
Depreciation	9,528	-	-	-	9,528	10,683	-	20,211	22,734
Food and meals	952,771	648,611	-	8,400	1,609,782	510	-	1,610,292	2,263,738
Supplies	437,042	23,857	16,808	55,098	532,805	36,996	856	570,657	842,942
Telephone	118,840	10,830	16,857	19,715	166,242	20,418	-	186,660	171,688
Utilities	127,953	30,773	650	17,237	176,613	719	-	177,333	169,458
Insurance	98,341	27,651	3,273	7,398	136,663	36,435	-	173,098	183,955
Staff training	119,023	305	5,194	9,831	134,354	11,713	743	146,810	112,702
In-kind space rental / other	856,648	222,634	2,449	691	1,082,421	-	-	1,082,421	1,046,685
Other	97,189	30,111	22,736	154,488	304,524	122,664	10,976	438,164	576,907
Total Other Expenses	4,703,719	1,116,825	195,308	1,369,018	7,384,871	740,632	15,362	8,140,865	8,868,349
Total Functional Expenses	<u>\$ 16,045,509</u>	<u>\$ 1,761,691</u>	<u>\$ 1,346,086</u>	<u>\$ 2,790,699</u>	<u>\$ 21,943,986</u>	<u>\$ 2,299,216</u>	<u>\$ 205,019</u>	<u>\$ 24,448,220</u>	<u>\$ 25,541,876</u>

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF CASH FLOWS
December 31, 2019
(with Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (303,328)	\$ 133,881
Adjustments to reconcile increase in Net Assets to Cash Provided by (Used by) operating activities:		
Depreciation	20,211	22,734
Net Realized and Unrealized (Gains) Losses on Investments	(199,690)	84,556
Grants and Contracts Receivable	63,175	(199,778)
Prepaid Expenses and Other Current Assets	(69,872)	26,983
Accounts Payable and Accrued Expenses	(163,170)	263,151
Accrued Payroll	18,322	64,970
Accrued Vacation	19,219	20,711
Refundable Advances	349,696	(205,169)
Net Cash Provided (Used) by Operating Activities	<u>(265,437)</u>	<u>212,039</u>
Cash Flows from Investing Activities		
Purchase of Fixed Assets	-	(5,950)
Proceeds from Sale of Investments	5,414	18,168
Purchase of Investments	(8,991)	(125,472)
Net Cash Used by Investing Activities	<u>(3,577)</u>	<u>(113,254)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(269,014)	98,785
Cash and Cash Equivalents at Beginning of Year	1,133,531	1,034,746
Cash and Cash Equivalents at End of Year	<u><u>\$ 864,517</u></u>	<u><u>\$ 1,133,531</u></u>

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 1 - GENERAL

ORGANIZATION

Community Action Commission of Santa Barbara County, Inc. (CAC) was incorporated in 1967 as a nonprofit, tax exempt, California corporation. CAC receives its principal funding from the United States Department of Health and Human Services and the State of California Department of Education and accordingly, operates under the guidelines and regulations of these funding sources. CAC serves the County of Santa Barbara including the following cities: Goleta, Santa Barbara, Carpinteria, Santa Ynez, Lompoc, Santa Maria, Solvang, Guadalupe, Cuyama, Orcutt, and Buellton. The mission of Community Action Commission of Santa Barbara County, Inc. is to:

In partnership with the community, we provide education and supportive services to residents of Santa Barbara County, contributing to enhanced dignity and resulting in improved economic security and self-sufficiency.

PROGRAM SERVICES

Children's Services provides Head Start and Early Head Start programs that offer comprehensive early childhood education, health, nutrition and parent involvement services to low-income children and families. Full and part-day early care and education are provided for children ages 0 to 5 in 24 sites throughout Santa Barbara County with a goal of preparing our most vulnerable young children to succeed in school and in life beyond school. In addition, both programs are designed to assist families in meeting their own personal goals and achieving self-sufficiency across a wide variety of domains, such as housing, continued education, and financial security.

The **Head Start** program delivers services to children and families by focusing on the areas of early learning, health, and family well-being while engaging parents as partners every step of the way. California State Preschool and Child Development programs are also offered and blended with Head Start services. The **Early Head Start** program promotes the physical, cognitive, social, and emotional development of infants and toddlers through safe and developmentally enriching caregiving. The program is designed to support parents, both mothers and fathers, in their role as *primary caregivers and teachers* of their children. In 2019, 1,519 infants, toddlers, and preschoolers were provided with high quality early care and education (ECE) and health services. <https://cacsb.org/low-income-assistance/children-services>

Nutrition Services provides healthy lunches and enrichment activities for seniors both at community meal sites and, for home-bound seniors, in their own home. Nearly 135,459 meals were served to approximately 1,128 seniors in 2019, ensuring

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 1 - GENERAL (continued)

they received a healthy lunch daily to support their health, well-being, and ongoing independence (<http://www.cacsb.org/low-income-assistance/senior-nutrition>). Nutrition Services also provided 221,865 meals to local Head Start centers for children ages 0-5.

Family and Youth Services (FYS) enhances the social, emotional and physical well-being of youth and families in Santa Barbara County to help them achieve a positive and productive future. Services focus on culturally responsive mentoring, tutoring, health education and skill development, as well as helping families cope with mental health issues. In 2019, 5,576 youth ages 6-17 participated in CACSB's youth programs (<https://cacsb.org/low-income-assistance/teens-young-adults>). In addition, CAC served 74 young adults in the Transition Age Youth (TAY) Program. Also included in the portfolio of Family & Youth Services programs in 2018 is **2-1-1 Santa Barbara County**, a comprehensive information and referral system. Dialing 2-1-1 connects people to over 2,000 health and human services, disaster relief, and public information resources. 2-1-1 is a free service, available 24 hours a day /7 days a week in multiple languages. In 2019, 2-1-1 handled 4,736 calls and text messages and assisted 9,302 users through the 2-1-1 website: <http://www.211santabarbaracounty.org>.

Community Services is comprised of a variety of services designed to help disadvantaged families address the financial challenges by reducing their home energy burden, promoting financial literacy, removing barriers to achieving self-sufficiency, and linking residents to available services and resources throughout Santa Barbara County. Services include Energy Assistance, Weatherization Services, Senior Home Repair Program, Family Self-Sufficiency Program, Economic Empowerment Program and Earned Income Tax Credit Outreach Program. CACSB's Energy Services weatherized 141 homes and assisted a total of 1,452 families with their energy bills, while an additional 67 seniors' homes were repaired, enabling them to age safely in place. <http://www.cacsb.org/low-income-assistance/energy-programs>

ADMINISTRATIVE SERVICES

Administrative services represent management and general expenses, indirect costs, and the administrative costs portion of program services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

CAC's financial statements are prepared on the accrual basis of accounting and include all support and revenues when earned and all expenses when incurred,

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

regardless of when received or paid at the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

DESCRIPTION OF NET ASSETS

CAC reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. 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."

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, CAC 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.

CASH AND CASH EQUIVALENTS

For the purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with a maturity of three months or less.

INVESTMENTS

Investments are recorded at fair market value. CAC invests in mutual funds. Gains and losses occur that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLE

CAC has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable that receivables will be collected.

FIXED ASSETS

Fixed assets are capitalized at cost and are being depreciated on the straight-line method using lives as described in Note 7.

FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Administration services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CAC.

INDIRECT COSTS

Indirect costs represent administrative costs recorded in the general administration fund which are allocable to the restricted programs as indirect administrative costs. CAC submits an indirect cost rate agreement to the Department of Health and Human Services on an annual basis. The indirect cost rate is used to support the claim for indirect costs on grants and contracts with the Federal Government.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject CAC to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Cash equivalents include overnight investments, and money market funds. CAC places certain temporary cash, cash equivalents and investments with financial institutions and financial institutions. At times, CAC's cash, cash equivalents and investment balances exceed the current insured amount under the Federal Deposit Insurance Corporation and Securities Investor Protection

Corporation. However, management believes the risk of loss to be minimal. In addition, CAC's investments are exposed to various risks, such as interest rate fluctuations and market valuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect CAC's Statements of Financial Position and Activities.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

RISK MANAGEMENT

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

CONTINGENCIES

CAC participates in federal grants, the principal of which is the U.S. Department of Health and Human Services. Disbursement of funds received under this grantor agency requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

CONCENTRATIONS

CAC receives a substantial amount of revenue for its programs funded by the U.S. Department of Health and Human Services. During 2019 CAC received \$15,163,734 which amounts to 63% of its total revenue.

DONATED SERVICES

Donated Services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require special skills, performed by people with those skills, and would otherwise be purchased by CAC. Volunteers also provided parent services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

COMPARATIVE 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 CAC's audited financial statements for the year ended December 31, 2018,

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

from which the summarized information was derived.

SUBSEQUENT EVENTS

In preparing these financial statements, CAC has evaluated events and transactions for potential recognition or disclosure through May 6, 2019, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

CAC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CAC is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. CAC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. In addition, CAC is subject to unrelated business income tax on revenues derived from its "Backdoor Deli" location.

CAC 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 positions will more-likely-than-not be sustained upon examination by taxing authorities. CAC has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. CAC 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 CAC's financial condition, results of operations or cash flows. Accordingly, CAC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019. CAC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. CAC has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis. FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE (continued)

participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including CAC's own assumptions in determining the fair value of its investments).

The inputs and methodology used for valuing CAC's financial assets and liabilities are not indicators of the risks associated with those investments.

As of December 31, 2019, the investments totaling \$1,446,816 were invested in funds at the Santa Barbara Foundation and were all classified to be Level 2.

NOTE 5 - INVESTMENTS

Activity for 2019 is as follows:

Account balance as of January 1, 2019	\$ 1,243,549
Transfers in / deposits	-
Other withdrawals and fees	(15,729)
Dividends and interest	19,306
Net realized and unrealized losses	199,690
Account balance as of December 31, 2019	<u>\$ 1,446,816</u>

NOTE 6 - FIXED ASSETS

Fixed assets as of December 31 are as follows:

	<u>Years</u>	
Land & Building	25-30	\$407,214
Building Improvements	15-20	649,474
Equipment, Furniture & Fixtures	5	167,452
Vehicles	5	<u>157,045</u>
Total		1,381,185
Less Accumulated Depreciation		<u>(1,069,876)</u>
Fixed Assets, Net		<u>\$311,309</u>

Depreciation expense was \$20,211 for 2019.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 7 - ACCRUED VACATION

CAC's employees earn vacation leave depending on their length of service. The maximum amount of vacation hours an employee can accumulate is 360 hours. Accumulated unpaid employee vacation benefits are recognized as liabilities of CAC. The amount of accumulated vacation was \$623,358 as of December 31, 2019.

NOTE 8 - LINE OF CREDIT

In April 2020 CAC opened a new unsecured line of credit at Montecito Bank & Trust in the amount of \$500,000, which expires on May 5, 2021. The interest rate on the used portion of the line of credit was 5.00% 2020 (+0.75% with a floor rate of 5%) as of April 29, the date of the agreement.

Previously, CAC had an unsecured line of credit with Mechanics Bank, which expired March 11, 2020. The line of credit was never drawn on in 2019 so the total interest paid was \$0 for the year ended December 31, 2019.

NOTE 9 - IN-KIND

Values assigned to in-kind contributions and the related expenses are based on federal guidelines. In accordance with those guidelines, values are based upon estimated area-wide averages for purchased services, facilities, or supplies of a similar type. In-kind contributions and expenses are recorded when used in programs and are not carried forward. In-kind contributions were \$1,082,421 for 2019.

NOTE 10 - PENSION PLAN

CAC maintains a pension plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan in which participation is voluntary and contributions are limited to 20% of annual salary. However, employees over the age of 50 are allowed to contribute more than 20% to catch up for prior years. Employees who work more than 20 hours per week and have completed one year and 1,000 hours of service are eligible to participate in the employer contribution portion of the plan. CAC matches the employee contributions dollar for dollar up to 5% of the employee's annual salary. Employees are fully vested in their own contributions and in those made by CAC. The maximum amount allowed to be contributed to the plan by the employees and CAC's match is \$18,000. The amount contributed to the plan by CAC was \$346,311 for 2019.

NOTE 11 - LEASE COMMITMENT

CAC leases office space for program services and administrative facilities under operating leases. The total expense for rent was \$655,063 for 2019. Minimum future

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 11 - LEASE COMMITMENT (continued)

rental payments under non-cancelable operating leases for each of the next several years as of December 31, 2019:

2020	\$ 164,484
2021	111,278
2022	56,391
2023	14,435
2024	6,884
Total	<u>\$ 353,472</u>

NOTE 12 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019:

Cash and Cash Equivalents available within one year	\$ 864,717
Grants and Contracts Receivable	1,705,356
Other Current Assets	258,984
Investments available for general expenditure within one year	1,446,816
Current Liabilities	<u>(2,220,659)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,055,214</u>

NOTE 13 – RECLASSIFICATION

Certain amounts from the December 31, 2018, financial statements have been reclassified to conform with the current year's presentation.

NOTE 14 – SBA LOAN UNDER THE PAYROLL PROTECTION PROGRAM

On April 16, 2020, CAC received loan funding of \$3,605,318 under the Paycheck Protection Program, as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 14 – SBA LOAN UNDER THE PAYROLL PROTECTION PROGRAM (continued)

The loan will be fully forgiven if the funds are used for payroll costs, rent, and utilities and at least 75% of the forgiven amount must have been used for payroll. Loan payments will also be deferred for six months. No collateral or personal guarantees were required.

Forgiveness will be based on CAC maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. This loan has a maturity of 2 years and an interest rate of 1%. CAC intends to comply with all regulations to allow for the loan to be fully forgiven.

NOTE 15 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of May 6, 2020, CAC offices remain open, subject to regulated or reduced hours.

CAC cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact CAC's financial position, changes in net assets, and cash flows in 2020.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2019

Grantor / Pass through and Grantor / Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
<i>Pass through the California State Department of Education:</i>			
Child Care Food Program	10.558	42-1682-OJ	\$ 692,205
Total U.S. Department of Agriculture			\$ 692,205
U.S. Department of Housing and Urban Development:			
<i>Pass through the City of Carpinteria:</i>			
Community Development Block Grant	14.218	CDBG 19/20	\$ 10,000
<i>Pass through the City of Goleta:</i>			
Community Development Block Grant	14.218	CDBG 18/19	2,500
Community Development Block Grant	14.218	CDBG 19/20	2,836
<i>Pass through the City of Lompoc:</i>			
Community Development Block Grant	14.218	CDBG 18/19	3,500
Community Development Block Grant	14.218	CDBG 19/20	5,000
<i>Pass through the City of Santa Barbara:</i>			
Community Development Block Grant	14.218	CDBG 18/19	6,000
Community Development Block Grant	14.218	CDBG 19/20	5,849
<i>Pass through the City of Santa Maria:</i>			
Community Development Block Grant	14.218	CDBG 18/19	7,055
Community Development Block Grant	14.218	CDBG 19/20	13,957
Total U.S. Department of Housing and Urban Development			\$ 56,696
U.S. Department of Energy:			
<i>Pass through the California State Department of Community Services and Development:</i>			
DOE Weatherization Assistance	84.042	17C-4025	\$ 91,890
Total U.S. Department of Energy			\$ 91,890
U.S. Department of Health and Human Services:			
<i>Direct awards:</i>			
Head Start	93.600	09CH010272-04	\$ 8,972,308
Head Start	93.600	09CH010272-05	1,123,273
Early Head Start	93.600	09CH010272-04	1,313,441
Early Head Start	93.600	09CH010272-05	148,699
Total Direct Awards			\$ 11,557,720
Pass through the California Department of Social Services:			
Economic Empowerment (OCAP)	93.669 & 93.590	EE-CACSB-18-21	\$ 67,622
			\$ 67,622

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2019

Grantor / Pass through and Grantor / Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services (continued):			
<i>Pass through the Central Coast Commission for Senior Citizens, Area Agency on Aging (Aging Programs Cluster):</i>			
Title III-B Residence Repair	93.044	CDA IIIB 18/19	\$ 24,108
Title III-B Residence Repair	93.044	CDA IIIB 19/20	13,591
Title III-C-1 Congregate Nutrition	93.045	CDA C1 18/19	118,115
Title III-C-1 Congregate Nutrition	93.045	CDA C1 19/20	114,589
Title III-C-2 Home Delivered Nutrition	93.045	CDA C2 18/19	212,067
Title III-C-2 Home Delivered Nutrition	93.045	CDA C2 19/20	225,805
Title III-C-1 Congregate Nutrition	93.053	NSIP C1 18/19	21,179
Title III-C-1 Congregate Nutrition	93.053	NSIP C1 19/20	20,670
Title III-C-2 Home Delivered Nutrition	93.053	NSIP C2 18/19	34,727
Title III-C-2 Home Delivered Nutrition	93.053	NSIP C2 19/20	33,576
Total pass through the Central Coast Commission for Senior Citizens			<u>\$ 818,427</u>
<i>Pass through the California Department of Public Health:</i>			
CA Personal Responsibility & Education	93.092	18-10236	\$ 201,630
Adolescent Family Life Planning	93.994	17-10135	158,944
Information and Education Program	93.778	19-10313	28,387
Total pass through the California Department of Public Health			<u>\$ 388,961</u>
<i>Pass through the California State Department of Community Services & Development:</i>			
Low Income Home Energy Assistance Program	93.568	19B-5034	\$ 1,449,246
Low Income Home Energy Assistance Program	93.568	20B-2034	2,958
Subtotal Low Income Home Energy Assistance Program			<u>1,452,204</u>
Community Services Block Grant	93.569	18F-5041	38,468
Community Services Block Grant	93.569	19F-4041	529,942
Community Services Block Grant	93.569	19F-4443	7,101
Total California State Department of Community Services & Development			<u>\$ 2,027,715</u>
<i>Pass through the California State Department of Education (Child Care Programs Cluster):</i>			
California State Preschool Program	93.575 & 93.596	CSPP-8545	\$ 260,975
General Child Care and Development	93.575 & 93.596	CCTR-8254	49,660
General Child Care and Development	93.575 & 93.596	CCTR-9249	60,275
Total pass through CA State Dept of Ed (Child Care Programs Cluster)			<u>\$ 370,910</u>
Total U.S. Department of Health and Human Services			<u>15,163,734</u>
Total Federal Expenditures			<u><u>\$ 16,072,147</u></u>

Community Action Commission of Santa Barbara County, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the Federal award activity of the Organization, under programs of the federal government for the year ended December 31, 2019, 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 allowed or are limited as a reimbursement. The Organization has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122 Cost Principles for Non Profit Organizations, or the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

OTHER AUDITOR'S REPORTS



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: 1 (805) 880-0350, www.mcgowan.com

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 Commission of Santa Barbara County, Inc.

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 Commission of Santa Barbara County, Inc. (the Organization) as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated May 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, reading "McGowan Guntermann". The signature is written in a cursive, flowing style.

Santa Barbara, California
May 6, 2020



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, Fax: 1 (805) 880-0350, www.mcgowan.com

Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

Board of Directors
Community Action Commission of Santa Barbara County, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Community Action Commission of Santa Barbara County, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization'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 the Organization's compliance.

Opinion on Compliance for Each Major Federal Program

In our opinion, the Organization 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 December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types 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 federal 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 Organization'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.

Purpose of this Report

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.



Santa Barbara, California
May 6, 2020

Community Action Commission of Santa Barbara County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **No**

No instances of noncompliance material to financial statements were disclosed by the audit.

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **No**

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? **No**

Identification of major programs:

CFDA Number	Program Name	Expenditures
93.600	Head Start and Early Head Start	\$11,557,720
93.568	Low Income Home Energy Assistance Program	1,452,204
93.045 & 93.053	Aging Cluster (CFDA #'s 93.044, 93.045, 93.053)	
93.044	Special Programs for the Aging	818,427
10.558	Child Care Food Program	692,205

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

Auditee qualified as low-risk auditee? **No**

Section II—Financial Statement Findings –

None.

Section III—Federal Award Findings and Questioned Costs –

None.

There were no findings or questioned costs for the year ended December 31, 2018.