



A PRIVATE NONPROFIT

Community
Action
Commission

OF SANTA BARBARA COUNTY

Independent Auditor's Reports,
Financial Statements
and Supplementary Information

DECEMBER 31, 2018



COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 September 4, 2019, 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. 2017 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated July 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Santa Barbara, California
September 4, 2019

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(with comparative totals for 2017)

	ASSETS	2018	2017
ASSETS			
Cash and cash equivalents		\$ 1,133,531	\$ 1,034,746
Grants / contracts receivable		1,768,531	1,568,753
Prepaid expenses and other current assets		189,112	216,095
Investments (Note 5)		1,243,549	1,220,801
Fixed assets, net of accumulated depreciation (Note 6)		331,520	348,304
Total Assets		<u>\$ 4,666,243</u>	<u>\$ 4,388,699</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses		\$ 692,980	\$ 429,829
Accrued payroll		599,692	534,722
Accrued vacation (Note 7)		604,139	583,428
Refundable advances		99,781	304,950
Total Liabilities		<u>1,996,592</u>	<u>1,852,929</u>
NET ASSETS			
Without Donor Restriction:			
Undesignated		2,338,131	2,187,466
Invested in Fixed Assets		331,520	348,304
Total Net Assets		<u>2,669,651</u>	<u>2,535,770</u>
Total Liabilities and Net Assets		<u>\$ 4,666,243</u>	<u>\$ 4,388,699</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, 2018
(with comparable totals for 2017)

	<u>2018</u>	<u>2017</u>
PUBLIC SUPPORT		
Donations, other	\$ 696,631	\$ 931,082
Total Public Support	<u>696,631</u>	<u>931,082</u>
REVENUE		
Grants and contracts	22,413,582	20,821,206
Program income	1,594,622	1,674,588
In-kind	1,046,685	991,938
Other investment earnings (loss)	(58,769)	108,089
Transfer to/from other contracts	-	(10,113)
Total Public Support and Revenue	<u>25,692,751</u>	<u>24,516,790</u>
EXPENSES		
PROGRAM SERVICES		
Children's services	15,659,062	14,233,166
Nutrition services	3,081,324	1,843,777
Family & Youth services	1,559,038	3,225,425
Community services	2,583,124	2,533,516
Total Program Services	<u>22,882,548</u>	<u>21,835,884</u>
SUPPORTING SERVICES		
Management and General	2,464,820	2,376,159
Fundraising	211,502	21,579
Total Supporting Services	<u>2,676,322</u>	<u>2,397,738</u>
TOTAL EXPENSES	<u>25,558,870</u>	<u>24,233,622</u>
CHANGE IN NET ASSETS	<u>133,881</u>	<u>283,168</u>
NET ASSETS, Beginning of Year	<u>2,535,770</u>	<u>2,252,602</u>
NET ASSETS, End of Year	<u><u>\$ 2,669,651</u></u>	<u><u>\$ 2,535,770</u></u>

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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

December 31, 2018

(with comparative totals for 2017)

	2018						2017	
	Program Services			Total		Grand Total	Grand Total	Expenses
	Children's	Nutrition	Family & Youth	Community	Programs Services			
Compensation & Related Benefits								
Salaries	\$ 8,029,289	\$ 928,943	\$ 970,420	\$ 1,026,193	\$ 10,954,845	\$ 1,219,349	\$ 131,633	\$ 12,305,827
Payroll Taxes & Fringe Benefits	2,879,999	308,267	351,557	335,540	3,875,363	444,727	47,610	4,367,700
Total Compensation & Related Benefits	10,909,288	1,237,210	1,321,977	1,361,733	14,830,208	1,664,076	179,243	16,673,527
Other Expenses								
Professional services	221,829	3,745	1,889	6,664	234,127	50,002	125	284,254
Travel	79,602	50,518	90,732	32,978	253,830	17,001	1,546	272,377
Subcontractors	538,593	8,971	686	875,674	1,423,914	209,357	-	1,633,271
Space and equipment rental	384,387	25,843	44,327	69,604	524,161	145,187	-	669,348
Equipment and building maintenance	314,271	31,205	809	7,297	353,582	21,224	-	374,806
Equipment purchases	24,760	816	460	3,909	29,945	58,203	-	88,148
Vehicle	107,390	24,003	117	4,756	136,266	19,069	-	155,335
Depreciation	9,528	8,846	-	934	19,308	3,426	-	22,734
Food and meals	1,042,069	1,204,475	-	10,506	2,257,050	6,688	11,753	2,275,491
Supplies	606,975	124,818	16,587	54,104	802,484	39,502	956	842,942
Telephone	110,047	10,565	16,649	16,861	154,122	17,566	-	171,688
Utilities	122,991	42,311	870	2,353	168,525	933	-	169,458
Insurance	107,685	33,961	3,224	8,576	153,446	30,509	-	183,955
Staff training	89,522	615	7,632	6,226	103,995	7,807	900	112,702
In-kind space rental / other	806,198	226,088	9,526	4,874	1,046,686	-	-	1,046,686
Other	183,937	47,334	43,553	116,075	390,899	174,270	16,979	582,148
Total Other Expenses	4,749,774	1,844,114	237,061	1,221,391	8,052,340	800,744	32,259	8,885,343
Total Functional Expenses	\$ 15,659,062	\$ 3,081,324	\$ 1,559,038	\$ 2,583,124	\$ 22,882,548	\$ 2,464,820	\$ 211,502	\$ 25,558,870
								\$ 24,233,622

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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
STATEMENT OF CASH FLOWS
December 31, 2018
(with Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 133,881	\$ 283,168
Adjustments to reconcile increase in Net Assets to Cash Provided by (Used by) operating activities:		
Depreciation	22,734	17,553
Net Realized and Unrealized (Gains) Losses on Investments	84,556	(80,557)
Grants and Contracts Receivable	(199,778)	452,017
Prepaid Expenses and Other Current Assets	26,983	(664)
Accounts Payable and Accrued Expenses	263,151	(142,553)
Accrued Payroll	64,970	32,197
Accrued Vacation	20,711	(35,219)
Refundable Advances	(205,169)	23,789
Net Cash Provided by Operating Activities	<u>212,039</u>	<u>549,731</u>
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(5,950)	(30,555)
Proceeds from Sale of Investments	18,168	223,344
Purchase of Investments	(125,472)	(488,047)
Net Cash Used by Investing Activities	<u>(113,254)</u>	<u>(295,258)</u>
Net Increase in Cash and Cash Equivalents	98,785	254,473
Cash and Cash Equivalents at Beginning of Year	1,034,746	780,273
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,133,531</u></u>	<u><u>\$ 1,034,746</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. (the Organization) was incorporated in 1967 as a nonprofit, tax exempt, California corporation. The Organization 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. The Organization 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 2018, 1,155 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 152,000 meals were served to approximately 1,200 seniors in 2018, 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 127,739 meals to local Head Start centers for children ages 0-5, as well as 23,177 summer lunches to youth ages 5-18.

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 2018, 5,055 youth ages 6-17 participated in CACSB's youth programs (<https://cacsb.org/low-income-assistance/teens-young-adults>). 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 2,800 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 2018, 2-1-1 handled 13,252 calls and text messages and assisted 9,482 users through the 2-1-1 website:

<http://www.211santabarbaracounty.org>. During 2018, 2-1-1 Santa Barbara played a key role in emergency response and disaster recovery activities following the Thomas Fire and Montecito Debris Flow.

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 209 homes and assisted a total of 1,626 families with their energy bills, while an additional 85 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.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

NEW ACCOUNTING PRONOUNCEMENTS

During 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet (statement of financial position) date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Due to the adoption of ASU 2016-14 as of December 31, 2018, net assets have been reclassified as of December 31, 2017 as follows:

Net Asset Classification 12/31/17	ASU 2016-14 Classifications		Total Net Assets
	Without Donor Restrictions	With Donor Restrictions	
Unrestricted	\$ 2,535,770	\$ -	\$ 2,535,770
Temporarily Restricted	-	-	-
Permanently Restricted	-	-	-
Net Assets as previously presented	2,535,770	-	2,535,770
Net assets as reported after adoption of ASU 2016-14	\$ 2,535,770	\$ -	\$ 2,535,770

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DESCRIPTION OF NET ASSETS

The Organization 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, the Organization 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. The Organization 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

The Organization 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 the Organization.

INDIRECT COSTS

Indirect costs represent administrative costs recorded in the general administration fund which are allocable to the restricted programs as indirect administrative costs. The Organization 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 the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and investments. Cash equivalents include overnight investments, and money market funds. The Organization places certain temporary cash, cash equivalents and investments with financial institutions and financial institutions. At times, the Organization'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, the Organization'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 the Organization'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

The Organization 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 the Organization carries commercial insurance.

CONTINGENCIES

The Organization 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

The Organization receives a substantial amount of revenue for its programs funded by the U.S. Department of Health and Human Services. During 2018 the Organization received \$16,261,534 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 the Organization. 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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

with the Organization's audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 4, 2019, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code. The Organization 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, the Organization is subject to unrelated business income tax on revenues derived from its "Backdoor Deli" location.

The Organization 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. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization 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 the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018. The Organization 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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE (continued)

measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASM 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 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 the Organization's own assumptions in determining the fair value of its investments).

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

As of December 31, 2018, the investments totaling \$1,243,549 were invested in funds at the Santa Barbara Foundation and were all classified to be Level 2.

NOTE 5 - INVESTMENTS

Activity for 2018 is as follows:

Account balance as of January 1, 2018	\$ 1,220,801
Transfers in / deposits	100,000
Other withdrawals and fees	(11,658)
Dividends and interest	18,962
Net realized and unrealized losses	(84,556)
Account balance as of December 31, 2018	<u>\$ 1,243,549</u>

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

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	157,045
Total		<u>1,381,185</u>
Less Accumulated Depreciation		<u>(1,049,665)</u>
Fixed Assets, Net		<u><u>\$331,520</u></u>

Depreciation expense was \$22,734 for 2018.

NOTE 7 - ACCRUED VACATION

The Organization'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 the Organization. The amount of accumulated vacation was \$604,139 as of December 31, 2018.

NOTE 8 - LINE OF CREDIT

During 2017, the Organization opened a new line of credit at Rabobank in the amount of \$500,000 on December 11, 2017, expiring on December 11, 2018. The interest on the used portion of the line of credit is 1.0% of the bank's index rates of 4.5% as of December 31, 2017. The balance on the line of credit was \$0. Total interest paid on the line of credit was \$0 for the year ended December 31, 2018.

In February 2019 the Organization opened a new line of credit at Rabobank in the amount of \$500,000, which expires on March 11, 2020. The interest rate on the used portion of the line of credit is 6.5% as of February 27, 2019; the date of the agreement.

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

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 \$1,046,685 for 2018.

NOTE 10 - PENSION PLAN

The Organization 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. The Organization 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 the Organization. The maximum amount allowed to be contributed to the plan by the employees and the Organization's match is \$18,000. The amount contributed to the plan by the Organization was \$365,211 for 2018.

NOTE 11 - LEASE COMMITMENT

The Organization leases office space for program services and administrative facilities under operating leases. The total expense for rent was \$530,887 for 2018. Minimum future rental payments under non-cancelable operating leases for each of the next several years as of December 31, 2018:

2019	\$ 392,654
2020	151,084
2021	99,124
2022	44,237
2023	5,129
Total	<u>\$ 692,228</u>

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Financial Statements

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, 2018:

Cash and Cash Equivalents available within one year	\$1,133,531
Grants and Contracts Receivable	1,768,531
Other Current Assets	189,112
Investments available for general expenditure within one year	1,243,549
Current Liabilities	<u>(1,996,599)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$2,338,124</u></u>

SUPPLEMENTARY INFORMATION

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

December 31, 2018

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	\$ 682,819
Summer Food Program	10.559	42-1682-OJ	63,899
Total U.S. Department of Agriculture			\$ 746,718
U.S. Department of Housing and Urban Development:			
<i>Pass through the City of Carpinteria:</i>			
Community Development Block Grant	14.218	CDBG 18/19	10,000
<i>Pass through the City of Goleta:</i>			
Community Development Block Grant	14.218	CDBG 17/18	1,750
Community Development Block Grant	14.218	CDBG 18/19	2,500
<i>Pass through the City of Lompoc:</i>			
Community Development Block Grant	14.218	CDBG 17/18	2,500
Community Development Block Grant	14.218	CDBG 18/19	3,500
<i>Pass through the City of Santa Barbara:</i>			
Community Development Block Grant	14.218	CDBG 17/18	6,000
Community Development Block Grant	14.218	CDBG 18/19	6,000
<i>Pass through the City of Santa Maria:</i>			
Community Development Block Grant	14.218	CDBG 17/18	5,209
Community Development Block Grant	14.218	CDBG 18/19	7,055
Total U.S. Department of Housing and Urban Development			\$ 44,514
U.S. Department of Health and Human Services:			
<i>Direct awards:</i>			
Head Start	93.600	09CH010272-03	9,109,315
Head Start	93.600	09CH010272-04	1,073,399
Early Head Start	93.600	09CH010272-03	1,594,718
Early Head Start	93.600	09CH010272-04	218,110
Total Direct Awards			\$ 11,995,542
Pass through the California Department of Social Services:			
Economic Empowerment (OCAP)	93.669 & 93.590	EE-CACSB-18-21	18,927
			\$ 18,927

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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2018

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 17/18	\$ 13,214
Title III-B Residence Repair	93.044	CDA IIIB 18/19	6,569
Title III-C-1 Congregate Nutrition	93.045	CDA C1 17/18	136,778
Title III-C-1 Congregate Nutrition	93.045	CDA C1 18/19	114,588
Title III-C-2 Home Delivered Nutrition	93.045	CDA C2 17/18	208,257
Title III-C-2 Home Delivered Nutrition	93.045	CDA C2 18/19	203,547
Title III-C-1 Congregate Nutrition	93.053	NSIP C1 17/18	16,171
Title III-C-1 Congregate Nutrition	93.053	NSIP C1 18/19	19,986
Title III-C-2 Home Delivered Nutrition	93.053	NSIP C2 17/18	34,544
Title III-C-2 Home Delivered Nutrition	93.053	NSIP C2 18/19	32,774
Total pass through the Central Coast Commission for Senior Citizens			<u>\$ 786,428</u>
<i>Pass through the California Department of Public Health:</i>			
CA Personal Responsibility & Education	93.092	15-10303	\$ 202,304
Adolescent Family Life Planning	93.994	17-10135	193,301
Total pass through the California Department of Public Health			<u>\$ 395,605</u>
<i>Pass through the California State Department of Community Services & Development:</i>			
Low Income Home Energy Assistance Program	93.568	16B-4036	10,511
Low Income Home Energy Assistance Program	93.568	17B-3036	136,412
Low Income Home Energy Assistance Program	93.568	18B-4035	1,432,077
Low Income Home Energy Assistance Program	93.568	19B-5034	173,035
Subtotal Low Income Home Energy Assistance Program			<u>1,752,035</u>
Community Services Block Grant	93.569	18F-5041	532,574
Total California State Department of Community Services & Development			<u>2,284,609</u>
<i>Pass through the California State Department of Education (Child Care Programs Cluster):</i>			
California State Preschool Program	93.575 & 93.596	CSPP-7542	230,158
California State Preschool Program	93.575 & 93.596	CSPP-8545	218,581
General Child Care and Development	93.575 & 93.596	CCTR-7259	14,960
General Child Care and Development	93.575 & 93.596	CCTR-8254	50,148
Total pass through CA State Dept of Ed (Child Care Programs Cluster)			<u>513,847</u>
Total U.S. Department of Health and Human Services			<u>15,976,031</u>
Total Federal Expenditures			<u><u>\$ 16,786,190</u></u>

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

COMMUNITY ACTION COMMISSION OF SANTA BARBARA, INC.

Notes to Schedule of Expenditures of Federal Awards

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, 2018, 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, 2018, and the related notes to the financial statements and have issued our report thereon dated September 4, 2019.

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
September 4, 2019



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, 2018. 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, 2018.

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.

McGowan Guntermann

Santa Barbara, California
September 4, 2019

Community Action Commission of Santa Barbara County, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

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	\$11,995,542
93.568	Low Income Home Energy Assistance Program	1,752,035
93.044		
93.045		
93.053	Aging Cluster (CFDA #'s 93.044, 93.045, 93.053)	
	Special Programs for the Aging	786,428
93.994	Adolescent Family Life Planning	193,301

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

Community Action Commission of Santa Barbara County, Inc.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section III—Federal Award Findings and Questioned Costs

There were no findings or questioned costs for the year ended December 31, 2017.