

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY

Financial Statements
Single Audit Reports on Federal Awards
Supplementary Information

Year ended December 31, 2020

WEST, DAVIS & COMPANY, LLP
Certified Public Accountants
Austin, Texas

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SINGLE AUDIT REPORTS ON FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Action Partnership of Orange County
Garden Grove, California

Report on the Financial Statements

We have audited the accompanying financial statements of Community Action Partnership of Orange County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows, and functional expenses 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 audit 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 Community Action Partnership of Orange County as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Action Partnership of Orange County's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Community Action Partnership of Orange County taken as a whole. The accompanying supplementary information for the year ended December 31, 2020, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 35 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021, on our consideration of Community Action Partnership of Orange County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Partnership of Orange County's internal control over financial reporting and compliance.

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

September 22, 2021

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Assets	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (note 3)	\$ 7,229,064	\$ 3,914,745
Receivables:		
Contributions and grants	-	45,000
Contract billings	2,774,479	1,765,949
Inventories:		
USDA - EFAP	50,498	643,977
USDA - CSFP (Orange County)	1,807,282	1,194,005
OC CARES Food	542,416	-
Diaper Bank	2,233,941	-
Deposits	77,194	78,281
Prepaid expenses	116,637	97,384
	<u>14,831,511</u>	<u>7,739,341</u>
Property and equipment, at cost (note 4):		
Land, buildings, and equipment	8,622,130	7,869,480
Less accumulated depreciation	<u>(2,251,050)</u>	<u>(1,999,862)</u>
	<u>6,371,080</u>	<u>5,869,618</u>
Total assets	<u><u>\$ 21,202,591</u></u>	<u><u>\$ 13,608,959</u></u>
	Liabilities and Net Assets	
	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable	\$ 1,078,481	\$ 373,329
Accrued payroll and related expenses	266,227	173,700
Accrued vacation payable (note 1)	437,738	300,113
Consigned inventory	4,091,721	1,837,982
Advances from funding sources	992,727	461,174
Current portion of long-term debt	<u>60,000</u>	<u>60,000</u>
	<u>6,926,894</u>	<u>3,206,298</u>
Long-term liabilities:		
Long-term debt, net of current portion (note 8)	<u>155,000</u>	<u>210,000</u>
	<u>7,081,894</u>	<u>3,416,298</u>
Net Assets (note 11):		
Without donor restrictions	11,919,248	9,824,744
With donor restrictions	<u>2,201,449</u>	<u>367,917</u>
	<u>14,120,697</u>	<u>10,192,661</u>
Total liabilities and net assets	<u><u>\$ 21,202,591</u></u>	<u><u>\$ 13,608,959</u></u>

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

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Revenues and other support:				
Governmental contracts and grants	\$ 19,162,828	\$ -	\$ 19,162,828	\$ 12,210,278
Commodities (note 1)	15,061,745	-	15,061,745	8,588,465
Investment income (note 3)	2,674	-	2,674	3,285
Private contracts (note 10)	404,337	-	404,337	202,586
Donations	1,022,018	5,187,488	6,209,506	2,067,058
In-kind donations (note 4)	-	-	-	1,150,000
Shared maintenance	262,404	-	262,404	154,645
Other	19,928	-	19,928	40,441
Net assets released from restrictions	3,353,956	(3,353,956)	-	-
Total revenues and other support	39,289,890	1,833,532	41,123,422	24,416,758
Expenses:				
Program services:				
Energy and Environmental Services	3,702,979	-	3,702,979	4,337,273
Community Partnership and Services	3,020,143	-	3,020,143	2,637,954
Food Services	26,946,160	-	26,946,160	13,301,985
CSBG CARES	143,003	-	143,003	-
Agency	614,086	-	614,086	283,317
Total program services	34,426,371	-	34,426,371	20,560,529
Supporting services:				
Management and general	2,000,190	-	2,000,190	2,127,024
Fundraising	768,825	-	768,825	722,720
Total supporting services	2,769,015	-	2,769,015	2,849,744
Total expenses	37,195,386	-	37,195,386	23,410,273
Increase (decrease) in net assets	2,094,504	1,833,532	3,928,036	1,006,485
Net assets at beginning of year	9,824,744	367,917	10,192,661	9,186,176
Net assets at end of year	\$ 11,919,248	\$ 2,201,449	\$ 14,120,697	\$ 10,192,661

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

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net change in net assets	\$ 3,928,036	\$ 1,006,485
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	294,654	204,790
Gain on sale of property and equipment	-	(14,700)
In-kind property donations	-	(1,150,000)
(Increase) decrease in operating assets		
Contributions and grants receivable	45,000	14,000
Contract billings receivable	(1,008,530)	736,216
United Way receivable	-	75,000
Inventories	(2,796,155)	(375,620)
Deposits	1,087	8,624
Prepaid expenses	(19,253)	15,586
Increase (decrease) in operating liabilities		-
Accounts payable	705,152	(285,162)
Accrued payroll	92,527	38,600
Accrued vacation payable	137,625	(26,070)
Consigned inventory	2,253,739	375,620
Advances from funding sources	<u>531,553</u>	<u>461,174</u>
Net cash provided (used) by operating activities	<u>4,165,435</u>	<u>1,084,543</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	-
Proceeds from sale of property and equipment	-	15,000
Purchase of property and equipment	<u>(796,116)</u>	<u>(269,313)</u>
Net cash provided by investing activities	<u>(796,116)</u>	<u>(254,313)</u>
Cash flows from financing activities:		
Principal payments on debt	<u>(55,000)</u>	<u>(60,000)</u>
Net cash provided by investing activities	<u>(55,000)</u>	<u>(60,000)</u>
Net increase (decrease) in cash	3,314,319	770,230
Cash at beginning of year	<u>3,914,745</u>	<u>3,144,515</u>
Cash at end of year	<u><u>\$ 7,229,064</u></u>	<u><u>\$ 3,914,745</u></u>

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

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Program Services						Supporting Services			
	Energy and Environmental Services	Community Partnership & Services	Food Services	CSBG CARES	Agency	Total	Management and General	Fund Raising	2020 Total	2019
Personnel and fringe benefits	\$ 2,207,178	1,801,558	2,434,972	87,260	155,602	6,686,570	1,465,572	344,551	\$ 8,496,693	\$ 7,717,127
Contractual services	1,142,790	349,900	273,586	28,908	74,743	1,869,927	137,490	101,986	2,109,403	2,939,747
Transportation	27,147	20,815	151,815	51	1,683	201,511	28,053	2,063	231,627	352,962
Facilities	110,529	242,357	737,245	12,876	594	1,103,601	77,545	9,246	1,190,392	1,095,406
Equipment	30,301	27,411	274,305	-	36,564	368,581	37,807	2,806	409,194	102,985
Consumable supplies	50,821	124,387	7,194,124	11,853	16,630	7,397,815	34,813	8,238	7,440,866	1,382,486
Operations	134,213	453,715	818,368	2,055	33,616	1,441,967	218,910	299,935	1,960,812	1,026,305
Commodities (note 1)	-	-	15,061,745	-	-	15,061,745	-	-	15,061,745	8,588,465
 Total expenses before depreciation	 3,702,979	 3,020,143	 26,946,160	 143,003	 319,432	 34,131,717	 2,000,190	 768,825	 36,900,732	 23,205,483
Depreciation	-	-	-	-	294,654	294,654	-	-	294,654	204,790
 Total expenses	 <u>\$ 3,702,979</u>	 <u>3,020,143</u>	 <u>26,946,160</u>	 <u>143,003</u>	 <u>614,086</u>	 <u>34,426,371</u>	 <u>2,000,190</u>	 <u>768,825</u>	 <u>\$ 37,195,386</u>	 <u>\$ 23,410,273</u>

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

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 1 – The Company and Summary of Significant Accounting Policies

Organization and Background

Community Action Partnership of Orange County (CAP OC) is one of the oldest and largest non-profit organizations in Orange County. Effective January 1, 2003, the organization changed its name to Community Action Partnership of Orange County. The organization, formerly known as Orange County Community Development Council Inc., was originally founded as Orange County's Community Action Agency and incorporated as a non-profit entity in 1965.

CAP OC has been instrumental in developing programs and activities that provide services throughout the community to help low income persons overcome barriers to self-sufficiency.

CAP OC's mission is to enhance the quality of life within Orange County by eliminating and preventing the causes and effects of poverty by mobilizing and directing resources to programs that assist, educate and promote self-sufficiency.

CAP OC is governed by a Board of Directors comprised of representatives of governmental officials, social service agencies, and various business, labor, religious, welfare, education and other major groups within the community. The Board of Directors provides leadership to the organization, which is supervised on a daily basis by the President & CEO.

CAP OC's services include providing for emergency, critical or chronic needs of individuals and families. The following is a list of the more significant programs provided by CAP OC:

Orange County Food Bank:

The food bank is a multifaceted food distributor organization which coordinates the distribution of over twenty million pounds of food annually. Distribution channels include a network of social service organizations such as churches, shelters, soup kitchens and others.

Community Supplemental Food Program (CSFP)

CSFP delivers boxes containing highly nutritious food items to low-income seniors aged 60 and older.

The Emergency Food Assistance Program (TEFAP)

CAP OC receives government commodity food from the U.S. Department of Agriculture (USDA) and the food is made available at no cost to eligible persons through a network of social service organizations.

Donated Foods

Goods donated by supermarkets, food processors, manufacturers, and collected from food drives or donated by private individuals are made available to CAP OC's member agency network.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

OC Diaper Bank

Diapers and wipes are provided to organizations serving families with infant children, delivered by Tom Tom, the Diaper Bank's stork themed diaper delivery truck.

Health Nutrition and Community Development Programs

In addition to collecting and distributing food, CAP OC operates advocacy and public education programs. Advocacy efforts focus on outreach to underserved populations, research, and public policy issues that affect the root causes of hunger. In addition, nutrition education programs seek to increase peoples' abilities to grow, purchase, and prepare their own food.

Energy and Environmental Services:

Energy Crisis Intervention Program

This program assists low-income families with utility bills when these families are threatened with termination of services and/or delinquent notices. In addition, the program provides energy education classes to assist low income families to lower their energy bills.

Weatherization

This program, sponsored by the California Gas and Edison companies, and the Department of Energy and Low Income Home Energy Assistance Program, provides a wide range of home repairs, energy conservation and cost reduction measures such as attic insulation and weather stripping.

Community Partnerships and Services:

To help low-income families and communities thrive, CAP OC sponsors three family resource centers, provides youth and after school programs, supports community activities, and works with partner organizations in Orange County to solve community problems. Other programs include public health services, such as anti-vaping, health promotion and youth leadership programming, financial empowerment services, education and assistance, and resiliency programming such as Healthy Marriage and Relationships and Resident Leadership training.

The significant accounting policies followed by Community Action Partnership of Orange County are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities and objectives specified by donors.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in its Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CAP OC and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CAP OC. These net assets may be used at the discretion of CAP OC 's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CAP OC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, which include unconditional promises to give, are recognized as revenues in the period CAP OC is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CAP OC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents consist of various money market funds.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Receivables

Revenue from contract billings is recognized as the reimbursable expenses stipulated by the contracts are incurred. Revenue from grants and contributions is recognized in the period CAP OC is notified of the commitment. Receivables are stated at the amount management expects to collect from balances outstanding at year-end.

Management evaluates the need for an allowance for doubtful accounts applicable to its receivables based on various factors, including an assessment of the creditworthiness of its donors, aging of the amount due and historical experience. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on receivable balances outstanding at year-end have been adequately provided for.

Inventories and Consigned Inventories

Inventories consist principally of program provided food commodities received under the terms of contracts with the USDA and the County of Orange as well as diaper commodities received under the terms of a contract with the State of California.

Food inventories are stated at their federal assigned value if prescribed by the USDA. Inventories of diapers and purchased food are stated at cost, which approximates market value using the specific identification method. Consigned inventories represent food received from the USDA and diapers received from the State of California in which CAP OC is liable for distribution to qualifying low-income individuals and certain qualifying outside service providers.

Buildings, Equipment and Vehicles

Purchases of building, equipment and vehicles are valued at cost and donated fixed assets are valued at their estimated fair market value on the date received. Depreciation expense is provided on the straight-line method over an estimated useful life of five years for equipment and vehicles and fifteen years for buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as income for the period. CAP OC's capitalization threshold amount is \$5,000.

Fixed assets acquired by CAP OC from grant funds are considered to be owned by CAP OC while used in the program for which they were purchased or in other authorized programs. However, the funding sources may have reversionary interest in the property and its disposition, as well as the ownership of any proceeds which are subject to pertinent regulations.

Accrued Vacation Payable

Under the terms of CAP OC's personnel policy, employees are granted 12-30 vacation and 12 sick leave days per year, depending on the length of employment. In the event of termination, an employee is paid for all accumulated vacation leave. Employees are not paid for accumulated sick leave. The liability for accumulated vacation leave is recorded when earned by the employee. Sick leave is recorded when paid. At December 31, 2020 and 2019, the liability for unused vacation leave was \$437,738 and \$300,113, respectively.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Income Taxes

CAP OC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In addition, CAP OC qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). No provision for income taxes has been made in the accompanying financial statements, as there are no activities subject to unrelated business income tax.

On January 1, 2009, CAP OC adopted the provisions of Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. The adoption of ASC 740 did not have any impact on CAP OC's financial statements.

CAP OC's federal and state tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have three and four year statute of limitations, respectively.

Fair Value Measurements

Investments are shown at their estimated fair value in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures". Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, grants receivable, other receivables, prepaid expenses, other assets, account payable, and accrued expenses.

CAP OC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Concentration of Support and Revenues

Community Action Partnership of Orange County is largely funded through federal, state and local agencies. It also derives funding from private contracts and public support. CAP OC received approximately 83% of its total revenue from governmental contracts and grants for the year ended December 31, 2020.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Donations of USDA Commodities

All donated supplies from USDA have been recorded in the financial statements at the value of the goods at the time of donation as determined by USDA. CAP OC receives donated food commodities from USDA and distributes them to sub-distributing non-profit agencies and eligible families. The total value of food received in 2020 was as follows:

	<u>State Allocated</u>	<u>Distributed</u>
Emergency Food Assistance Program (EFAP)	\$ 7,344,081	\$ 7,344,081
Commodity Supplemental Food Program (CSFP)	<u>7,658,798</u>	<u>7,658,798</u>
Total	<u>\$15,002,879</u>	<u>\$15,002,879</u>

Continued funding levels of EFAP and CSFP programs are subject to annual renewal by the Congress of the United States.

Donated Materials and Services

Donated materials and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

CAP OC receives donations of food and grocery products from the food industry, other businesses, community organizations and individuals. For the year ended December 31, 2020, CAP OC received 46,053,134 pounds of donated food. The value of donated food commodities, which CAP OC considers impractical to estimate, is not reflected in the accompanying financial statements.

CAP OC received donated services from a substantial number of volunteers who donated their time to CAP OC's services program. For the year ended December 31, 2020, all volunteer services provided to CAP OC with a value of \$202,145 did not meet the above criteria and, therefore, are not reflected in the accompanying financial statements.

Advertising

Advertising costs are charged to expense as incurred.

Fundraising

From time to time, the organization conducts fundraising activities and special events in order to assist in program operations. All revenue received from such events in excess of expenses, are used for program operations. For the year ended December 31, 2020, fund development expenses were approximately 2% of operating revenue and 12% of donation revenue.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Administrative Expenses

Administrative expenses allocated to the CSBG contract cannot exceed 12% of CAP OC's total operating revenues. For the year ended December 31, 2020, the actual administrative expenses were approximately 6% of CAP OC's total operating revenues.

Functional Allocation of Expenses

Costs by their natural classification are presented in the statement of functional expenses. The costs of providing various programs and other activities of CAP OC have been summarized on a functional basis by the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenditures benefiting all segments of the Agency are allocated to programs in proportion to the benefits received from shared expenditures. Such allocations are determined by management on an equitable basis. Expenses relating to more than one function are allocated based on direct square footage used estimates.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Community Action Partnership of Orange County's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncements

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. CAP OC's financial statements reflect the full retrospective application of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not impact CAP OC's reported revenue.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the CAP OC's financial position or changes in net assets upon adoption of the new standard using the modified retrospective approach.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Summarized Financial Information for 2019

The accompanying financial information as of and for the year ended December 31, 2019 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Note 2 – Availability and Liquidity

Community Action Partnership of Orange County has \$10,003,543 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$7,229,064 and receivables of \$2,774,479. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The receivable balances are expected to be collected within one year. CAP OC has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 90 days of normal operating expense, which are, on average, approximately \$5.5 million. CAP OC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents reflected in the accompanying financial statements include petty cash, checking, and money market accounts at December 31, 2020 aggregating \$7,229,064. CAP OC has deposits in various accounts in two financial institutions.

Note 4 – Property and Equipment

Property and equipment consists of the following:

	Balance <u>12/31/2019</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Depreciation</u>	Balance <u>12/31/2020</u>
Land	\$ 2,583,891	-	-	-	2,583,891
Buildings & improvements	2,932,913	-	-	-	2,932,913
Equipment & vehicles	2,352,676	796,116	(43,466)	-	3,105,326
Total fixed assets	7,869,480	796,116	(43,466)	-	8,622,130
Accumulated depreciation	(1,999,862)	-	43,466	(294,654)	(2,251,050)
Net fixed assets	5,869,618	796,116	-	(294,654)	6,371,080

Acquisitions during 2020 consisted of food trucks and equipment of \$774,521, and energy equipment of \$21,595. During 2020, a fully depreciated truck with an original cost of \$43,466 was disposed of at no gain or loss.

Depreciation expense for the year ended December 31, 2020 was \$294,654.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 5 – Retirement Plan

CAP OC has a retirement plan for employees consisting of a tax-sheltered custodial account under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, CAP OC contributes 6% of eligible employee salaries and employees may make voluntary contributions up to a maximum of 100% of their salary, or the allowable Internal Revenue Service maximum, whichever is less. In 2020, CAP OC contributed \$373,815 to this plan. This amount is included in the personnel and fringe benefits expense.

Note 6 – Operating Leases Commitments

CAP OC executed a noncancelable operating lease dated December 18, 2009 for a single tenant industrial building and associated land in the City of Garden Grove. The term of the agreement is for thirteen years and one month beginning January 1, 2010 and ending on January 31, 2023. CAP OC paid \$83,813 upon execution of this lease, of which \$55,679 was held for the security deposit.

CAP OC leases additional office space for its community partnership and service programs under operating leases expiring through October of 2021. CAP OC leases copiers and computer equipment under operating leases expiring through October of 2023. Lease expense charged to operations for the year ended December 31, 2020 was \$780,301.

At December 31, 2020, the organization's approximate minimum rental commitments are as follows:

Year ending December 31,	
2021	\$ 746,272
2022	723,307
2023	61,182
Thereafter	-
Total	<u>\$ 1,530,761</u>

Note 7 – Paycheck Protection Program Loan

In April 2020, CAP OC received a Paycheck Protection Program note payable to the U.S. Small Business Administration (SBA) in the amount of \$1,391,000, bearing interest at 1%, the outstanding balance of which is eligible to be forgiven as long as the funds are used for eligible payroll and operating expenses during the 6-month covered period ending in October 2020. The organization, in accordance with ASC 958-605, has elected to recognize the forgivable note as a conditional contribution upon which revenue is recognized at the time the conditions for forgiveness are substantially met. CAP OC has expended the entire \$1,391,000 amount for eligible payroll and operating expenses during the covered period and in March of 2021 submitted a request for forgiveness to the SBA. CAP OC was notified on April 8, 2021 that the note has been forgiven. For the year ended December 31, 2020, this amount has been recognized as governmental revenue on the statement of activities.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 8 – Long-Term Debt

In 2016, CAP OC purchased the El Modena Community Center from the La Purisima Church for \$1,200,000. Long-term debt at December 31, 2020 consisted of a note payable to the La Purisima Church in the amount of \$215,000; the note is due in monthly installments of \$5,000 through June of 2024. There is no interest due on the loan. The note is secured by the El Modena Community Center land and building.

Note 9 – Differences Between Generally Accepted Accounting Principles (GAAP) and Government Contracts

The provisions of certain government contracts allow CAP OC to be reimbursed for equipment acquisitions and capital lease payments which are not shown as expenses under GAAP. Also, in-kind expenses, although included on reports to government agencies, have been eliminated on the statement of activities, since they do not meet the criteria to be recorded in accordance with ASC 958-205. In addition, such contracts do not provide for reimbursement of depreciation expense.

Note 10 – Private Contract Revenues

Private contract revenues for the year ended December 31, 2020 are as follows:

Southern California Gas/Weatherization #883	\$ 51,696
Low Income Housing Rentals #859	93,405
CNN Food Stamps #816	20,289
Southern California Edison/HAS #885	21,000
Food Assistance pool #060	187,317
Agency pool #091	<u>30,630</u>
 Total	 <u><u>\$ 404,337</u></u>

Note 11 – Restrictions on Net Assets

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

Purpose restricted net assets:	
Food Services program	\$ 1,994,139
Community partnership & services programs	201,364
Energy & environmental services programs	<u>5,946</u>
 Total net assets with donor restrictions	 <u><u>\$ 2,201,449</u></u>

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 11 – Restrictions on Net Assets (continued)

Net assets were released from donor restrictions by meeting the purpose restrictions specified by the donors during 2020 as follows:

Food Services program	\$ 2,946,583
Community partnership & services programs	407,373
Energy & environmental services programs	<u>-</u>
Total net assets released from restrictions	<u><u>\$ 3,353,956</u></u>

Note 12 – Concentrations of Credit and Market Risk

CAP OC's mission is to enhance the quality of life within Orange County by eliminating and preventing the causes and effects of poverty by mobilizing and directing resources to programs that assist, educate and promote self-sufficiency. CAP OC has been operating since 1965. Financial instruments that potentially subject CAP OC to concentrations of credit risk consist of cash and equivalents and revenue from government grants and contracts.

CAP OC maintains cash accounts at two financial institutions. Cash and equivalents and certificates of deposit may from time to time exceed amounts insured by the Federal Deposit Insurance Corporation. As of December 31, 2020, CAP OC's cash balances in excess of FDIC limits approximated \$6,719,223.

CAP OC's receives approximately 83% of its total support and revenue from governmental grants and contracts. Concentrations of credit risk with respect to grants and contracts receivable are reduced due to the limited amount of credit risk exposure from government grants and contracts.

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in financial markets. In 2020 CAP OC has made significant changes to its core program procedures of providing services to the local community.

Note 13 – Commitments and Contingencies

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

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 14 – Evaluation of Subsequent Events

CAP OC adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of January 1, 2009. ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through September 22, 2021, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. #20F-3669 (CSBG CARES DISCRETIONARY) GOVERNMENT CONTRACT BASIS
FOR THE PERIOD JUNE 1 THROUGH DECEMBER 31, 2020

	1-Jun-20 through 31-Dec-20	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE				
Grant Revenue	\$ 32,000	\$ 32,000	\$ 32,000	\$ 32,000
Interest Income	-	-	-	-
TOTAL REVENUE	32,000	32,000	32,000	32,000
EXPENDITURES				
Administrative Costs				
Salaries & Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Operating Expenses	-	-	-	-
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	-	-	-	-
Other Costs	-	-	-	-
TOTAL ADMINISTRATIVE COSTS	-	-	-	-
PROGRAM COSTS				
Salaries & Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Operating Expenses	32,000	32,000	32,000	32,000
Equipment	-	-	-	-
Out-of-State Travel	-	-	-	-
Subcontractor Services	-	-	-	-
Other Costs	-	-	-	-
TOTAL PROGRAM COSTS	32,000	32,000	32,000	32,000
TOTAL COSTS	32,000	32,000	32,000	32,000
REVENUE OVER (UNDER) COSTS	\$ -	\$ -	\$ -	\$ -

See independent auditor's report

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. #20U-2573 (EHA) GOVERNMENT CONTRACT BASIS
FOR THE PERIOD JULY 1 THROUGH DECEMBER 31, 2020

	1-Jul-20 through 31-Dec-20	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE				
Grant Revenue	\$ 582,362	\$ 582,362	582,362	\$ 582,362
Interest Income	-	-	-	-
TOTAL REVENUE	582,362	582,362	582,362	582,362
EXPENDITURES				
Administrative Costs				
Salaries & Wages	32,153	32,153	32,153	
Fringe Benefits	8,553	8,553	8,553	
Operating Expenses	38,398	38,398	38,398	
Equipment	-	-	-	
Out-of-State Travel	-	-	-	
Subcontractor Services	9,855	9,855	9,855	
Other Costs	-	-	-	
TOTAL ADMINISTRATIVE COSTS	88,959	88,959	88,959	88,959
PROGRAM COSTS				
Assurance 16 Activities	50,351	50,351	50,351	88,959
Intake	62,880	62,880	62,880	106,543
Outreach	31,814	31,814	31,814	66,589
Training and Technical Assistance	3,158	3,158	3,158	26,636
Emergency Heating and Cooling (EHCS) Costs	131,409	131,409	131,409	133,179
Business Continuation Plan Costs	12,531	12,531	12,531	49,450
Program Services and Program Costs				
Minor Equipment	969	969	969	
Liability Insurance	1,355	1,355	1,355	
General Operating Costs	39,546	39,546	39,546	
Automation Costs	2,198	2,198	2,198	
Wages - Field Staff	53,617	53,617	53,617	
Wages Program Management & Support	92,534	92,534	92,534	
Workers' Compensation	5,611	5,611	5,611	
Vehicle & Equipment Repair	5,430	5,430	5,430	
Subtotal Program Services and Program Costs	201,260	201,260	201,260	22,047
TOTAL PROGRAM COSTS	493,403	493,403	493,403	493,403
TOTAL COSTS	582,362	582,362	582,362	582,362
REVENUE OVER (UNDER) COSTS	-	-	-	-

See independent auditor's report

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURES
CSD CONTRACT NO. #20U-2573 (Wx) GOVERNMENT CONTRACT BASIS
FOR THE PERIOD JULY 1 THROUGH DECEMBER 31, 2020

	1-Jul-20 through 31-Dec-20	Total Audited Costs	Total Reported Expenses	Total Budget
REVENUE				
Grant Revenue	180,522	\$ 180,522	180,522	\$ 180,522
Interest Income	-	-	-	-
TOTAL REVENUE	180,522	180,522	180,522	180,522
EXPENDITURES				
PROGRAM COSTS				
Intake	14,442	14,442	14,442	14,442
Outreach	9,026	9,026	9,026	9,026
Training and Technical Assistance	2,036	2,036	2,036	9,026
Program Activities & Program Costs				
Minor Equipment	237	237	237	-
Liability Insurance	594	594	594	-
General Operating Costs	20,621	20,621	20,621	-
Subtotal Prog Activities & Prog Costs	46,956	46,956	46,956	32,494
Wx Program Activities	82,324	82,324	82,324	148,028
Other Program Costs				
Wages - Field Staff	25,157	25,157	25,157	
Wages - Program Mgmt & Support	21,160	21,160	21,160	
Workers Compensation	2,188	2,188	2,188	
Vehicle & Equipment Repair, Maint, Fuel	2,737	2,737	2,737	
Subtotal Other Prog Cost	51,242	51,242	51,242	-
TOTAL PROGRAM COSTS	180,522	180,522	180,522	180,522
TOTAL COSTS	180,522	180,522	180,522	180,522
REVENUE OVER (UNDER) COSTS	-	-	-	-

See independent auditor's report

SINGLE AUDIT REPORTS

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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

To the Board of Directors
Community Action Partnership of Orange County
Garden Grove, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action Partnership of Orange County (CAP OC), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Action Partnership of Orange County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAP OC's internal control. Accordingly, we do not express an opinion on the effectiveness of CAP OC'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 Community Action Partnership of Orange County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

September 22, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Community Action Partnership of Orange County
Garden Grove, California

Report on Compliance for Each Major Federal Program

We have audited Community Action Partnership of Orange County's (CAP OC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CAP OC's major federal programs for the year ended December 31, 2020. CAP OC'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 CAP OC'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 CAP OC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Community Action Partnership of Orange County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Community Action Partnership of Orange County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CAP OC'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 CAP OC'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Community Action Partnership of Orange County as of and for the year ended December 31, 2020, and have issued our report thereon dated September 22, 2021, which contained an unmodified opinion on those financial statements. 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 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 awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

West, Davis & Company, LLP

Certified Public Accountants

Austin, Texas

September 22, 2021

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through the County of Orange, Health Care Administration		
Nutrition Service Network for Healthy CA-Anaheim	10.561	257,521
Nutrition Service Network for Healthy CA-La Habra	10.561	142,190
Passed through the State of California, Dept of Social Services		
California Association of Food Banks	10.561	20,289
Passed through the County of Orange, Social Services		
Families and Children Together-Anaheim Independecia Community Center	10.561	170,559
Families and Children Together-El Modena Community Center	10.561	191,603
		<u>782,162</u>
Commodity Supplemental Food Program -Commodities	10.565	7,658,799
Commodity Supplemental Food Program - Admin	10.565	2,133,231
		<u>9,792,030</u>
The Emergency Food Assistance Program-FFCRA	10.568	1,134,078
The Emergency Food Assistance Program - Admin	10.568	1,020,851
The Emergency Food Assistance Program - Admin	10.568	237,102
The Emergency Food Assistance Program - Commodities	10.569	7,344,081
		<u>9,736,112</u>
Total U.S. Department of Agriculture		<u>20,310,304</u>
U.S. Department of Homeland Security		
Emergency Food and Shelter National Board Program (SWCC)	97.024	75,224
Emergency Food and Shelter National Board Program (Phase 36)	97.024	256,574
Total U.S. Department of Homeland Security		<u>331,798</u>
U.S. Department of Housing and Urban Development		
Community Development Block Grant		
Passed through the County of Orange, Community Resources		
Southwest Community Center	14.218	18,692
Total Department of Housing and Urban Development		<u>18,692</u>
U.S. Department of Health and Human Services:		
Passed through the Orange County Department of Social Services		
Office of Family Assistance		
Healthy Marriage Responsible Fatherhood	93.086	305,109
Passed through the State of California, Community Services and Development		
Department of Community Services and Development:		
(10/01/19 - 9/30/20) Low-Income Home Energy Assistance Program - EHA	93.568	1,480,710
(10/01/20 - 9/30/21) Low-Income Home Energy Assistance Program - EHA	93.568	105,810
(10/01/19 - 9/30/20) Low-Income Home Energy Assistance Program - WX	93.568	1,098,226
(10/01/20 - 9/30/21) Low-Income Home Energy Assistance Program - WX	93.568	-
		<u>2,684,746</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Passed through the State of California, Community Services and Development Department of Community Services and Development:		
Community Services Block Grant	93.569	2,563,415
Community Services Block Grant Discretionary	93.569	32,000
		<u>2,595,415</u>
Total U.S. Department of Health and Human Services:		<u>5,585,270</u>
U.S. Department of the Treasury		
COVID-19 Coronavirus Relief Fund		
U.S. Department of Homeland Security - Emer Food Shelter Program	21.019	267,500
U.S. Department of Health and Human Services:		
Passed through the State of California, Community Services and Development		
Community Services Block Grant	21.019	142,993
Low Inc Home Energy Assist Prog - EHA	21.019	582,362
Low Inc Home Energy Assist Prog - WX	21.019	180,522
Passed through the County of Orange, Social Services		
Supplemental Emergency Food Relief Fund	21.019	3,000,000
Families and Communities Together-Anaheim Indep Comm Ctr	21.019	22,855
Families and Communities Together-EI Modena Comm Ctr	21.019	22,939
U.S. Department of Housing and Urban Development		
Passed through the City of Santa Ana, Community Development		
Rental Relief Program	21.019	149,975
Total U.S. Department of the Treasury		<u>4,369,146</u>
Total Federal Expenditures		<u><u>30,615,210</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Partnership of Orange County and is presented on the accrual basis of accounting and 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).

For purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by CAP OC from a non-federal agency or other organizations. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Because the Schedule presents only a selected portion of the operations of Community Action Partnership of Orange County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Action Partnership of Orange County.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Community Action Partnership of Orange County has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Food Distribution

The value of USDA food commodities received during the year was estimated by the USDA. The value of USDA food commodities distributed during the year includes amounts held in inventory at the beginning of the year. As of December 31, 2020, Community Action Partnership of Orange County had an inventory of USDA food commodities of \$1,857,780.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued - **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs - **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) OMB? _____ Yes X No

Identification of Major Programs

- U.S. Department of the Treasury Coronavirus Relief Fund (CFDA No. 21.019)
 - U.S. Department of Health and Human Services, Low Income Home Energy Assistance Program (CFDA No. 93.568)
 - U.S. Department of Agriculture, State Administrative Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)
1. Dollar threshold used to distinguish between Type A and Type B programs - **\$918,456.**
 2. Is the auditee qualified as a low-risk auditee under the Uniform Guidance - **Yes**

Section 2 - Financial Statement Findings - None

Section 3 - Federal Award Findings and Questioned Costs - None

Section 4 - Prior Year Audit Findings - None