
**COMMUNITY ACTION OF
SKAGIT COUNTY**

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Community Action of Skagit County
Mount Vernon, WA

Opinion

We have audited the accompanying financial statements of Community Action of Skagit County (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2021 and 2020, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

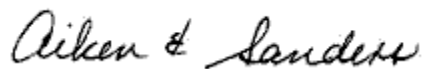
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2022, 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.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

September 29, 2022

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF FINANCIAL POSITION

As of December 31,	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,055,270	\$ 426,266
Grants & Contracts Receivable	1,740,943	1,751,356
Inventory	39,880	21,965
Prepaid Expenses	90,774	106,607
Total Current Assets	2,926,867	2,306,194
Property & Equipment		
Land	571,176	571,176
Buildings	3,672,874	3,487,311
Equipment	493,731	1,042,533
Accumulated Depreciation	(1,080,709)	(1,504,789)
Property & Equipment, net	3,657,072	3,596,231
Other Assets		
Investments	1,861,950	1,673,036
Total Assets	\$ 8,445,889	\$ 7,575,461
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 109,054	\$ 76,244
Accrued Payroll Liabilities	375,116	204,742
Unearned Revenue	385,122	74,491
Current Portion: Long Term Debt	15,446	14,503
Total Current Liabilities	884,738	369,980
Long Term Liabilities		
Loan Payable	434,872	449,065
Less Current Portion: Long Term Debt	(15,446)	(14,503)
Total Long Term Liabilities	419,426	434,562
Total Liabilities	1,304,164	804,542
Net Assets		
Without Donor Restrictions	7,043,725	6,770,919
With Donor Restrictions	98,000	-
Total Net Assets	7,141,725	6,770,919
Total Liabilities and Net Assets	\$ 8,445,889	\$ 7,575,461

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

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31,	2021		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support & Revenue			
Federal Grants	\$ 9,140,519	\$ -	\$ 9,140,519
State Grants	335,656	-	335,656
Local Grants	2,709,458	-	2,709,458
Foundations/Corporations	932,368	45,000	977,368
United Way	20,500	-	20,500
Private Donations	233,623	53,000	286,623
Inkind Donations	6,553,940	-	6,553,940
Investment Income	173,221	-	173,221
Miscellaneous Income	103,528	-	103,528
Released From Restrictions	-	-	-
Total Support & Revenue	20,202,813	98,000	20,300,813
Expenses			
Program Services Expenses	18,712,810	-	18,712,810
Management & General Expenses	1,022,131	-	1,022,131
Fundraising	195,066	-	195,066
Total Expenses	19,930,007	-	19,930,007
Change in Net Assets	272,806	98,000	370,806
NET ASSETS, BEGINNING OF YEAR	6,770,919	-	6,770,919
NET ASSETS, END OF YEAR	\$ 7,043,725	\$ 98,000	\$ 7,141,725

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

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31,	2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support & Revenue			
Federal Grants	\$ 6,747,625	\$ -	\$ 6,747,625
State Grants	591,223	-	591,223
Local Grants	2,677,844	-	2,677,844
Foundations/Corporations	1,027,429	-	1,027,429
United Way	16,500	-	16,500
Private Donations	409,329	-	409,329
Inkind Donations	6,082,899	-	6,082,899
Investment Income	178,749	-	178,749
Miscellaneous Income	81,968	-	81,968
Fundraising	7,175	-	7,175
Released From Restrictions	459,275	(459,275)	-
Total Support & Revenue	18,280,016	(459,275)	17,820,741
Expenses			
Program Services Expenses	16,121,003	-	16,121,003
Management & General Expenses	709,227	-	709,227
Fundraising	196,249	-	196,249
Total Expenses	17,026,479	-	17,026,479
Change in Net Assets	1,253,537	(459,275)	794,262
NET ASSETS, BEGINNING OF YEAR	5,517,382	459,275	5,976,657
NET ASSETS, END OF YEAR	\$ 6,770,919	\$ -	\$ 6,770,919

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

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31,		2021		
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Wages	\$ 3,103,209	\$ 718,267	\$ 99,424	\$ 3,920,900
Fringe Benefits & Taxes	714,715	165,428	22,899	903,042
Program Expense	7,618,394	-	-	7,618,394
Supplies	170,694	39,560	8,806	219,060
Travel & Training	15,495	19,563	43	35,101
Occupancy	190,490	641	10,754	201,885
Professional Fees	49,768	23,575	33,740	107,083
Inkind Donation Expense	6,553,940	-	-	6,553,940
Miscellaneous	182,779	31,747	15,582	230,108
Depreciation Expense	113,326	23,350	3,818	140,494
Total Expenses	\$ <u>18,712,810</u>	\$ <u>1,022,131</u>	\$ <u>195,066</u>	\$ <u>19,930,007</u>

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

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31,		2020		
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Wages	\$ 2,887,339	\$ 478,454	\$ 78,237	\$ 3,444,030
Fringe Benefits & Taxes	640,592	106,151	17,358	764,101
Program Expense	5,891,261	-	-	5,891,261
Supplies	132,078	47,080	36,785	215,943
Travel & Training	23,719	3,571	1,093	28,383
Occupancy	142,196	29,106	13,595	184,897
Professional Fees	110,333	7,193	25,642	143,168
Inkind Donation Expense	6,082,900	-	-	6,082,900
Miscellaneous	127,297	23,870	21,282	172,449
Depreciation Expense	83,288	13,802	2,257	99,347
Total Expenses	\$ <u>16,121,003</u>	\$ <u>709,227</u>	\$ <u>196,249</u>	\$ <u>17,026,479</u>

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

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF CASH FLOWS

Year Ended December 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 370,806	\$ 794,262
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	140,494	99,347
Unrealized (Gain)/Loss	(107,474)	(151,747)
Non-Cash Contributions & Grants	(6,553,940)	(6,082,900)
Non-Cash Expenses & Support	6,553,940	6,082,900
(Increase) Decrease in Operating Assets		
Grants & Contracts Receivable	10,413	(814,033)
Inventory	(17,915)	58,137
Prepaid Expenses	15,833	(25,067)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	32,810	63,146
Accrued Payroll Liabilities	170,374	69,848
Unearned Revenue	310,631	(26,945)
Net Cash Provided (Used) by Operating Activities	<u>925,972</u>	<u>66,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase Equipment	(201,335)	(723,775)
Cash Received From Investments	530,644	49,890
Purchase of Investments	(612,044)	(95,632)
Net Cash Provided (Used) by Investing Activities	<u>(282,735)</u>	<u>(769,517)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Notes Payable	(14,193)	(13,281)
Net Cash Provided (Used) by Financing Activities	<u>(14,193)</u>	<u>(13,281)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	629,044	(715,850)
BEGINNING CASH AND CASH EQUIVALENTS	<u>426,226</u>	<u>1,142,076</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,055,270</u>	<u>\$ 426,226</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Years for Interest	<u>\$ 26,925</u>	<u>\$ 27,515</u>

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

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

Community Action of Skagit County (the Organization) was formed in 1979 as a non-profit corporation to develop and administer programs and services designed to foster economic self-sufficiency among low-income people in Skagit County by facilitating and providing emergency and goal oriented interventions in a cost effective manner. The Organization provides these services through the following programs: Energy Assistance, Women, Infants, and Children, Maternal Support Services, Literacy Programs, Voluntary Action Center, Housing and Homeless Services, Food Assistance, Community Services, Community Jobs and Supported Works, Veterans Services, and other miscellaneous programs.

Federal and State grant funds passed directly from federal agencies, grants managed by Washington State Departments of Commerce, Education, Social and Health Services, Health, as well as city and county provided grants and contracts are the primary sources of funding for the social service programs of the Organization. Contributions, program income, and other grants provide additional support. Grants require periodic reporting, restrict the use of grant funding to provision of specified services, and may require matching revenue from other sources.

Financial Statement Presentation:

The Organization follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Organization is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Organization.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Basis of Accounting:

The Organization maintains its financial records on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.

Use of Estimates:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of certain assets and liabilities as of the date of the financial statements. Actual results could differ, either positively or negatively, from those estimates.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

Cash and Cash Equivalents:

The Organization considers all highly liquid instruments purchased with a maturity of six months or less to be cash equivalents.

Contributions:

Contributions are recognized when received or when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Grants and Contracts:

The Organization records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred. Amounts that have been received but not earned are included in unearned revenue.

Tax Status:

The Organization is a non-profit entity exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Therefore, no provision for income taxes is necessary. The Organization has been classified by the Internal Revenue Service as an organization that is not a private foundation as defined in Code Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1) of the Internal Revenue Code.

Property and Equipment:

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method ranging from 5 to 40 years. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income. Depreciation expense for the years ended December 31, 2021 and 2020 was \$140,494 and \$99,347, respectively.

Concentrations of Credit Risk:

The Federal Deposit Insurance Corporation (FDIC) insures account balances at each insured institution. The Organization frequently maintains cash balances greater than the FDIC insurance coverage in a single financial institution. Management does not believe this exposes the Organization to a significant risk of loss. Uninsured cash balances totaled \$737,491 and \$90,704 as of December 31, 2021 and 2020, respectively.

Vacation Pay:

The Organization has recorded a liability for the value of vacation time earned but not used by employees as of December 31, 2021 and 2020. The liability was determined in accordance with the Organization's personnel policy. The liability has been charged to various programs for purposes of cost allocation.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

The accrued vacation liability was \$148,475 and \$150,384 which is included in accrued payroll liabilities on the Statement of Financial Position on December 31, 2021 and 2020, respectively.

Advertising Costs:

The Organization expenses advertising costs as incurred.

Unearned Revenue:

Unearned revenue of the Organization as of December 31, 2021 and 2020 consists of grant amounts received that remain unspent.

Donated Materials and Services:

Donated materials and services meeting the criteria for recognition in the financial statements under FASB ASC 958 are reflected in the financial statements as non-cash contributions at their estimated value on the date of receipt.

In addition to the amounts recorded as revenue and expenditures in the financial statements, volunteers have donated significant amounts of time assisting the Organization with fundraising, special projects, and provision of program services. These contributed services do not meet the criteria for recognition in the financial statements.

Functional Allocation of Expenses:

The Organization records its expenses by function. Program expenses represent expenses incurred to fulfill the Organization's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization, although it expects to receive current support to fund operations for 2022 and later years, has \$4,560,163 and \$3,850,658 of financial assets available within one year of the statement of financial position dates on December 31, 2021 and 2020, respectively, to meet cash needs for general operating expenditures of the Organization. These totals include investment balances of assets available for liquidation if necessary. Financial assets available within one year consist of the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year end	\$ 4,658,163	\$ 3,850,658
Donor restricted to purpose	<u>(98,000)</u>	<u>-</u>
Financial assets available to meet cash needs within one year	<u>\$ 4,560,163</u>	<u>\$ 3,850,658</u>

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

NOTE 3: CASH AND EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Petty Cash	\$ 225	\$ 225
Certificates of Deposit	12,887	12,804
Cash in Checking and Savings Accounts:		
General	<u>1,042,158</u>	<u>413,237</u>
Total Cash and Equivalents	<u>\$ 1,055,270</u>	<u>\$ 426,266</u>

NOTE 4: GRANTS & CONTRACTS RECEIVABLE

Grants and contracts receivable consist of amounts due to the Organization as of December 31, 2021 and 2020 to be collected after year end. No provision for bad debts has been accrued in the financial records as management believes all amounts are collectible. Management reviews all outstanding receivables on an ongoing basis. Any amounts determined to be uncollectible are adjusted to bad debt expense as the determination is made. No bad debts were recognized during the years ended December 31, 2021 and 2020. Management considers all receivable amounts outstanding greater than 90 days to be past due. No interest is charged on past due receivables. As of December 31, 2021 and 2020, no receivable amounts were past due.

NOTE 5: LEASE COMMITMENTS

The Organization leases space under various arrangements that include month to month as well as term leases.

NOTE 6: RETIREMENT PLAN

The Organization maintains a Simple Individual Retirement Arrangement for qualifying employees. Employees earning \$5,000 in the prior year and reasonably expected to earn \$5,000 in the current year are eligible to participate. The Organization matches employee deferrals into the Plan limited to 3% of the employee's compensation for the year. For the years ended December 31, 2021 and 2020, employer contributions to the plan were \$85,876 and \$63,338, respectively.

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment owned by the Organization consists of Operations Buildings, Transitional Shelter, Leasehold Improvements, and equipment used in the various programs of the Organization. Property and equipment and accumulated depreciation consist of the following as of December 31, 2021 and 2020:

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

December 31, 2021:

	Cost	Useful Life	Method	Accumulated Depreciation
Buildings	\$ 2,513,363	40	S/L	\$ 683,650
Land	571,176			-
Building Improvements	1,159,511	40	S/L	125,978
Equipment	493,731	5	S/L	271,081
	<u>\$ 4,737,781</u>			<u>\$ 1,080,709</u>

December 31, 2020:

	Cost	Useful Life	Method	Accumulated Depreciation
Buildings	\$ 2,513,363	40	S/L	\$ 627,704
Land	571,176			-
Building Improvements	973,948	40	S/L	112,492
Equipment	1,042,533	5	S/L	764,593
	<u>\$ 5,101,020</u>			<u>\$ 1,504,789</u>

NOTE 8: INVESTMENTS AND FAIR VALUE MEASUREMENTS

The investments in mutual funds and foundation investments are accounted for at fair value. As of December 31, 2021, the investments had a cost basis of \$1,424,103 and a fair value of \$1,861,950. As of December 31, 2020, the investments had a cost basis of \$1,342,703 and a fair value of \$1,673,036.

The Organization adopted Accounting Standards Codification 958 as of January 1, 2009. ASC 958, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 958 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to valuation methodology include: Quoted prices for similar assets or liabilities in active markets. Quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Community Foundation: Valued at original investment plus earnings.

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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds	\$ 1,670,183	\$ -	\$ -	\$ 1,670,183
Community Foundation	<u>-</u>	<u>-</u>	<u>191,767</u>	<u>191,767</u>
Total Assets at Fair Value:	<u>\$ 1,670,183</u>	<u>\$ -</u>	<u>\$ 191,767</u>	<u>\$ 1,861,950</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	Assets at Fair Value as of December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutal Funds	\$ 1,530,743	\$ -	\$ -	\$ 1,530,743
Community Foundation	<u>-</u>	<u>-</u>	<u>142,293</u>	<u>142,293</u>
Total Assets at Fair Value:	<u>\$ 1,530,743</u>	<u>\$ -</u>	<u>\$ 142,293</u>	<u>\$ 1,673,036</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended December 31, 2021 and 2020:

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Balance, January 1:	\$ 142,293	\$ 108,677
Earnings	16,134	15,607
Contributions	35,787	22,000
Foundation Fees	(2,447)	(1,817)
Withdrawals	-	(2,174)
Balance, December 31:	<u>\$ 191,767</u>	<u>\$ 142,293</u>

Investment income was composed of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Realized & Unrealized Gains (Loss)	\$ 101,667	\$ 138,888
Interest & Dividends	81,881	47,784
Investment Fees	(10,327)	(7,923)
	<u>\$ 173,221</u>	<u>\$ 178,749</u>

NOTE 9: CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization receives a significant amount of support from Federal, State, and Local agencies. A significant reduction in this level of support would have a meaningful impact on the Organization's ability to conduct programs and deliver services.

NOTE 10: NON-CASH CONTRIBUTIONS AND EXPENSES

For the years ended December 31, 2021 and 2020, non-cash contributions and expenses consisted of the following:

	<u>2021</u>	<u>2020</u>
Non-Cash Contributions by Type:		
Food Donations	\$ 6,535,119	\$ 6,052,895
Legal Services	-	11,183
Miscellaneous Goods & Services	18,821	18,821
Total Non-Cash Expenses	<u>\$ 6,553,940</u>	<u>\$ 6,082,899</u>

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

NOTE 11: SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required the Organization to make adjustments to operating practice and delivery of services. The Organization has continued to provide community services and implemented innovative solutions to support those served and Organization employees. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

The Organization did not have any other subsequent events through September 29, 2022, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2021.

NOTE 12: UNCERTAIN TAX POSITIONS

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before December 31, 2018. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Organization adopted the provisions of FASB ASC 740-10 on January 1, 2009. As of December 31, 2021, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

NOTE 13: LONG TERM LIABILITIES

The Organization purchased land and a building on Riverside Drive in the city of Mount Vernon, Washington during 2013. The Organization financed the purchase by incurring a note from US Bank in the amount of \$542,000. The note is secured by the Organization's interest in land and building at 330 Pacific Place, Mount Vernon. The note is being amortized on a 300 months schedule at a current interest rate of 6%, with monthly payments, including accrued interest, of \$3,426. The note matures on December 5, 2023. Future maturities of the note are as follows:

December 31,		
2022	\$	15,446
2023		419,426
Thereafter		-
	\$	<u>434,872</u>

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

NOTE 14: NET ASSETS COMPOSITION

	<u>2021</u>	<u>2020</u>
Without Donor Restrictions:		
Undesignated	\$ <u>7,043,725</u>	\$ <u>6,770,919</u>
With Donor Restrictions:		
Other Purpose Restricted Funds	\$ <u>98,000</u>	\$ <u>-</u>
Total Net Assets:	\$ <u>7,141,725</u>	\$ <u>6,770,919</u>

NOTE 15: PAYCHECK PROTECTION PROGRAM LOAN

In May of 2020, the Organization received a loan of \$500,000 from Heritage Bank. The loan was part of the Paycheck Protection Program, which is a United States Government program intended to mitigate the economic impact of the Covid-19 Pandemic. The loan was guaranteed by the United States Small Business Administration and carried a stated interest rate of 1%. The loan term was two years from inception, with interest payments starting on the 7th month following origination. However, the loan was eligible for forgiveness if the loan proceeds were used to subsidize payroll and certain occupancy costs of the Organization. The Organization used the loan proceeds for eligible expenses during 2020 and has recorded \$500,000 as grant income in the financial statements in 2020. The loan was formally forgiven in February of 2021.

COMMUNITY ACTION OF SKAGIT COUNTY

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2021

No matters were reported.

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number/Other Info	Expenditures			Paid To Sub-Recipients
			From Pass-Through Awards	From Direct Awards	Total	
Department of Health and Human Services						
477 Cluster						
Passed through Washington State Department of Commerce Temporary Assistance for Needy Families	93.558	S22-32710-015 S21-32710-015	\$ 27,530 15,879 43,409	\$ - - -	\$ 27,530 15,879 43,409	\$ - - -
Community Services Block Grant	93.569	Covid 19 F21-32101-025 F20-32101-025	163,440 53,390 152,674 369,504	- - - -	163,440 53,390 152,674 369,504	- - - -
Total 477 Cluster			412,913	-	412,913	-
Low Income Home Energy Assistance (LIHEAP)	93.568	Liheap ARP 21-32607-076 22-32606-076 19-32606-076	227,422 20,819 311,122 469,518 1,028,881	- - - - -	227,422 20,819 311,122 469,518 1,028,881	- - - - -
Total Department of Health and Human Services			1,441,794	-	1,441,794	-
Department of Education						
Passed through Washington State Board For CTC Adult Basic Education	84.002A	279-BEDA-22 279-BEDA-21 279-IELC-20 279-CBO-21 279-CBO-22	13,465 12,261 4,685 11,594 19,127 61,132	- - - - - -	13,465 12,261 4,685 11,594 19,127 61,132	- - - - - -
Total Department of Education			61,132	-	61,132	-
Department of Housing and Urban Development						
Supportive Housing Program	14.235	WA0230LOT012009 WA0230LOT011908	- - -	14,536 61,612 76,148	14,536 61,612 76,148	- - -
Continuum of Care Program	14.267	WA0274LOT011802	-	20,130	20,130	-
Passed through Washington State Department of Commerce HOME Investment Partnership Program--TBRA	14.239	20-42401-112	146,788	-	146,788	-
Passed through Skagit County HOME Investment Partnership Program--TBRA	14.239	Covid 19 165-396011423 C20180360	4,392 99,982 21,740 126,114	- - - -	4,392 99,982 21,740 126,114	- - - -
Total: Tenant Based Rental Assistance			272,902	-	272,902	-
Passed through Skagit Family Housing Multifamily Housing Service Coordinators	14.191	MFSC179506-01-04	65,752	-	65,752	-
Passed through Skagit County Community Development Block Grant-State Grants	14.228	20-62210-012 21-62210-012 Covid 19	24,337 39,137 183,190 246,664	- - - -	24,337 39,137 183,190 246,664	- - - -
Passed through Skagit County Emergency Solutions Grant	14.231	Covid-19	134,670	-	134,670	-

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

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number/Other Info	Expenditures			Paid To Sub-Recipients
			From Pass- Through Awards	From Direct Awards	Total	
Passed through City of Mount Vernon Community Development Block Grant	14.218	N/A Covid-19	214,959 31,795 246,754	- - -	214,959 31,795 246,754	- - -
Total Department of Housing and Urban Development			966,742	96,278	1,063,020	-
<u>Department of Agriculture</u>						
Passed through Washington State Department of Health Women, Infants, and Children	10.557	CBO23701	675,353	-	675,353	-
Passed through Washington State Department of Social and Health Services Basic Food Education	10.561	1912-63596	109,825	-	109,825	-
Passed through Washington State Department of Agriculture TEFAP-Administrative Costs	10.568	K2766	246,474	-	246,474	-
TEFAP-Commodities	10.569	K2766	1,265,459	-	1,265,459	1,265,459
			1,511,933	-	1,511,933	1,265,459
Commodities Supplemental Food Program	10.565	K2766	114,991	-	114,991	93,763
Total Food Distribution Cluster			1,626,924	-	1,626,924	1,359,222
Total Department of Agriculture			2,412,102	-	2,412,102	1,359,222
<u>Department of the Treasury</u>						
Passed through Washington Department of Agriculture Farm to Pantry	21.027	Covid-19	5,392	-	5,392	-
EFAP	21.027	Covid-19	30,707	-	30,707	14,725
			36,099	-	36,099	14,725
Passed through Skagit County Emergency Rental Assistance	21.027	Covid-19	61,687	-	61,687	-
Total State and Local Fiscal Recovery Funds			97,786	-	97,786	14,725
Passed through Washington State Department of Agriculture Efap Supplemental	21.019	Covid-19	38,142	-	38,142	-
Efap Capacity	21.019	Covid-19	13,456	-	13,456	-
			51,598	-	51,598	-
Passed through Skagit County Cares-Emergency Rental Assistance	21.019	Covid-19	354,037	-	354,037	-
Total Coronavirus Relief Fund			405,635	-	405,635	-
Passed through Skagit County Treasury Rental Assistance Program	21.023	Covid-19	3,509,645	-	3,509,645	-
Total Department of the Treasury			4,013,066	-	4,013,066	14,725
<u>Department of Veterans Affairs</u>						
Passed through The Opportunity Council VA Supportive Services for Veterans Families	64.033	WA-079	95,158	-	95,158	-
Total Department of Veterans Affairs			95,158	-	95,158	-

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

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Agency or Pass-through Number/Other Info	Expenditures			Paid To Sub-Recipients
			From Pass- Through Awards	From Direct Awards	Total	
<u>Department of Transportation</u>						
Passed through State of Washington Department of Transportation						
Enhanced Mobility	20.513	PTD0074	10,611	-	10,611	-
Total Department of Transportation			10,611	-	10,611	-
Total Federal Awards			\$ 9,000,605	\$ 96,278	\$ 9,096,883	\$ 1,373,947

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

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

NOTE 1: PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to Community Action of Skagit County's (the Organization's) financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Organization, it does not present the financial position, changes in financial position, or the revenues and expenditures of the Organization.

NOTE 2: DE-MINIMIS COST RATE

The Organization used the 10% de-minimis cost rate.

NOTE 3: BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Organization's financial statements. The Organization uses the accrual basis of accounting.

NOTE 4: REPORTING ENTITY

The reporting entity is described in Note A to the Organization's financial statements. The Schedule includes all federal programs administered by the Organization for the year ended December 31, 2021.

**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 of Skagit County
Mount Vernon, WA

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 of Skagit County (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

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 opinion 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.

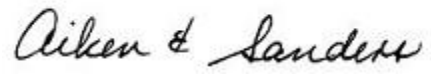
Compliance and Other Matters

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*

in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

September 29, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Community Action of Skagit County
Mount Vernon, WA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Action of Skagit County’s (the Organization’s) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization’s major federal programs for the year ended December 31, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually

or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Consultants

September 29, 2022

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant deficiencies identified 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, Section 200.516(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
21.023	Treasury Rental Assistance Program
10.557	Women, Infants, and Children

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

Auditee qualified as low-risk auditee: Yes

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Section II – Financial Statement Findings:

No matters are reported.

Section III – Federal Award Findings and Questioned Costs:

No matters are reported.