
**COMMUNITY ACTION OF
SKAGIT COUNTY**

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Years Ended December 31, 2022 and 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position - December 31, 2022 and 2021.....	3
Statement of Activities and Changes in Net Assets - Year Ended December 31, 2022	4
Statement of Activities and Changes in Net Assets - Year Ended December 31, 2021	5
Statement of Functional Expenses - Year Ended December 31, 2022	6
Statement of Functional Expenses - Year Ended December 31, 2021	7
Statement of Cash Flows - Years Ended December 31, 2022 and 2021	8
Notes to the Financial Statements.....	9
ADDITIONAL REPORTS AND SCHEDULES REQUIRED BY GAGAS AND UNIFORM GUIDANCE:	
Summary Schedule of Prior Audit Findings.....	19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards.....	23
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 <i>with</i> <i>Government Auditing Standards</i>	24
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	28

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, 2022 and 2021, 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, 2022 and 2021, 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 30, 2023, 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 30, 2023

COMMUNITY ACTION OF SKAGIT COUNTY

STATEMENT OF FINANCIAL POSITION

As of December 31,	2022	2021
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 786,062	\$ 1,055,270
Grants & Contracts Receivable	1,413,722	1,740,943
Inventory	8,605	39,880
Operating Lease Right of Use Asset-Current	250,251	157,903
Prepaid Expenses	130,330	90,774
Total Current Assets	2,588,970	3,084,770
Property & Equipment		
Land	571,176	571,176
Buildings	4,355,848	3,672,874
Equipment	503,077	493,731
Accumulated Depreciation	(1,223,897)	(1,080,709)
Property & Equipment, net	4,206,204	3,657,072
Other Assets		
Operating Lease Right of Use Asset-Long Term	2,344,246	169,440
Investments	1,596,711	1,861,950
Total Other Assets	3,940,957	2,031,390
Total Assets	\$ 10,736,131	\$ 8,773,232
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 184,507	\$ 109,054
Accrued Payroll Liabilities	440,825	375,116
Unearned Revenue	281,981	385,122
Operating Lease Liability-Current	177,900	157,903
Current Portion: Long Term Debt	28,787	15,446
Total Current Liabilities	1,114,000	1,042,641
Long Term Liabilities		
Operating Lease Liability: Less Current Portion	2,416,597	169,440
Loan Payable Long Term Debt: Less Current Portion	641,357	419,426
Total Long Term Liabilities	3,057,954	588,866
Total Liabilities	4,171,954	1,631,507
Net Assets		
Without Donor Restrictions	6,564,177	7,043,725
With Donor Restrictions	-	98,000
Total Net Assets	6,564,177	7,141,725
Total Liabilities and Net Assets	\$ 10,736,131	\$ 8,773,232

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,	2022		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support & Revenue			
Federal Grants	\$ 6,073,352	\$ -	\$ 6,073,352
State Grants	541,716	-	541,716
Local Grants	2,845,603	-	2,845,603
Foundations/Corporations	1,072,662	-	1,072,662
United Way	20,026	-	20,026
Private Donations	357,762	-	357,762
Inkind Donations	3,670,848	-	3,670,848
Investment Income	(348,426)	-	(348,426)
Miscellaneous Income	16,500	-	16,500
Released From Restrictions	98,000	(98,000)	-
Total Support & Revenue	14,348,043	(98,000)	14,250,043
Expenses			
Program Services Expenses	13,435,569	-	13,435,569
Management & General Expenses	1,133,221	-	1,133,221
Fundraising	258,801	-	258,801
Total Expenses	14,827,591	-	14,827,591
Change in Net Assets	(479,548)	(98,000)	(577,548)
NET ASSETS, BEGINNING OF YEAR	7,043,725	98,000	7,141,725
NET ASSETS, END OF YEAR	\$ 6,564,177	\$ -	\$ 6,564,177

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		
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
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	<u>20,202,813</u>	<u>98,000</u>	<u>20,300,813</u>
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	<u>19,930,007</u>	<u>-</u>	<u>19,930,007</u>
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	<u>\$ 7,043,725</u>	<u>\$ 98,000</u>	<u>\$ 7,141,725</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,		2022		
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Wages	\$ 3,454,806	\$ 812,544	\$ 111,758	\$ 4,379,108
Fringe Benefits & Taxes	773,843	182,002	25,033	980,878
Program Expense	4,768,737	-	-	4,768,737
Supplies	174,927	29,254	7,076	211,257
Travel & Training	49,237	22,355	1,563	73,155
Occupancy	214,456	16,868	4,896	236,220
Professional Fees	68,122	36,754	82,523	187,399
Inkind Donation Expense	3,639,573	-	-	3,639,573
Miscellaneous	177,290	10,094	18,693	206,077
Depreciation Expense	114,578	23,350	7,259	145,187
Total Expenses	\$ <u>13,435,569</u>	\$ <u>1,133,221</u>	\$ <u>258,801</u>	\$ <u>14,827,591</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,		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 CASH FLOWS

Year Ended December 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (577,548)	\$ 370,806
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	145,187	140,494
Unrealized (Gain)/Loss	317,039	(107,474)
Non-Cash Contributions & Grants	(3,639,573)	(6,553,940)
Non-Cash Expenses & Support	3,639,573	6,553,940
(Increase) Decrease in Operating Assets		
Grants & Contracts Receivable	327,221	10,413
Inventory	31,275	(17,915)
Prepaid Expenses	(39,556)	15,833
Increase (Decrease) in Operating Liabilities		
Accounts Payable	75,453	32,810
Accrued Payroll Liabilities	65,709	170,374
Unearned Revenue	(103,141)	310,631
Net Cash Provided (Used) by Operating Activities	<u>241,639</u>	<u>925,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase Equipment	(692,320)	(201,335)
Cash Received From Investments	666,511	530,644
Purchase of Investments	(720,310)	(612,044)
Net Cash Provided (Used) by Investing Activities	<u>(746,119)</u>	<u>(282,735)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Received From Notes Payable	253,745	-
Principal Payments on Notes Payable	(18,473)	(14,193)
Net Cash Provided (Used) by Financing Activities	<u>235,272</u>	<u>(14,193)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(269,208)	629,044
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,055,270</u>	<u>426,226</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 786,062</u>	<u>\$ 1,055,270</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Cash Paid During the Years for Interest	<u>\$ 29,042</u>	<u>\$ 26,925</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, 2022 and 2021

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, 2022 and 2021

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. The balances of receivables from grants and contracts recognized as revenue were \$1,413,722 and \$1,740,943, respectively, as of December 31, 2022 and 2021.

Upon receipt of an advance from grants and contracts from their funding sources, the Organization recognizes unearned revenue in the amount of the advance for its performance obligation to perform services in the future. At December 31, 2022 and 2021, the Organization recorded unearned revenue of \$281,981 and \$385,122, respectively, which the Organization expects to recognize as revenue in the following years, when it performs those services and, therefore, satisfies its performance obligation to the funding sources.

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, 2022 and 2021 was \$145,187 and \$140,494, respectively.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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 \$442,026 and \$737,491 as of December 31, 2022 and 2021, 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, 2022 and 2021. 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.

The accrued vacation liability was \$169,508 and \$148,475 which is included in accrued payroll liabilities on the Statement of Financial Position on December 31, 2022 and 2021, respectively.

Advertising Costs:

The Organization expenses advertising costs as incurred.

Leases:

The Organization recognizes and measures its leases in accordance with FASB ASC 842, leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. For operating leases, the Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its customary borrowing rate with a term equivalent to the lease term. The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments).

Management classifies all leases greater than \$5,000 in value and twelve months or more in length as operating or finance leases.

Lease cost for lease payments is recognized on a straight line basis over the lease term. The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise.

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.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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 2023 and later years, has \$3,796,495 and \$4,560,163 of financial assets available within one year of the statement of financial position dates on December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year end	\$ 3,796,495	\$ 4,658,163
Donor restricted to purpose	<u>-</u>	<u>(98,000)</u>
Financial assets available to meet cash needs within one year	\$ <u>3,796,495</u>	\$ <u>4,560,163</u>

NOTE 3: CASH AND EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Petty Cash	\$ 225	\$ 225
Certificates of Deposit	12,971	12,887
Cash in Checking and Savings Accounts:		
General	<u>772,866</u>	<u>1,042,158</u>
Total Cash and Equivalents	\$ <u>786,062</u>	\$ <u>1,055,270</u>

NOTE 4: GRANTS & CONTRACTS RECEIVABLE

Grants and contracts receivable consist of amounts due to the Organization as of December 31, 2022 and 2021 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, 2022 and 2021. 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, 2022 and 2021, no receivable amounts were past due.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 5: LEASE COMMITMENTS

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

Effective January 1, 2021, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842.

Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2021, (a) a lease liability of \$327,343, which represents the present value of the remaining lease payments of \$411,256, discounted using the Organization's customary borrowing rate of 6%, and (b) a right-of-use asset of \$327,343, which represents the future lease asset amortization.

Lease expense under these operating leases for 2022 and 2021 was \$173,085 and \$59,694, respectively, which included amortization of the right of use asset in excess of the lease liability of \$0 and \$0 for 2022 and 2021, respectively.

Future lease payments due under current operating leases, and lease liability discount, discounted lease liability, and discounted lease assets are as follows as of December 31, 2022:

December 31,	<u>Gross Rents</u>	<u>Discount</u>	<u>Lease Liability</u>	<u>Lease Asset</u>
2023 \$	328,730 \$	150,830 \$	177,900 \$	250,251
2024	304,118	139,817	164,301	225,570
2025	244,364	132,084	112,280	161,913
2026	256,582	124,817	131,765	169,179
2027	269,411	116,331	153,080	177,665
Thereafter	2,303,224	448,053	1,855,171	1,609,919
\$	<u>3,706,429</u> \$	<u>1,111,932</u> \$	<u>2,594,497</u> \$	<u>2,594,497</u>

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, 2022 and 2021, employer contributions to the plan were \$85,749 and \$85,876, respectively.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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, 2022 and 2021:

December 31, 2022:

	Cost	Useful Life	Method	Accumulated Depreciation
Buildings	\$ 2,596,337	40	S/L	\$ 739,596
Land	571,176			-
Building Improvements	1,759,511	40	S/L	183,147
Equipment	503,077	5	S/L	301,154
	<u>\$ 5,430,101</u>			<u>\$ 1,223,897</u>

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>

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, 2022, the investments had a cost basis of \$1,477,902 and a fair value of \$1,596,711. As of December 31, 2021, the investments had a cost basis of \$1,424,103 and a fair value of \$1,861,950.

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.

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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

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, 2022.

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, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 1,411,409	\$ -	\$ -	\$ 1,411,409
Community Foundation	-	-	185,302	185,302
Total Assets at Fair Value:	\$ <u>1,411,409</u>	\$ <u>-</u>	\$ <u>185,302</u>	\$ <u>1,596,711</u>

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

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance, January 1:	\$ 191,767	\$ 142,293
Earnings	(28,611)	16,134
Contributions	25,000	35,787
Foundation Fees	(2,854)	(2,447)
Withdrawals	-	-
Balance, December 31:	<u>\$ 185,302</u>	<u>\$ 191,767</u>

Investment income was composed of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Realized & Unrealized Gains (Loss)	\$ (375,226)	\$ 101,667
Interest & Dividends	37,115	81,881
Investment Fees	(10,315)	(10,327)
	<u>\$ (348,426)</u>	<u>\$ 173,221</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, 2022 and 2021, non-cash contributions and expenses consisted of the following:

	<u>2022</u>	<u>2021</u>
Non-Cash Contributions by Type:		
Food Donations	\$ 3,649,541	\$ 6,535,119
Miscellaneous Goods & Services	21,307	18,821
Total Non-Cash Expenses	<u>\$ 3,670,848</u>	<u>\$ 6,553,940</u>

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 11: SUBSEQUENT EVENTS

The Organization did not have any subsequent events through September 30, 2023, 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, 2022.

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, 2019. 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, 2022, 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 was secured by the Organization's interest in land and building at 330 Pacific Place, Mount Vernon. The note was being amortized on a 300 months schedule at a interest rate of 6%, with monthly payments, including accrued interest, of \$3,426. The note was set to mature on December 5, 2023. On September 5, 2022, the Organization refinanced the loan with US Bank with a maturity date of September 5, 2032, an interest rate of 6.34%, and monthly payments of \$5,867. The new loan included proceeds to the Organization of \$253,745. There was no change to the loan collateral. Future maturities of the note are as follows:

December 31,		
2023	\$	28,787
2024		30,667
2025		32,668
2026		34,801
2027		37,072
Thereafter		<u>506,149</u>
	\$	<u><u>670,144</u></u>

COMMUNITY ACTION OF SKAGIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

NOTE 14: NET ASSETS COMPOSITION

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions:		
Undesignated	\$ <u>6,564,177</u>	\$ <u>7,043,725</u>
With Donor Restrictions:		
Other Purpose Restricted Funds	\$ <u>-</u>	\$ <u>98,000</u>
Total Net Assets:	\$ <u>6,564,177</u>	\$ <u>7,141,725</u>

COMMUNITY ACTION OF SKAGIT COUNTY

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2022

No matters were reported.

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

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 S23-32710-015	\$ 74,860 107,117 181,977	\$ - - -	\$ 74,860 107,117 181,977	\$ - - -
Community Services Block Grant	93.569	Covid 19 F21-32101-025 F22-32101-025	83,477 143,701 62,608 289,786	- - - -	83,477 143,701 62,608 289,786	- - - -
Total 477 Cluster			471,763	-	471,763	-
Low Income Home Energy Assistance (LIHEAP)	93.568	Covid-19 Liheap ARP 22-32606-076 21-32607-076	1,157,552 773,167 146,095 2,076,814	- - - -	1,157,552 773,167 146,095 2,076,814	- - - -
Total Department of Health and Human Services			2,548,577	-	2,548,577	-
Department of Education						
Passed through Washington State Board For CTC Adult Basic Education	84.002A	279-BEDA-22 279-BEDA-23 279-BLB-22 279-BLB-23 279-IELC-22 279-CBO-22 279-CBO-23	7,064 14,632 2,794 2,637 5,561 4,872 8,145 45,705	- - - - - - - -	7,064 14,632 2,794 2,637 5,561 4,872 8,145 45,705	- - - - - - - -
Total Department of Education			45,705	-	45,705	-
Department of Housing and Urban Development						
Supportive Housing Program	14.235	WA0230LOT012009 WA0230LOT012110	- - -	68,538 23,131 91,669	68,538 23,131 91,669	- - -
Continuum of Care Program	14.267	WA0325L0T012005	-	54,851	54,851	-
Passed through Washington State Department of Commerce HOME Investment Partnership Program--TBRA	14.239	21-42401-112	135,831	-	135,831	-
Passed through Skagit County HOME Investment Partnership Program--TBRA	14.239	165-396011423 C20180360	28,918 56,719 85,637	- - -	28,918 56,719 85,637	- - -
Total: Tenant Based Rental Assistance			221,468	-	221,468	-
Passed through Skagit Family Housing Multifamily Housing Service Coordinators	14.191	MFSC179506-01-04	64,023	-	64,023	-
Passed through Skagit County Community Development Block Grant-State Grants	14.228	22-62210-012 21-62210-012	25,362 19,233 44,595	- - -	25,362 19,233 44,595	- - -
Passed through Skagit County Emergency Solutions Grant	14.231	Covid-19	129,696	-	129,696	-

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, 2022

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	16,998	-	16,998	-
		N/A	25,734	-	25,734	-
			42,732	-	42,732	-
Total Department of Housing and Urban Development			502,514	146,520	649,034	-
Department of Agriculture						
Passed through Washington State Department of Health Women, Infants, and Children	10.557	CBO23701	745,093	-	745,093	-
Passed through Washington State Department of Social and Health Services Basic Food Education	10.561	1912-64581-04, 2212-44425-04	112,654	-	112,654	-
Passed through Washington State Department of Agriculture Local Food Purchase Assistance	10.182	K4288	392	-	392	-
TEFAP-Administrative Costs	10.568	K2766	141,615	-	141,615	-
TEFAP-Commodities	10.569	K2766	1,136,522	-	1,136,522	1,136,522
			1,278,137	-	1,278,137	1,136,522
Commodities Supplemental Food Program	10.565	K2766	126,496	-	126,496	106,799
Total Food Distribution Cluster			1,404,633	-	1,404,633	1,243,321
Total Department of Agriculture			2,262,772	-	2,262,772	1,243,321
Department of the Treasury						
Passed through Washington Department of Agriculture Farm to Pantry	21.027	Covid-19	27,049	-	27,049	-
Resiliency Grant	21.027	Covid-19	18,448	-	18,448	-
EFAP	21.027	Covid-19	35,084	-	35,084	-
			80,581	-	80,581	-
Passed through Skagit County Emergency Rental Assistance	21.027	Covid-19	374,094	-	374,094	-
Total State and Local Fiscal Recovery Funds			454,675	-	454,675	-
Total Department of the Treasury			454,675	-	454,675	-

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, 2022

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 Veterans Affairs</u>						
Passed through The Opportunity Council VA Supportive Services for Veterans Families	64.033	WA-079	118,569	-	118,569	-
Total Department of Veterans Affairs			<u>118,569</u>	<u>-</u>	<u>118,569</u>	<u>-</u>
<u>Department of Transportation</u>						
Passed through State of Washington Department of Transportation Enhanced Mobility	20.513	PTD0074	25,304	-	25,304	-
Total Department of Transportation			<u>25,304</u>	<u>-</u>	<u>25,304</u>	<u>-</u>
Total Federal Awards			\$ <u>5,958,116</u>	\$ <u>146,520</u>	\$ <u>6,104,636</u>	\$ <u>1,243,321</u>

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, 2022

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 1 to the Organization's financial statements. The Schedule includes all federal programs administered by the Organization for the year ended December 31, 2022.

**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, 2022, 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 30, 2023.

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.

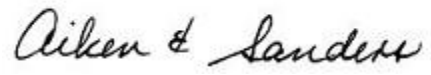
Compliance and Other Matters

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 30, 2023

**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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 30, 2023

COMMUNITY ACTION OF SKAGIT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2022

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified: No

Significant deficiencies identified 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>Assistance Listing Numbers</u>	<u>Name of Federal Program</u>
93.568	Low Income Home Energy Assistance Program
93.558	477 Cluster-Temporary Assistance for Needy Families
93.569	477 Cluster-Community Services Block Grant

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, 2022

Section II – Financial Statement Findings:

No matters are reported.

Section III – Federal Award Findings and Questioned Costs:

No matters are reported.