

United Community Action Network

**Financial Statements
Years Ended June 30, 2021 and 2020
with
Independent Auditor's Report**



Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

United Community Action Network

June 30, 2021

BOARD OF DIRECTORS

ELECTED OR APPOINTED PUBLIC OFFICIALS

TOM KRESS
Douglas County, OR..... Member

SHAWN MARTINEZ (designee for Lily Morgan)
Josephine County, OR Member

VACANT
Douglas County, OR..... Member

VACANT
Josephine County, OR Member

VACANT
Josephine County, OR Member

LOW INCOME REPRESENTATIVES

PATRICIA ATTAWAY
Douglas County, OR..... Chair

SHARON BROWN
Douglas County, OR..... Member

BRIANNA RAHMLow
Douglas County, OR..... Member

VACANT
Josephine County, OR Member

COMMUNITY REPRESENTATIVES

JENNIFER BRAGG
Douglas County, OR..... Member

MIKE DURBIN
Josephine County, OR Member

BRANDI FIELDS
Josephine County, OR Vice Chair

SUSAN FISCHER-MAKI
Josephine County, OR Member

United Community Action Network

Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Community Action Network

Report on the Financial Statements

We have audited the accompanying financial statements of United Community Action Network (UCAN), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Community Action Network as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report June 29, 2022, on our consideration of UCAN'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCAN's 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 UCAN's internal control over financial reporting and compliance.

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
June 29, 2022

FINANCIAL STATEMENTS

United Community Action Network
Statements of Financial Position
June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 194,942	\$ 1,393,399
Restricted cash - capital projects	117,390	156,500
Contracts/grants receivable	3,879,463	2,733,481
Prepaid expenses and other assets	76,853	48,592
Inventory	324,232	392,593
Total current assets	<u>4,592,880</u>	<u>4,724,565</u>
Non-current assets:		
USDA reserve cash	52,394	52,394
Property and equipment:		
Land	2,436,769	2,436,769
Buildings and building improvements	17,868,495	17,620,962
Leasehold Improvements	91,020	60,169
Furniture, fixtures and equipment	1,228,347	1,209,948
Vehicles	1,225,610	1,059,024
Construction in process	151,535	-
Total property and equipment	23,001,776	22,386,872
Less: accumulated depreciation	<u>(7,908,498)</u>	<u>(7,245,917)</u>
Total property and equipment (net)	<u>15,093,278</u>	<u>15,140,955</u>
Total non-current assets	<u>15,145,672</u>	<u>15,193,349</u>
Other assets:		
Beneficial interest in assets held by Community Foundation	17,665	12,898
TOTAL ASSETS	<u><u>\$ 19,756,217</u></u>	<u><u>\$ 19,930,812</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 788,391	\$ 505,929
Accrued payroll and payroll taxes	876,820	809,175
Accrued employee paid time off	275,461	222,043
Unearned revenues	35,274	-
Refundable deposits	44,611	44,911
Accrued interest payable	40,681	20,013
Current portion of long-term notes payable	1,798,591	805,468
Total current liabilities	<u>3,859,829</u>	<u>2,407,539</u>
Long-term liabilities:		
Notes payable - long term (net of current portion)	<u>1,123,578</u>	<u>2,143,449</u>
TOTAL LIABILITIES	<u>4,983,407</u>	<u>4,550,988</u>
Net assets:		
Without donor restrictions	12,652,165	13,398,456
With donor restrictions	<u>2,120,645</u>	<u>1,981,368</u>
TOTAL NET ASSETS	<u>14,772,810</u>	<u>15,379,824</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 19,756,217</u></u>	<u><u>\$ 19,930,812</u></u>

United Community Action Network
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government agencies	\$ -	\$ 27,252,513	\$ 27,252,513
Contributions	-	319,155	319,155
Private agencies	-	130,563	130,563
USDA food	-	828,592	828,592
In-kind services and facilities use	-	232,429	232,429
Other donated food commodities	-	1,186,252	1,186,252
Program earned revenues	1,521,702	-	1,521,702
Commodities and food sales	63,181	-	63,181
Miscellaneous	11,386	-	11,386
Total revenue and support	<u>1,596,269</u>	<u>29,949,504</u>	<u>31,545,773</u>
Net assets released from restriction:			
Satisfaction of program purpose restrictions	<u>29,814,994</u>	<u>(29,814,994)</u>	<u>-</u>
Total release from restriction	<u>29,814,994</u>	<u>(29,814,994)</u>	<u>-</u>
Total	<u>31,411,263</u>	<u>134,510</u>	<u>31,545,773</u>
EXPENSES			
Program services:			
Child services	8,250,596	-	8,250,596
Transportation	601,986	-	601,986
Food programs	2,595,555	-	2,595,555
Energy services	3,544,393	-	3,544,393
Weatherization	921,409	-	921,409
Case management	11,851,092	-	11,851,092
Property management	911,603	-	911,603
Volunteer services	922,181	-	922,181
Total program expenses	<u>29,598,815</u>	<u>-</u>	<u>29,598,815</u>
Supporting services:			
Management and general	<u>2,558,739</u>	<u>-</u>	<u>2,558,739</u>
Total supporting services	<u>2,558,739</u>	<u>-</u>	<u>2,558,739</u>
Total expenses	<u>32,157,554</u>	<u>-</u>	<u>32,157,554</u>
Operating income (loss)	<u>(746,291)</u>	<u>134,510</u>	<u>(611,781)</u>
Nonoperating income (loss)			
Change in value of assets held by Community Foundation	<u>-</u>	<u>4,767</u>	<u>4,767</u>
Total nonoperating income (loss)	<u>-</u>	<u>4,767</u>	<u>4,767</u>
CHANGE IN NET ASSETS	<u>(746,291)</u>	<u>139,277</u>	<u>(607,014)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>13,398,456</u>	<u>1,981,368</u>	<u>15,379,824</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,652,165</u>	<u>\$ 2,120,645</u>	<u>\$ 14,772,810</u>

**United Community Action Network
Statement of Activities
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government agencies	\$ -	\$17,512,849	\$ 17,512,849
Contributions and United Way	-	309,874	309,874
Private agencies	-	430,862	430,862
USDA food	-	1,045,714	1,045,714
In-kind services and facilities use	-	411,988	411,988
Other donated food commodities	-	1,476,293	1,476,293
Program earned revenues	2,129,893	-	2,129,893
Commodities and food sales	195,828	-	195,828
Interest income	23	-	23
Gain on disposal of assets	9,382	-	9,382
Miscellaneous	4,697	-	4,697
Total revenue and support	2,339,823	21,187,580	23,527,403
Net assets released from restriction:			
Satisfaction of program purpose restrictions	20,534,643	(20,534,643)	-
Total release from restriction	20,534,643	(20,534,643)	-
Total	22,874,466	652,937	23,527,403
EXPENSES			
Program services:			
Child services	6,742,197	-	6,742,197
Transportation	2,235,498	-	2,235,498
Food programs	2,966,583	-	2,966,583
Energy services	2,403,813	-	2,403,813
Weatherization	1,261,025	-	1,261,025
Case management	3,418,067	-	3,418,067
Property management	975,703	-	975,703
Volunteer services	969,605	-	969,605
Total program expenses	20,972,491	-	20,972,491
Supporting services:			
Management and general	2,118,205	-	2,118,205
Total supporting services	2,118,205	-	2,118,205
Total expenses	23,090,696	-	23,090,696
Operating income (loss)	(216,230)	652,937	436,707
Nonoperating income (loss)			
Contribution of fixed assets	(720,644)	-	(720,644)
Change in value of assets held by Community Foundation	-	(361)	(361)
Total nonoperating income (loss)	(720,644)	(361)	(721,005)
CHANGE IN NET ASSETS	(936,874)	652,576	(284,298)
NET ASSETS AT BEGINNING OF YEAR	14,335,330	1,328,792	15,664,122
NET ASSETS AT END OF YEAR	\$ 13,398,456	\$ 1,981,368	\$ 15,379,824

**United Community Action Network
Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (607,014)	\$ (284,298)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	662,581	674,654
Contribution of fixed assets	-	720,644
(Gain)/loss on sale of assets	-	(9,382)
Unrealized (gain)/loss in value of beneficial interest in OCF	(4,767)	361
(Increase) decrease in current assets:		
Accounts receivable	-	10,000
Contracts/grants receivable	(1,145,982)	(544,869)
Inventory	68,361	(172,323)
Prepaid expenses and other assets	(28,261)	(20,368)
Increase (decrease) in current liabilities:		
Accounts payable	282,462	(444,558)
Accrued payroll and payroll taxes	67,645	96,882
Accrued vacation payable	53,418	16,871
Unearned revenues	35,274	-
Refundable deposits	(300)	(2,064)
Accrued interest payable	20,668	-
Net cash provided (used) by operating activities	(595,915)	41,550
Cash flows from investing activities:		
Proceeds from distribution of principal from OCF	-	50,000
Proceeds from sale of property and equipment	-	9,382
Purchases of property and equipment	(614,904)	(1,148,598)
Net cash used by investing activities	(614,904)	(1,089,216)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	1,770,600
Repayment of debt	(26,748)	(22,979)
Net cash provided by financing activities	(26,748)	1,747,621
Net change in cash and cash equivalents	(1,237,567)	699,955
Beginning cash and cash equivalents	1,602,293	902,338
Ending cash and cash equivalents	\$ 364,726	\$ 1,602,293
Unrestricted cash	\$ 194,942	\$ 1,393,399
Restricted cash - capital projects	117,390	156,500
USDA reserve cash	52,394	52,394
Total cash and cash equivalents	\$ 364,726	\$ 1,602,293
Supplemental disclosure of cash flow information:		
Interest paid	\$ 53,317	\$ 55,387

**United Community Action Network
Statement of Functional Expenses
Year Ended June 30, 2021**

Expenses	Program Services								Support Services	Total
	Child Services	Transportation	Food Programs	Energy Services	Weatherization	Case Management	Property Management	Volunteer Services	Management and General	
Personnel salaries	\$ 4,406,850	\$ 88,889	\$ 210,069	\$ 167,685	\$ 132,049	\$ 860,586	\$ 138,030	\$ 559,506	\$ 1,294,848	\$ 7,858,512
Payroll taxes and benefits	1,869,868	33,855	92,405	45,285	58,370	396,517	61,411	163,490	451,537	3,172,738
Professional services	2,693	655	2,508	89	-	1,660	1,905	177	75,391	85,078
Training and travel	53,575	372	849	149	-	5,023	475	8,342	14,521	83,306
Vehicle operating expenses	81,039	1,000	12,246	2,308	2,903	18,890	8,517	5,537	19,772	152,212
Rental expense and building repairs	378,961	15,934	29,385	34,008	18,353	133,974	173,908	47,470	26,773	858,766
Communications and media	87,980	3,898	6,725	36,102	5,789	72,994	13,421	16,655	39,264	282,828
Rental management expenses	-	-	-	-	-	5,068	89,326	-	-	94,394
Insurance	59,026	1,037	6,567	1,545	3,427	9,478	19,571	2,981	15,208	118,840
Consumable supplies	689,911	6,736	17,787	51,336	14,222	110,411	4,372	19,055	100,546	1,014,376
Office expenses	136,414	4,345	7,313	34,913	8,178	34,693	4,040	14,437	66,502	310,835
Equipment and repairs	48,824	4,102	16,675	775	13	8,893	12,489	693	31,786	124,250
Interest and property taxes	-	-	-	-	-	-	25,914	-	69,691	95,605
Property costs	-	-	-	-	-	-	-	-	68,630	68,630
Rent and utility assistance	-	-	-	3,013,313	-	9,264,585	229	17,602	1,785	12,297,514
Food assistance	169,266	-	55,769	17	8	939	-	3,487	61	229,547
Support service supplies	10,354	-	-	29,864	9,311	35,964	-	23,415	-	108,908
Volunteer support	30	440,943	34	-	-	148	-	4,914	-	446,069
Sub-contracting expenses	22,722	90	1,758	126,983	658,119	820,353	15,710	1,720	29,844	1,677,299
Miscellaneous expenses	4,723	130	797	21	20	1,403	2,279	320	89,939	99,632
In-kind expenses	70,421	-	2,114,944	-	-	69,513	-	32,380	28,376	2,315,634
Depreciation	157,939	-	19,724	-	10,647	-	340,006	-	134,265	662,581
Total expenses	\$ 8,250,596	\$ 601,986	\$ 2,595,555	\$ 3,544,393	\$ 921,409	\$ 11,851,092	\$ 911,603	\$ 922,181	\$ 2,558,739	\$ 32,157,554

**United Community Action Network
Statement of Functional Expenses
Year Ended June 30, 2020**

Expenses	Program Services								Support Services	Total
	Child Services	Transportation	Food Programs	Energy Services	Weatherization	Case Management	Property Management	Volunteer Services	Management and General	
Personnel salaries	\$ 3,366,534	\$ 767,951	\$ 187,623	\$ 129,299	\$ 153,280	\$ 663,468	\$ 162,546	\$ 463,738	\$ 1,100,896	\$ 6,995,335
Payroll taxes and benefits	1,563,703	316,072	81,324	47,202	75,316	322,620	83,045	151,760	411,398	3,052,440
Professional services	-	3,365	184	155	72	901	2,975	449	70,363	78,464
Training and travel	62,884	12,617	293	3,325	13,098	21,777	-	11,064	8,126	133,184
Vehicle operating expenses	80,461	288,663	3,537	4,759	4,472	29,697	10,728	10,313	18,749	451,379
Rental expense and building repairs	353,206	59,725	27,400	18,520	7,916	179,948	178,007	41,481	78,339	944,542
Communications and media	73,158	24,979	-	4,059	3,033	31,606	11,344	12,512	17,116	177,807
Rental management expenses	8	3	2	-	-	1	122,916	1	1	122,932
Insurance	79,960	61,336	7,346	2,405	10,241	14,398	23,620	6,031	12,802	218,139
Consumable supplies	226,049	41,865	38,168	16,331	5,660	30,835	1,601	11,193	51,660	423,362
Office expenses	83,184	16,377	4,404	7,602	9,975	20,116	4,881	14,211	53,842	214,592
Equipment and repairs	137,981	-	17,383	1,505	-	7,780	10,458	2,231	27,097	204,435
Interest and property taxes	-	-	-	-	-	3,613	8,768	-	51,332	63,713
Property costs	-	-	-	-	-	-	-	-	15,660	15,660
Rent and utility assistance	-	42	-	2,123,501	-	1,650,700	-	119	-	3,774,362
Food assistance	149,860	102	171,562	-	-	6,041	-	2,920	121	330,606
Support service supplies	649	-	1,117	16,000	10,668	38,715	-	1,015	-	68,164
Volunteer support	514	525,209	118	-	-	3,000	-	5,849	575	535,265
Sub-contracting expenses	440,009	46,179	26,227	28,569	962,664	385,892	13,942	32,968	50,898	1,987,348
Miscellaneous expenses	4,167	5,061	5,230	581	194	6,959	120	1,496	21,107	44,915
In-kind expenses	-	-	2,379,144	-	-	-	-	200,254	-	2,579,398
Depreciation	119,870	65,952	15,521	-	4,436	-	340,752	-	128,123	674,654
Total expenses	\$ 6,742,197	\$ 2,235,498	\$ 2,966,583	\$ 2,403,813	\$ 1,261,025	\$ 3,418,067	\$ 975,703	\$ 969,605	\$ 2,118,205	\$ 23,090,696

NOTES TO FINANCIAL STATEMENTS

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

Originally founded in 1969 as the Parents Action Council, Inc., the name was changed to United Community Action Network (UCAN), in 2008. UCAN is a private, non-profit community action agency. UCAN operates in all parts of Douglas County and Josephine County, Oregon, promoting resources and opportunities to help increase the self-sufficiency of low-income individuals. Through the operation of several programs and close interaction with many agencies, UCAN strives to influence the quality of life for the elderly, low-income, and disabled individuals and families, as well as the community in general.

Basis of Accounting

The financial statements of UCAN have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

UCAN reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of UCAN, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

UCAN's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, UCAN considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

UCAN accounts for investments in marketable securities at their fair values as of the date of the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets for the period.

Contracts/Grants Receivable

Contracts/grants receivable represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All contracts receivable represents amounts owed by federal, state and local government agencies. Contracts/grants receivable are stated at the amount management expects to be collected from the outstanding balance. At June 30, 2021, and 2020, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Inventory

UCAN receives non-cash donations of food commodities from the United States Department of Agriculture (USDA) and the Oregon Food Bank (OFB). UCAN serves as an agent and all non-cash contributions of food commodities flow through UCAN directly to other non-profit organization distribution centers. Donated food and USDA commodities are recorded directly in the financial statements as non-cash contributions received and as non-cash expenditures within the Nutrition Program. Additionally, UCAN purchases food for sale. The inventory of purchased food is recorded at cost. Inventory is counted monthly.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful life of the assets, which range from 3-40 years depending on the fixed asset.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions revenue is recognized when cash, other assets, unconditional promises to give, or notification of a beneficial interest is received.

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donated Land, Buildings, Equipment and other Long-Lived Assets

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. UCAN reports expirations of donor restrictions when the donated or acquired asset is placed in service. UCAN reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by UCAN. UCAN receives donated services and spaces related to its AmeriCorps, Head Start and WIC Programs. Additionally, volunteers have donated their time to various Programs throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. These Programs include the Head Start, Food Shares, Transportation, and Retired Senior Volunteer Program.

Donated Commodities

Commodities received through the USDA and OFB are recorded as revenue at their commodity values per pound, which averaged \$1.05 per pound and \$0.97 per pound for the years ending June 30, 2021, and 2020, respectively.

Approximately 1.85 million and 2.70 million pounds of donated food were received from the above referenced sources during the years ended June 30, 2021, and 2020, respectively.

Forgivable Loans/Refundable Advances

During the year ended June 30, 2020, UCAN participated in the Paycheck Protection Program (PPP) that was provided for under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). It is UCAN's policy to account for such proceeds as a financial liability until either (1) the loan is, in part or wholly, forgiven legally, or (2) the liability is fully paid. Once the loan is, in part or wholly, forgiven and legal release is received, UCAN will reduce the liability by the amount forgiven and record a gain on extinguishment.

Advertising Costs

Advertising costs are expensed as incurred. The amounts spent on advertisements by UCAN for the years ended June 30, 2021, and 2020, were \$59,787 and \$11,128, respectively.

Tax-Exempt Status

UCAN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, UCAN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to UCAN's tax-exempt purpose is subject to taxation as unrelated business income. At June 30, 2021, UCAN does not have an estimated tax liability on this unrelated business activity. UCAN believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

UCAN's federal Exempt Organization Business Income Tax Return (Form 990) is subject to examination by the IRS, generally for three years after they are filed. UCAN pays a normal annual filing fee to the State of Oregon, Department of Justice.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures account balances at each insured institution. UCAN frequently maintains cash balances greater than the FDIC insurance coverage in two financial institutions. At June 30, 2021, the amount that exceeded FDIC coverage was approximately \$1.3 million.

Gains and Losses, and Investment Income

Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use to a time or purpose restriction or in perpetuity.

Functional Expenses

UCAN allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various bases.

Description of Programs

Child Services -

Douglas County Head Start and Early Head Start - Accounts for revenues and expenditures related to the federally funded Head Start Program and Early Head Start Program and to an Oregon Pre-Kindergarten program. The Head Start Program also provides meals to children enrolled in the Head Start Program through funding provided by the USDA. The Head Start Program provides early childhood education for low income and/or disabled children, between the ages of three to five, through classroom programs designed to prepare children for the public-school experience. The Early Head Start Program provides services for pregnant moms and children from birth to three years through a combination of home-based services and center-based services. Parent education and family involvement are promoted through parenting support groups, volunteering in the classroom, and assistance in program planning. Support services include payment of medical and dental services for enrolled children.

Healthy Families Program - UCAN operates the Healthy Families Program in Douglas, Klamath, and Lake Counties. The goal of the Healthy Families Program is to prevent child abuse and neglect. Prior to or immediately after birth, parents are screened to determine eligibility for the program. All services are voluntary. The program focuses on strengthening the parent-child relationship to assure healthy child growth and development. Home visitors help parents develop nurturing, positive relationships with their babies. Parents receive information about child development, infant care and keeping their baby healthy, and learn about resources to support their babies. Trained home visitors coach parents so that their baby is safe and healthy, able to learn and thrive.

Nurse Home Visiting Program - Through UCAN's Nurse Home Visiting Program, eligible Douglas County pregnant women, families with young children and families with children with special needs receive comprehensive support services from nurses. Programs offered through Nurse Home Visiting include Maternity Case Management, Babies First and CaCoon.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Child Services (continued) -

Women, Infants and Children Program (WIC) - UCAN provides WIC services in Douglas County. WIC is a nutrition education program that helps pregnant women, new mothers, and young children learn how to eat well and stay healthy. WIC works to improve the health and nutrition of women and children during critical years of a child's development.

Healthy Start Program - The Healthy Start Program operates in Douglas County to prevent infant mortality, as rural-area infant mortality rates are at least 1.5 times the national average and high rates of low birthweight, pre-term birth, maternal mortality and maternal morbidity (serious medical conditions resulting from or aggravated by pregnancy and delivery).

Transportation -

U-Trans - Accounts for revenues and expenditures related to the U-Trans Public Transportation Service in Douglas County. U-Trans serves the greater Roseburg area, with commuter services stretching from Sutherlin, Oregon, to Canyonville, Oregon. The Douglas County Public Works Department oversees the U-Trans operations with UCAN contracting to provide the service. U-Trans is funded through partnerships with cities, the County, State agencies, the Cow Creek Tribe, area employers and fare revenue. This service including all the assets and liabilities transferred to the Umpqua Public Transit District on June 30, 2020.

Medicaid Transportation Program - Accounts for transportation services provided to eligible Oregon Health Plan and eligible Medicaid clients traveling to authorized medical services in Curry, Douglas and Josephine Counties. This service is provided in conjunction with Translink and Ready-Ride and is provided to clients who have no other means to get to their medical services.

Food Programs - Accounts for revenues and expenditures related to the Douglas County Food Bank. UCAN is the regional food bank for the county and warehouses the food for the county. Food Shares collects and distributes donated and surplus food, including USDA and Oregon Food Bank commodities. Food is then distributed to local emergency food agencies, community kitchens, and other supplemental food banks, for redistribution to low-income individuals and families throughout Douglas County.

Energy Services - The Energy Assistance Program provides support to low-income individuals in supplying their energy needs and information on conserving energy.

Weatherization - Accounts for revenues and expenditures related to providing energy conservation information, measures, retrofits, and upgrades to income-eligible families designed to reduce home utility usage and costs. Funding is primarily provided through the US Department of Health and Human Services' Low-Income Home Energy Assistance Program (LIHEAP) and through State of Oregon's Senate Bill 1149, energy deregulation dollars entitled Energy Conservation Helping Oregonians (ECHO) funds.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Case Management - Provides stabilization and continuity of care while addressing barriers with people experiencing poverty. Staff guide households through self-assessment, in which each person determines how well they are doing in a variety of areas, and what type of improvement they would like to achieve in those areas. Case Managers identify resources that people need to attain their goals, evaluate, provide linkages and aid in the implementation of sustainable tools toward the goal of exiting poverty. Barrier removal expenditures and auxiliary services are customary in the Case Management Program.

Property Management - Accounts for revenues and expenditures for the purpose of providing low-income housing to individuals and families in need. UCAN operates approximately 92 units in 18 properties throughout Douglas County. The housing consists of transitional housing and permanent housing. Transitional housing focuses on moving families to stabilization. Permanent housing allows individuals and families to stay for as long as they need, given certain income requirements, with the objective of helping them to become self-sufficient. All residents are charged a below market rental rate and some are required to complete a program to become self-sufficient.

Volunteer Services -

United Communities AmeriCorps - Accounts for revenues and expenditures related to providing AmeriCorps members to Coos, Curry, Douglas, Jackson and Josephine counties. AmeriCorps is a national community service program that places members at host sites, which consists of nonprofits, government agencies, and schools in these counties. AmeriCorps provides opportunities for Americans to give back in an intensive way to their communities and country by addressing critical needs in education, health, and economic opportunity. Members volunteer for up to one year and receive a stipend, health care benefits, childcare assistance, and may earn an education award to pay off student loans or finance secondary schooling. Funding is provided by community agencies receiving services from AmeriCorps members and from the Corporation for National Service through Oregon Volunteers.

Retired Senior Volunteer Program (RSVP) – Accounts for revenues and expenditures related to providing RSVP volunteers in Douglas and Josephine counties. Part of Senior Corps, a network of national and community service programs, RSVP is one of America's largest volunteer network for people over age 55. Members serve to meet critical needs in education, environment, public safety, homeland security, and other areas. Volunteers organize neighborhood watch programs, tutor children, renovate homes, teach English to immigrants, assist victims of natural disasters, and serve their communities in many other ways. RSVP volunteers choose how, where, and how often they want to serve, with commitments ranging from a few hours to 40 hours per week.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020**

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassifications

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

Note 2 – Liquidity and Availability

The following represents UCAN's financial assets that are available to meet cash needs for general expenditures within one year at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 194,942	\$ 1,393,399
Restricted cash - capital projects	117,390	156,500
Contracts/grants receivable	<u>3,879,463</u>	<u>2,733,481</u>
Total financial assets	<u>4,191,795</u>	<u>4,283,380</u>
Less amounts not available to be used within one year:		
Refundable deposits	<u>(44,611)</u>	<u>(44,911)</u>
Financial assets not available to be used within one year	<u>(44,611)</u>	<u>(44,911)</u>
Unused line of credit:	<u>250,000</u>	<u>250,000</u>
Financial assets available to meet expenditures within one year:	<u>\$ 4,397,184</u>	<u>\$ 4,488,469</u>

It is UCAN's policy to minimize time elapsing between the receipt and withdrawal of funds through its grant reimbursement report process. Cash needs for UCAN are compared to cash balances prior to each accounts payable check run, with disbursement made weekly.

Note 3 – Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes petty cash and demand deposits at June 30:

	<u>2021</u>	<u>2020</u>
Petty cash accounts	\$ 3,001	\$ 1,321
Business checking account	<u>191,941</u>	<u>1,392,078</u>
Total unrestricted cash	194,942	1,393,399
Restricted cash - capital projects	117,390	156,500
USDA reserve cash	<u>52,394</u>	<u>52,394</u>
Total cash	<u>\$ 364,726</u>	<u>\$ 1,602,293</u>

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 4 – Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs other than Level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted process that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 – Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The carrying values of cash and cash equivalents, accounts receivable, contracts receivable, pledges receivable, accounts payable, accrued expenses, and deferred revenue, approximates their fair value due to the short maturity of such instruments.

The beneficial interest in assets held by the Oregon Community Foundation (the Foundation) has been valued, as a practical expedient, at the fair value of the UCAN's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair value of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The Foundation's investments are composed of approximately 59% equities (both domestic and international), 15% private equity/venture capital, 11% in diversifiers (liquid and illiquid), 7% fixed income, and 6% real assets. The remaining assets are in cash and cash equivalents. Due to the perpetual existence of the beneficial interest in the Foundation, the assets held by the Oregon Community Foundation have been categorized as a Level 3 financial instrument.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis:

June 30, 2021	Level 1	Level 2	Level 3	Total
Other assets:				
Beneficial interest in assets held by OCF	\$ -	\$ -	\$ 17,665	\$ 17,665
Total other assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,665</u>	<u>\$ 17,665</u>
June 30, 2020	Level 1	Level 2	Level 3	Total
Other assets:				
Beneficial interest in assets held by OCF	\$ -	\$ -	\$ 12,898	\$ 12,898
Total other assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,898</u>	<u>\$ 12,898</u>

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 5 – Beneficial Interest in Oregon Community Foundation

In December 2006, UCAN elected to participate in the Foundation. UCAN transferred assets to the Foundation which is holding them as an endowed component fund titled the Umpqua Community Action Network Endowment Fund (Fund) for the benefit of UCAN. UCAN has granted the Foundation variance power which gives the Foundation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies which currently result in reinvestment of any distributions to be paid to UCAN, of a certain percent of the average quarterly value over time, until further notice.

UCAN reports the fair value of the Fund as Beneficial Interest in Assets Held by OCF in the statement of financial position and is included in net assets with donor restrictions in accordance with applicable accounting principles and reports distributions received as investment income. Changes in the value of the Fund are reported in the with donor restriction nonoperating income category on the statement of activities.

The beneficial interest in Oregon Community Foundation at June 30, 2021 and 2020, was \$17,665 and \$12,898, respectively.

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	2021				Ending Balance
	Beginning Balance	Additions	Transfers	Deletions	
Land	\$ 2,436,769	\$ -	\$ -	\$ -	\$ 2,436,769
Buildings and improvements	17,620,962	247,533	-	-	17,868,495
Leasehold improvements	60,169	30,851	-	-	91,020
Furniture, fixtures and equipment	1,209,948	18,399	-	-	1,228,347
Vehicles	1,059,024	166,586	-	-	1,225,610
Construction in progress	-	151,535	-	-	151,535
Total historical cost	22,386,872	614,904	-	-	23,001,776
Less: accumulated depreciation	(7,245,917)	(662,581)	-	-	(7,908,498)
Total net book value	<u>\$ 15,140,955</u>	<u>\$ (47,677)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,093,278</u>
	2020				
	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Land	\$ 2,436,769	\$ -	\$ -	\$ -	\$ 2,436,769
Buildings and improvements	14,959,072	319,908	2,341,982	-	17,620,962
Leasehold improvements	80,669	-	-	(20,500)	60,169
Furniture, fixtures and equipment	1,175,431	67,820	-	(33,303)	1,209,948
Vehicles	1,545,429	760,870	-	(1,247,275)	1,059,024
Construction in progress	2,341,982	-	(2,341,982)	-	-
Total historical cost	22,539,352	1,148,598	-	(1,301,078)	22,386,872
Less: accumulated depreciation	(7,151,697)	(674,654)	-	580,434	(7,245,917)
Total net book value	<u>\$ 15,387,655</u>	<u>\$ 473,944</u>	<u>\$ -</u>	<u>\$ (720,644)</u>	<u>\$ 15,140,955</u>

Depreciation expense for the years ended June 30, 2021, and 2020, was \$662,581 and \$674,654, respectively.

**United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020**

Note 6 – Property and Equipment (continued)

Certain real properties have deed restrictions that limit the sale or transfer of those properties, and limit the use of the properties to providing low-income housing for periods up to sixty years from the date placed in service.

See *Note 16* for disclosure of disposition/transfer of fixed assets.

Note 7 – Lease Commitments

UCAN has entered into several non-cancellable operating leases of office equipment, vehicles, and office and classroom space for Head Start, Case Management, and the UCAN main offices in Josephine County. Rental expense paid under lease agreements for the years ended June 30, 2021 and 2020, was \$395,981 and \$365,017, respectively.

Minimum future rental payments required under the remaining non-cancellable lease terms at June 30, 2021, are as follows:

June 30,	Amount
2022	\$ 349,983
2023	264,977
2024	29,547
2025	6,488
	<u>\$ 650,995</u>

Note 8 – Line of Credit

UCAN had a line of credit with Umpqua Bank in the amount of \$550,000 and expired on December 1, 2019. The line of credit was extended on December 9, 2019, and expired March 31, 2021. Additionally, the credit limit was reduced from \$550,000 to \$250,000 at that time. UCAN extended the line of credit until April 15, 2023. The interest rate on the line of credit is variable and based on the prime rate as published in the Wall Street Journal plus 1.000 percentage point: 4.25% and 5.75% at June 30, 2021 and 2020, respectively. This is an unsecured revolving line of credit for periodic working capital needs. At June 30, 2021, there was no balance due.

**United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020**

Note 9 – Long-Term Debt

Long-term debt consisted of the following at June 30:

	2021	2020
Mortgage note payable with Banner Bank in the amount of \$100,000, dated June 15, 2006. Note is payable in monthly installments of \$606, including interest at 6.01% per annum and matures June 15, 2036. The note is secured by the Grandview Project property.	\$ 71,246	\$ 74,224
Note payable with USDA Rural Housing Service in the amount of \$964,000, dated December 26, 2008. Note is payable annually on December 26, in the amount of \$52,394, including interest at 4.50% per annum and matures December 26, 2049. The note is secured by the Kenneth Ford Drive property.	824,705	839,235
Note payable with Umpqua Bank in the amount of \$273,750, dated June 15, 2019. The note is payable in monthly installments of \$1,700, including interest at 4.22% per annum and matures June 15, 2029, and includes a balloon payment of \$167,397 on that date. The note is secured by the Mill Street property	255,618	264,858
Note payable with Umpqua Bank under the Paycheck Protection Program in the amount of \$1,770,600, dated April 21, 2020. The interest rate is 1.00% per annum and matures October 21, 2022. The note has a ten-month deferment on payments beginning from the end of the 24-week initial covered period. The payments become due after the deferment and are based on an 18 month amortization term. The repayment on the note and any forgiveness is subject to the Coronavirus Aid, Relief and Economic Security Act (CARES Act).	1,770,600	1,770,600
Total long-term debt	\$ 2,922,169	\$ 2,948,917

Maturities of long-term debt at June 30, 2021, are as follows:

June 30,	Amount
2022	\$ 1,798,591
2023	29,282
2024	30,632
2025	32,048
2026	33,529
Thereafter	998,087
Total	\$ 2,922,169

**United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020**

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

Net assets with time/purpose restrictions:	<u>2021</u>	<u>2020</u>
Child services/Head Start program	\$ 225,211	\$ 232,571
Food programs	549,813	636,844
Energy services	19,177	28,347
Case management	769,740	618,757
Volunteer services	121,623	90,331
Facility and property	134,613	156,500
Administration and agency reserves	<u>282,803</u>	<u>205,120</u>
Total time/purpose restricted net assets	<u>2,102,980</u>	<u>1,968,470</u>
Net assets to be held in perpetuity:		
Beneficial interest in assets held by Community Foundation	<u>17,665</u>	<u>12,898</u>
Total net assets to be held in perpetuity	<u>17,665</u>	<u>12,898</u>
Total net assets with donor restrictions	<u>\$ 2,120,645</u>	<u>\$ 1,981,368</u>

Net Assets Restricted in Perpetuity

The Board transferred certain assets to the Oregon Community Foundation. In accordance with GAAP, when this transfer was made, the assets were deemed to be net assets restricted in perpetuity. The Foundation's Board of Trustees controls the Fund's investment and spending policies, UCAN has no control of such policies. The Foundation's investment policies and the performance of the investment managers are reviewed quarterly by an investment committee made up of community volunteers and the Foundation's board members.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 10 – Net Assets with Donor Restrictions (continued)

Assets released from donor restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the purpose restriction of the donors, by occurrence of other events specified by the donors, or the passage of time. Assets released from donor restrictions were as follows for the years ended June 30:

Purpose restrictions	<u>2021</u>	<u>2020</u>
Child services/Head Start program	\$ 8,812,931	\$ 6,449,970
Transportation	-	1,736,169
Food programs	2,569,577	2,828,255
Energy services	3,540,784	2,406,090
Weatherization	838,290	1,240,540
Case management	11,139,009	3,127,202
Property management	526,427	447,316
Volunteer services	607,955	824,679
Facility and property	920,805	579,095
Administration and agency reserves	<u>859,216</u>	<u>895,327</u>
Total net assets released from donor restrictions	<u>\$ 29,814,994</u>	<u>\$ 20,534,643</u>

Note 11 – Major Grantor and Credit Concentrations

UCAN receives a significant amount of grants that are funded by the Federal government and the State of Oregon. Federal grant funded revenues accounted for approximately 52% and 48% of total revenue, gains and other support for the years ending June 30, 2021, and 2020, respectively. The revenues funded by the State of Oregon accounted for approximately 36% and 34% of total revenue, gains and other support for the years ending June 30, 2021, and 2020, respectively.

Note 12 – Commitments and Contingent Liabilities

Certain amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any expenditures or disallowed claims as a result of such audits would become a liability of UCAN operating funds. Management believes that adjustments, if any, will not materially affect UCAN's financial position.

UCAN has acquired properties over the years financed partially by government grants totaling \$300,000. As a condition of these grants, promissory notes were executed to secure the funds. Under the terms of the promissory notes, each note is without interest and will be canceled on various dates through 2043. However, each note is immediately due and payable upon any event of default as defined in the agreement. Because the note repayment is contingent upon an event of default that management considers unlikely to occur, the grants have been previously recognized as revenues and no liability is reflected in the accompanying financial statements.

In addition, UCAN has received grants from government agencies for the financing of certain properties, whereby if the properties are sold, transferred, refinanced or changed as to use, the grants become immediately payable. At June 30, 2021, there were no liabilities under these agreements.

UCAN has entered into a construction contract for the renovation of a commercial kitchen to be utilized by the Head Start program, as well as the UCAN food bank. The amount of the contract is \$257,833, of which \$128,476 has been completed as of June 30, 2021.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 13 – Donated Facilities Usage

The fair rental value of space utilized by UCAN's Head Start, Case Management, and AmeriCorps Programs and is recognized as an in-kind donation to the extent that the fair value exceeds the actual rent paid (if any) by UCAN. The revenue recognized for donated-facilities use included as contributions in the financial statements and the corresponding occupancy costs were \$187,424 and \$230,806 for the years ending June 30, 2021, and 2020, respectively.

Note 14 – Retirement Plan

UCAN maintains a retirement plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers employees who have completed at least six months of service with UCAN. Contribution expense was \$188,362 and \$166,946, for the years ended June 30, 2021 and 2020, respectively.

Note 15 – Partnership Investments

UCAN has a 35% limited interest in Umpqua UCAN LLC (UULLC), a real estate venture that is primarily involved in the development of an affordable tax credit housing project on the Roseburg Veterans Affairs Medical Center Campus (VA Campus). The project consists of construction of 55 apartment units in ten residential buildings, and one non-residential building. UCAN entered into an agreement with Umpqua UCAN LLC and Umpqua Community Development Corporation dba Neighborworks Umpqua (UCDC NU) to form Eagle Landing Associates LLC (ELALLC) to own the affordable housing project on the VA Campus upon completion of construction. UCAN and UCDC NU each acquired a 0.5% interest and a requirement to invest \$50 as a capital contribution. UULLC acquired a 99% interest in ELALLC and \$9,900 investment requirement. In 2028, UULLC will become 100% owner of the real property and control all rental activities. As a result of beginning construction, the ELALLC Operating Agreement was amended and restated to change the membership of ELALLC, which withdrew the 0.5% memberships of UCAN and UCDC NU. Additionally, UULLC's share of ELALLC was changed from a 99% share to a 0.01% share. UCAN received a full refund of their capital contribution, which as of October 10, 2012, was \$0. An investor member(s) will have a 99.99% share in ELALLC. UCAN effectively has a 35% share of 0.01% share of ELALLC. The investment is valued at cost and has a value of \$0.

Note 16 – Disposition/Transfer of Assets

On June 22, 2020, UCAN entered into a Transfer Agreement (the Agreement) with the Umpqua Public Transportation District (the District). In this Agreement, UCAN transferred equipment, furnishings and fixtures, vehicles, the business name "UTrans" and all trademarks, copyrights, and other operating rights to the District on June 30, 2020. At June 30, 2020, all UTrans employees were terminated from UCAN and were paid any earned wages or accrued compensation owed on that date. The vehicles and other assets had a cost of \$1,240,042 and accumulated depreciation of \$519,398.

UCAN evaluated the applicable accounting standards associated with the divestiture of the UTrans program and determined the divestiture did not qualify as a discontinued operation as the divestiture did not have a major effect on UCAN's operations nor financial results. Although the divestiture did not qualify as a discontinued operation from a financial reporting perspective, the divestiture represented a portion of the Transportation Program.

United Community Action Network
Notes to Financial Statements
June 30, 2021 and 2020

Note 17 – Uncertainties

UCAN continues to evaluate and monitor the upstream and downstream impact of COVID-19 (global pandemic). UCAN expects supply chain and certain labor issues to persist through 2022.

Note 18 – Subsequent Events

Management of UCAN has evaluated events and transactions occurring after June 30, 2021, up through June 29, 2022, the date the financial statements were available to be issued, for recognition and/or disclosure in the financial statements.

On August 30, 2021, UCAN had \$1,579,848 of the \$1,770,600 principal outstanding on the Paycheck Protection Program loan forgiven. Additionally, \$21,469 of accrued interest on the loan was also forgiven. The unforgiven portion of the loan was paid in full as of November 5, 2021.

On February 25, 2022, UCAN sold property located at 948 Mill Street for the amount of \$270,000. The proceeds of the sale were used primarily to payoff the note payable with Umpqua Bank that was associated with the property. The outstanding principal on the date of sale was \$257,462.

On June 17, 2022, UCAN purchased 251 NE Garden Valley Blvd in Roseburg, Oregon for \$3,000,000. The property was partially financed by a promissory note with Umpqua Bank on June 14, 2022 for \$2,400,000 which carries an interest rate of 3.90%. The note is payable in 119 monthly principal and interest installments of \$12,611 and one balloon payment of \$1,722,600 on June 14, 2032.

Additionally, UCAN entered into a promissory note with Umpqua Bank in the amount of \$1,600,000 on June 14, 2022. The note carries an interest rate of 3.90%. The note is payable in 119 monthly principal and interest installments of \$8,408 and one balloon payment of \$1,148,399 on June 14, 2032. The promissory note paid off the note payable with USDA Rural Housing Service on June 17, 2022 which was \$827,296 on that date. A portion of the remaining \$767,351 (net of charges) was used to purchase the 251 NE Garden Valley Blvd property.

ADDITIONAL REPORTS AND SCHEDULES REQUIRED BY
THE UNIFORM GUIDANCE

**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 of
United Community Action Network

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 United Community Action Network (UCAN), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCAN's internal control over financial reporting (internal control) as a basis for designing 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 UCAN's internal control. Accordingly, we do not express an opinion on the effectiveness of UCAN'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 UCAN'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
June 29, 2022

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

To the Board of Directors
United Community Action Network

Report on Compliance for Each Major Federal Program

We have audited United Community Action Network's (UCAN) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UCAN's major federal programs for the year ended June 30, 2021. UCAN's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of UCAN's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UCAN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, United Community Action Network 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 June 30, 2021.

Report on Internal Control Over Compliance

Management of UCAN is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UCAN's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UCAN's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
June 29, 2022

SUPPLEMENTARY INFORMATION

**United Community Action Network
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U. S. Department of Agriculture					
Passed through Oregon Food Bank:					
COVID-19 - Coronavirus Food Assistance Program	10.130	n/a		\$ -	\$ 53,625
Total AL 10.130				-	53,625
Passed through Oregon Health Authority:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		Grant Agreement #159851	-	597,382
Total AL 10.557				-	597,382
Passed through Oregon Department of Education:					
Child and Adult Care Food Program (CACFP)	10.558		Contract #1021002	-	128,921
Total AL 10.558				-	128,921
Passed through Oregon Food Bank:					
Emergency Food Assistance Program (Administrative Costs)	10.568	n/a		-	67,280
Emergency Food Assistance Program (Food Commodities) TEFAP	10.569	n/a		-	774,967
Total Food Distribution Cluster				-	842,247
			Total U. S. Department of Agriculture	\$ -	\$ 1,622,175
U. S. Department of Housing and Urban Development					
Direct Program:					
Continuum of Care Program	14.267		OR0064L0E051912, OR0080L0E051912, OR0125L0E51909	\$ 130,202	\$ 274,775
Total AL 14.267				130,202	274,775
Passed through City of Grants Pass:					
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	n/a		-	103,611
Community Development Block Grants/Entitlement Grants	14.218	n/a		-	9,596
Total CDBG - Entitlement Grants Cluster				-	113,207
Passed through Oregon Housing and Community Services:					
Emergency Solutions Grant Program	14.231		Master Grant Agreement 2019-2021	44,890	136,128
COVID-19 - Emergency Solutions Grant Program CV1	14.231		Master Grant Agreement 2019-2021	92,179	185,664
COVID-19 - Emergency Solutions Grant Program CV2	14.231		Master Grant Agreement 2019-2021	106,592	129,094
Total AL 14.231				243,661	450,886
Home Investment Partnerships Program	14.239		Master Grant Agreement 2019-2021	-	216,585
Total AL 14.239				-	216,585
			Total U. S. Department of Housing and Urban Development	\$ 373,863	\$ 1,055,453
U. S. Department of the Treasury					
Passed through Oregon Housing and Community Services:					
COVID-19 - Coronavirus Relief Fund	21.019		Master Grant Agreement 2019-2021	\$ -	\$ 4,542,204
Passed through Oregon Health Authority:					
COVID-19 - Coronavirus Relief Fund	21.019		Contract 165690-0	-	36,685
Passed through City of Grants Pass:					
COVID-19 - Coronavirus Relief Fund	21.019	n/a		-	75,000
Passed through City of Canyonville:					
COVID-19 - Coronavirus Relief Fund	21.019	n/a		-	3,500
Total AL 21.019				-	4,657,389
Passed through Oregon Housing and Community Services:					
COVID-19 - Emergency Rental Assistance	21.023			-	433,934
Total AL 21.023				-	433,934
			Total U. S. Department of the Treasury	\$ -	\$ 5,091,323

United Community Action Network
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U. S. Department of Veterans Affairs					
Passed through ACCESS, Inc:					
VA Supportive Services for Veteran Families Program	64.033	Grant #19-OR-128		\$ -	\$ 1,081,710
Total AL 64.033				-	1,081,710
		Total U. S. Department of Veterans Affairs		\$ -	\$ 1,081,710
U. S. Department of Energy					
Passed through Oregon Housing and Community Services:					
Weatherization Assistance For Low-Income Persons (DOE)	81.042	Master Grant Agreement 2019-2021		\$ -	\$ 156,676
Total AL 81.042				-	156,676
Weatherization Assistance For Low-Income Persons (BPA Funds)	81.XXX	Master Grant Agreement 2019-2021		-	30,163
Total AL 81.XXX				-	30,163
		Total U. S. Department of Energy		\$ -	\$ 186,839
U. S. Department of Health and Human Services					
Direct Programs:					
Head Start	93.600	10CH01078902, 10CH01078903		\$ -	\$ 3,334,126
COVID-19 - Head Start	93.600	10CH01078902-03, 10CH01078902-04, 10HE00005601C6		-	182,378
Total Head Start Cluster				-	3,516,504
Passed through Oregon Department of Consumer and Business Services:					
Special Programs for the Aging-Title IV and Title II Discretionary Projects	93.048	DCBS-1550-16		-	11,294
Total AL 93.048				-	11,294
Medicare Enrollment Assistance Program	93.071	DCBS-1730-18		-	7,884
Total AL 93.071				-	7,884
Passed through Oregon Health Authority:					
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	Contract 168304-2		-	54,869
Total AL 93.323				-	54,869
Passed through Oregon Department of Consumer and Business Services:					
State Health Insurance Assistance Program	93.324	DCBS-1624-16		-	29,440
Total AL 93.324				-	29,440
Passed through Oregon Housing and Community Services:					
Temporary Assistance for Needy Families (TANF)	93.558	Master Grant Agreement 2019-2021		-	134,163
Community Services Block Grant	93.569	Master Grant Agreement 2019-2021		-	365,977
COVID-19 - Community Services Block Grant	93.569	Master Grant Agreement 2019-2021		-	28,308
Total 477 Cluster				-	528,448
Low-Income Home Energy Assistance	93.568	Master Grant Agreement 2019-2021		-	1,746,057
COVID-19 - Low Income Home Energy Assistance	93.568	Master Grant Agreement 2019-2021		-	429,792
Total AL 93.568				-	2,175,849
Passed through Oregon Department of Education:					
Medical Assistance Program	93.778	Grant Agreement #159851-5		-	11,568
Total Medicaid Cluster				-	11,568
Passed through Oregon Health Authority:					
Maternal, Infant, and Early Childhood Home Visiting Program	93.870	Grant Agreement #166295		-	148,293
Total AL 93.870				-	148,293
Passed through Health Care Coalition of Oregon:					
Healthy Start Initiative	93.926	Sub Award #H49MC00136-UCAN		-	178,861
Total AL 93.926				-	178,861
Passed through Oregon Health Authority:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Grant Agreement #159251		-	71,277
Total AL 93.959				-	71,277
Maternal and Child Health Services Block Grant to the States	93.994	Grant Agreement #159851-5		-	45,472
Total AL 93.994				-	45,472
		Total U. S. Department of Health and Human Services		\$ -	\$ 6,779,759

United Community Action Network
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
Corporation For National and Community Service					
Direct Program:					
Retired and Senior Volunteer Program	94.002	19SRPOR003		\$ -	\$ 103,020
Total AL 94.002				-	103,020
Passed through State of Oregon Higher Education Coordinating Commission:					
AmeriCorps	94.006	21AFIOR001	Grant #21AC232781	-	293,550
Total AL 94.006				-	293,550
Total Corporation For National and Community Service				\$ -	\$ 396,570
Department of Homeland Security					
Passed through United Way of America:					
Emergency Food and Shelter Program National Board Program	97.024	LRO ID: 710800-003		\$ -	\$ 47,100
COVID-19 - Emergency Food and Shelter Program National Board Program	97.024	LRO ID: 712200-012, 712200-014		-	41,154
Total AL 97.024				-	88,254
Total Department of Homeland Security				\$ -	\$ 88,254
Total Expenditures of Federal Awards				\$ 373,863	\$ 16,302,083

United Community Action Network
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of United Community Action Network (the Organization) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE:

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – FOOD DISTRIBUTION:

Non-monetary assistance is reported on the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2021, the Organization received food commodities totaling \$774,967 and \$53,625, for Assistance Listings 10.569 and 10.130, respectively.

**United Community Action Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#21.019	Coronavirus Relief Fund
#21.023	Emergency Rental Assistance
#64.033	Supportive Services for Veteran Families
#93.600	Head Start Cluster

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

Auditee qualified as a low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS

None