

UNITED COMMUNITY ACTION NETWORK

**Financial Statements
For Year Ended June 30, 2017
with
Independent Auditor's Report**



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

United Community Action Network

June 30, 2017

BOARD OF DIRECTORS

ELECTED OR APPOINTED PUBLIC OFFICIALS

VANESSA BECKER
Douglas County, OR..... Member

JOAN SEITZ (Designee for Vanessa Becker)
Douglas County, OR..... Member

GARY LEIF
Douglas County, OR..... Member

VACANT
Josephine County, OR Member

VACANT
Josephine County, OR Member

LOW INCOME REPRESENTATIVES

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

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

ANNA WEAVER
Josephine County, OR Member

VACANT
Douglas County, OR..... Member

COMMUNITY REPRESENTATIVES

MATT BRAUSAM
Douglas County, OR..... Member

LISA CARLSON
Douglas County, OR..... Member

SUSAN FISCHER
Josephine County, OR Member

KEITH HECK
Josephine County, OR Board Chair

United Community Action Network

Year Ended June 30, 2017

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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 (an Oregon nonprofit corporation), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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 January 18, 2018, on our consideration of United Community Action Network'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 United Community Action Network's internal control over financial reporting and compliance.



Stewart Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 18, 2018

**United Community Action Network
Statement of Financial Position
June 30, 2017**

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,262,689
Accounts receivable, net	10,351
Contracts receivable	1,759,201
Pledges receivable, net	109,077
Prepaid expenses	18,272
Inventory	19,538
Total current assets	4,179,128

Non-current assets:

Property and equipment:	
Land	2,543,303
Buildings and building improvements	15,091,632
Leasehold Improvements	80,669
Furniture, fixtures and equipment	1,108,467
Vehicles	2,375,414
Construction in process	33,467
Total property and equipment	21,232,952
Less: accumulated depreciation	(6,205,892)
Total property and equipment (net)	15,027,060

Other assets:

Beneficial interest in assets held by OCF	54,565
Total assets	\$ 19,260,753

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 547,899
Accrued payroll and payroll taxes	695,780
Accrued employee paid time off	179,823
Refundable deposits	45,233
Accrued interest payable	20,900
Current portion of long-term notes payable	15,380
Total current liabilities	1,505,015

Long-term liabilities:

Notes payable - long term	944,487
Total liabilities	2,449,502

Net assets:

Unrestricted	13,898,238
Temporarily restricted	2,858,448
Permanently restricted	54,565
Total net assets	16,811,251
Total liabilities and net assets	\$ 19,260,753

United Community Action Network
Statement of Activities
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Revenues and support:				
Government agencies	\$ -	\$ 14,849,557	\$ -	\$ 14,849,557
Contributions & United Way	-	833,056	-	833,056
Private agencies	-	936,850	-	936,850
USDA food, net	-	434,326	-	434,326
In-Kind facilities use	-	270,892	-	270,892
OFB food share	-	1,308,848	-	1,308,848
Total revenues and support	-	18,633,529	-	18,633,529
Other revenues and gains:				
Program earned revenues	2,497,874	-	-	2,497,874
Commodities and food sales	286,675	-	-	286,675
Interest income	128	-	-	128
Gain (loss) on sale of assets	1,500	-	-	1,500
Miscellaneous	4,371	-	-	4,371
Total other revenues and gains	2,790,548	-	-	2,790,548
Net assets released from restriction:				
Satisfaction of program purpose restrictions	17,587,232	(17,587,232)	-	-
Satisfaction of time restrictions on transportation vehicles (Buses)	205,881	(205,881)	-	-
Total release from restriction	17,793,113	(17,793,113)	-	-
Total revenue, gains and other support	\$ 20,583,661	\$ 840,416	\$ -	\$ 21,424,077
Expenses:				
Program services:				
Child services	\$ 5,241,416	\$ -	\$ -	\$ 5,241,416
Transportation	1,923,269	-	-	1,923,269
Food shares program	2,791,798	-	-	2,791,798
Emergency services	2,408,826	-	-	2,408,826
Weatherization service	940,233	-	-	940,233
Case management programs	2,303,230	-	-	2,303,230
Property management	695,118	-	-	695,118
Volunteer services	812,036	-	-	812,036
Resource development	9,571	-	-	9,571
Total program expenses	17,125,497	-	-	17,125,497
Supporting services:				
Management and general	1,646,204	-	-	1,646,204
Facility & property development	656,602	-	-	656,602
Total supporting services	2,302,806	-	-	2,302,806
Total expenses	19,428,303	-	-	19,428,303
Operating income (loss)	1,155,358	840,416	-	1,995,774
Nonoperating income (loss)				
Contribution of fixed assets	(1,160,800)	-	-	(1,160,800)
Change in value of assets held by Community Foundation	-	-	6,057	6,057
Total nonoperating income (loss)	(1,160,800)	-	6,057	(1,154,743)
Increase/(decrease) in net assets	(5,442)	840,416	6,057	841,031
Net assets at beginning of year	13,903,680	2,018,032	48,508	15,970,220
Net assets at end of year	\$ 13,898,238	\$ 2,858,448	\$ 54,565	\$ 16,811,251

**United Community Action Network
Statement of Functional Expenses
June 30, 2017**

	Program Services									Support Services		Total
	Child Services	Transportation	Food Programs	Emergency		Case Management	Property Management	Volunteer Services	Resource Development	Management & General	Facility & Property	
				Services	Weatherization						Development	
EXPENSES												
Personnel Salaries	\$ 2,771,275	\$ 567,204	\$ 250,334	\$ 157,196	\$ 117,689	\$ 488,019	\$ 159,572	\$ 419,153	\$ 6,973	\$ 936,167	\$ -	\$ 5,873,582
Payroll Tax & Fringe	1,195,228	258,666	105,694	61,686	63,886	218,328	77,052	112,873	2,598	309,010	-	2,405,021
Professional Services	24	-	19,334	-	-	-	6,740	-	-	36,943	-	63,041
Training & Travel	85,837	6,518	1,840	8,044	30,607	17,916	6,205	21,102	-	29,757	-	207,826
Vehicle Operating Expenses	88,493	228,730	15,752	53	6,182	9,124	8,000	654	-	10,113	16,759	383,860
Occupancy Costs	228,298	34,393	57,054	25,969	9,404	50,021	177,199	32,591	-	60,543	3,265	678,737
Communications	68,178	24,393	15,308	5,947	5,702	21,475	11,013	6,806	-	25,614	-	184,436
Rental Property Expenses	117	-	2,470	9	5	8	122,614	10	-	43	-	125,276
Insurance	51,005	49,464	11,330	1,472	2,310	6,365	36,849	3,492	-	12,562	8,683	183,532
Consumable Supplies	147,493	21,383	6,623	4,314	6,276	16,062	2,373	3,678	-	24,135	84	232,421
Office Expenses	65,780	16,326	18,607	14,533	6,904	24,366	6,982	11,334	-	63,798	411	229,041
Equipment & Repairs	27,996	18,660	21,931	6,739	9,039	19,407	9,921	3,707	-	9,296	374	127,070
Debt and Taxes	-	-	-	-	-	-	5,204	-	-	-	40,127	45,331
Property Construction Costs	-	-	22,195	-	-	601	453	-	-	394	7,060	30,703
Rent and Utility Assistance	600	-	-	2,080,096	-	1,309,370	46,127	-	-	-	-	3,436,193
Food Assistance	140,842	-	227,111	-	-	235	-	1,887	-	114	-	370,189
Support Service Supplies	3,752	-	500	4,698	17,586	7,075	11	-	-	174	-	33,796
Volunteer Support	460	619,918	759	582	-	-	-	144,120	-	-	-	765,839
Sub-Contracting Expense	353,119	192	12,073	31,150	661,101	107,896	13,063	120	-	35,088	2,130	1,215,932
Miscellaneous Expenses	12,313	781	1,268	648	174	4,109	675	1,004	-	75,829	3	96,804
In-Kind Expenses	-	-	1,973,598	-	-	-	-	40,468	-	-	-	2,014,066
Depreciation & Amortization	606	76,641	28,017	5,690	3,368	2,853	5,065	9,037	-	16,624	577,706	725,607
Total Expenses	\$ 5,241,416	\$ 1,923,269	\$ 2,791,798	\$ 2,408,826	\$ 940,233	\$ 2,303,230	\$ 695,118	\$ 812,036	\$ 9,571	\$ 1,646,204	\$ 656,602	\$ 19,428,303

**United Community Action Network
Statement of Cash Flows
For the Year Ended June 30, 2017**

Cash flows from operating activities:	
Change in net assets	\$ 841,031
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation & amortization	725,597
Non-cash contribution of building and associated assets	1,160,800
Unrealized change in value of beneficial interest in OCF	(6,057)
(Increase) decrease in current assets:	
Accounts receivable	21,548
Grants receivable	(278,780)
Pledges receivable	1,081,395
Prepaid expense	(7,766)
Increase (decrease) in current liabilities:	
Accounts payable	140,780
Accrued payroll and payroll taxes	41,711
Accrued vacation payable	(5,105)
Refundable deposits	3,772
Net cash provided/(used) by operating activities	<u>3,718,926</u>
Cash flows from investing activities:	
Property and equipment activity	<u>(2,164,715)</u>
Net cash (used) by investing activities	<u>(2,164,715)</u>
Cash flows from financing activities:	
Repayment of debt	<u>(14,334)</u>
Net cash provided/(used) by financing activities	<u>(14,334)</u>
Net change in cash and cash equivalents	1,539,877
Beginning cash and cash equivalents	<u>722,812</u>
Ending cash and cash equivalents	<u>\$ 2,262,689</u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 45,331</u>
Supplemental disclosure of noncash investing activities:	
Payment related to contribution of fixed assets included in accounts payable	<u>\$ 103,637</u>

United Community Action Network
Notes to Financial Statements
June 30, 2017

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 or Organization), 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

UCAN maintains its financial records on the accrual basis of accounting. Revenue is recognized as the related services are provided. Public support from grants is recognized (accrued) when qualifying expenditures under the grant are made. Grant funds received in advance are accounted for as temporarily restricted or unrestricted as provided in the particular terms of the respective grant agreements.

Basis of Presentation

The financial statements of UCAN are presented in accordance with accounting for financial statements of not-for-profit organizations, which requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be presented in a statement of financial position and that the amounts of change in each of those classes of net assets be presented in a statement of activities. The assets, liabilities, revenues, expenses, and net assets of UCAN are reported in the following categories:

Unrestricted Net Assets – represent unrestricted resources available to support UCAN's operations and temporarily restricted resources which have become available for use by UCAN in accordance with the intention of the donor.

Temporarily Restricted Net Assets – represent contributions that are limited in use by UCAN in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of UCAN according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance and capital projects as designated by the donors.

Permanently Restricted Net Assets – represent net assets subject to donor imposed stipulations that they be maintained by UCAN in perpetuity. The Board of Directors has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, UCAN classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit UCAN to use all or part of the investment return on these assets.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, UCAN considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

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.

Accounts, Contracts and Pledges Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. UCAN provides for losses on accounts receivable using the allowance method. At June 30, 2017, management believes that all accounts and contracts receivable are fully collectible; therefore, no allowance for uncollectible amounts has been recorded in the financial statements. Pledges receivable are reported net of an allowance for uncollectible accounts, at June 30, 2017 these amounts were \$16,765.

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 capitalized at cost. Inventory is counted monthly.

Property & Equipment

Expenditures for property and equipment are stated at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Unless donors stipulate permanent restrictions for the assets, the contributions are recorded as temporarily restricted support.

Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Major betterments and renewals exceeding the capitalization threshold of \$5,000 are capitalized. Upon retirement or sale, the cost and accumulated depreciation are removed from the accounts, and resulting gains or losses are recognized in the statement of activities. Depreciation is provided using the straight-line method at rates based on the estimated useful life of the assets, which range from 3-40 years.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. UCAN reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

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

Gifts of land, buildings, equipment and other long-lived assets, or the contribution received with donor-restrictions for the acquisition of long-term assets, are also reported as temporarily restricted revenue and net assets, unless subject to permanent restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Donated Services

For financial statement purposes, donated professional services are recognized at their fair market value as both support and expense in the period that the services are performed. UCAN does not recognize any support, revenue or expense from services contributed by volunteers, as management has determined that there is no practical way to estimate the value of such services. However, a substantial number of volunteers have donated their time in the Head Start, Food Shares, Transportation, Retired Senior Volunteer Program, Foster Grandparents Program, and Senior Companions Program.

Donated Commodities

Commodities received through the USDA and OFB are recorded as revenue at their commodity values per pound, which averaged \$0.92 per pound for the year ending June 30, 2017.

Approximately 2.15 million pounds of donated food was received from the above referenced sources during the year ended June 30, 2017.

Advertising Costs

Advertising costs are expensed as incurred. The amount spent on advertisements by UCAN for the year ended June 30, 2017 was \$25,761.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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. The organization has sales advertising space on their buses. At June 30, 2017, 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 Returns (Forms 990 and 990T) are 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.

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. As of June 30, 2017, the amount that exceeded FDIC coverage was \$2,282,201.

On June 30, 2017, UCAN accepted investment securities with a fair value of \$2,064,956 as collateral in connection with repurchase sweep agreements. UCAN is permitted by contract to sell or re-pledge the collateral accepted from the counterparties, and at June 30, 2017 UCAN had sold or re-pledged none of the collateral in repurchase agreement transactions.

Gains and Losses, and Investment Income

Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

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.

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 1 – Summary of Significant Accounting Policies (continued)

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 or disabled three-year-old and four-year-old children through classroom and home-based 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 oversees operation of the Healthy Families Program in Douglas, Klamath and Lake County. We operate the Douglas County Program. 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. Our 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 Programs - Through UCAN's nurse home visiting programs, 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.

Women, Infants and Children Nutrition 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 works to prevent infant mortality in 87 communities with infant mortality rates at least 1.5 time the national average and high rates of low birthweight, preterm 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.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Medicaid Transportation Program - accounts for transportation services provided to eligible Oregon Health Plan and eligible Medicaid clients traveling to authorized medical services in 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.

Emergency Services - accounts for revenues and expenditures related to the assistance of homeless and at-risk families, particularly homeless women and children. The Energy Assistance program provides support to low-income individuals in supplying utility assistance 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.

Case Management - provides short-term and long-term services to help stabilize homeless and at-risk families, by providing support and funds for rental and deposit assistance, or limited counseling.

Volunteer Services

United Communities AmeriCorps - accounts for revenues and expenditures related to providing AmeriCorps members in 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, 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) - part of Senior Corps, a network of national and community service programs, and 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.

Guardianship Program - provides various types of assistance not offered in other programs to low-income individuals in Josephine County, including rep-payee services.

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Foster Grandparents (FGP) and Senior Companions Program (SCP) - as a part of Senior Corps, FGP volunteers are those age 55 and over whom devote their service time entirely to disadvantaged or disabled youth in the community. Income eligible volunteers received a modest stipend to help offset the costs of volunteering. As a part of Senior Corps, SCP brings volunteers age 55 and over with adults in the community who have difficulty with the simple tasks of day-to-day living. They serve frail older adults, adults with disabilities, those with terminal illnesses, and offer respite for caregivers. Some volunteers qualify for a tax-free, hourly stipend to help offset the costs of volunteering.

Property Management - accounts for revenues and expenditures for the purpose of providing low income housing to needy families. UCAN operates approximately 92 units in 18 properties throughout Douglas County. The housing consists of Transitional housing and Permanent housing. The Transitional Housing Program focuses on moving families to stabilization. The Permanent Housing Program 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.

Resource Development - accounts for revenues and expenditures for the purpose of marketing UCAN as a whole, or individual programs as necessary, support for all programs for grant writing and program development, staff time for performing housing development, and certain fund-raising expenditures.

Facility & Property Development - accounts for revenues and expenditures for the purpose of developing, rehabilitating, and/or constructing low to moderate-income housing projects, either independently or in conjunction with other non-profit agencies. In addition, it accounts for any revenues and expenditures related to development and construction of other UCAN owned real property.

Note 2 – Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes petty cash and demand deposits at June 30, 2017:

Petty Cash Accounts	\$	575
USDA Reserve Cash		47,155
Business Checking Account		<u>2,214,959</u>
Total Cash	\$	<u><u>2,262,689</u></u>

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 3 – 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, patient accounts receivable, grants and contracts receivable, other receivables, 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 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 target investment percentages are composed of approximately 48% equities (both domestic and international), 15% absolute return, 15% private equity, 10% real assets, and 12% fixed income. As a result of these factors, 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets				
held by OCF	\$ -	\$ -	\$ 54,565	\$ 54,565
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,565</u>	<u>\$ 54,565</u>

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 3 – Fair Value of Financial Instruments (continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent UCAN's investments in financial instruments in which UCAN has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance as of July 1, 2016	\$	48,508
Undistributed change in value of beneficial interest in OCF (net of fees)		6,057
Balance as of June 30, 2017	\$	54,565

Note 4 – Beneficial Interest in Oregon Community Foundation

In December 2006, UCAN elected to participate in the Oregon Community Foundation (OCF). UCAN transferred assets to OCF 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 OCF variance power which gives OCF's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to OCF'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 as permanently restricted in accordance with applicable accounting principles and reports distributions received as investment income. Unrealized changes in the value of the Fund are reported in the permanently restricted category of the statement of activities.

Beneficial interest in Oregon Community Foundation as of June 30, 2017 was \$54,565.

Note 5 – Property and Equipment

The following is a summary of property and equipment, at cost less accumulated depreciation and amortization as of June 30, 2017:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Land	\$ 2,423,628	\$ 119,675	\$ -	\$ -	\$ 2,543,303
Buildings & building improvements	13,981,455	1,109,610	40,539	(39,972)	15,091,632
Leasehold improvements	1,001,130	-		(920,461)	80,669
Furniture, fixtures & equipment	1,351,496	50,066	-	(293,095)	1,108,467
Vehicles	1,639,909	885,364	-	(149,859)	2,375,414
Construction in progress	74,006	-	(40,539)	-	33,467
Total historical cost	\$ 20,471,624	\$ 2,164,715	\$ -	\$ (1,403,387)	\$ 21,232,952
Less: accumulated depreciation	(5,834,172)	(725,597)	-	353,877	(6,205,892)
Total net book value	\$ 14,637,452	\$ 1,439,118	\$ -	\$ (1,049,510)	\$ 15,027,060

Depreciation expense for the year ended June 30, 2017 was \$725,597.

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

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 6 – Lease Commitments

UCAN has entered into several non-cancellable operating leases for office equipment, vehicles, office and classroom space for Head Start, Case Management, U-Trans, and the UCAN main offices in Josephine County. Rental expense paid under lease agreements for the year ended June 30, 2017 was \$417,909.

Minimum future rental payments required under the remaining non-cancellable lease terms are as follows:

Year ended June 30,		2018	\$	261,490
		2019		81,004
		2020		25,770
		2021		2,698
			<u>\$</u>	<u>370,962</u>

Note 7 – Line of Credit

UCAN established a line of credit with Umpqua Bank in the amount of \$250,000. The interest rate on the line of credit is variable based on the Prime Rate (4.250% at June 30, 2017) as published in the Wall Street Journal plus 1.000 percentage point, currently 5.250%. Principal and accrued interest are due monthly until February 26, 2018. This is an unsecured revolving line of credit for periodic working capital needs. As of June 30, 2017, there was no balance due.

Note 8 – Long-Term Debt

Long-term debt consisted of the following:

Mortgage note payable Banner Bank dated June 15, 2006, initial loan of \$100,000, payable in monthly installments of \$606, including interest at 6.01% per annum, matures June 15, 2036. Obligation in regards to the Grandview Project. The note is secured by the property. \$ 81,063

Note payable USDA - Rural Housing Service used to pay off construction line of credit for \$964,000, effective December 26, 2008. Payments of \$52,394, at 4.5% interest, is due on December 26, beginning in 2009 and annually thereafter until the loan is paid off on December 26, 2049. The note is secured by the property. 878,804

Total Organization Long-Term Debt		<u>\$</u>	<u>959,867</u>
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United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 8 – Long-Term Debt (continued)

The annual requirement to amortize all long-term debt outstanding as of June 30, 2017 is as follows:

Total Long-Term Debt	\$ 959,867
Less: Portion due within one year	<u>15,380</u>
Long-Term Debt, net of current portion	<u><u>\$ 944,487</u></u>

Maturities of long-term debt as of June 30, 2017 are as follows:

2017	\$ 15,380
2018	15,912
2019	16,671
2020	17,466
2021	17,657
Thereafter	<u>876,781</u>
	<u><u>\$ 959,867</u></u>

On February 23, 2017, UCAN entered into a construction loan agreement with Craft3 for the intended construction of a new Head Start facility in Roseburg, Oregon. The loan is not to exceed the principal sum of \$525,000. The interest rate on the loan is based on the Prime Rate as published in the Wall Street Journal (4.250% at June 30, 2017) plus a margin of 3.750 percentage points, resulting in an interest rate of 8.00% at June 30, 2017.

During the construction period, interest is paid beginning the fifteenth day of the month following the initial disbursement. Interest is calculated from the date of each advance until repayment of each advance. UCAN will pay the loan in 60 fully amortized monthly consecutive principal and interest payments, beginning on the fifteenth day of the month, following the end of the construction period, but no later than 24 months from the agreement date. If there are no disbursements, the commitment will terminate at 24 months from the date of the agreement. The note is secured by inventory, equipment, and revenues, but exclude assets specific to Head Start.

No disbursements were made as of June 30, 2017.

**United Community Action Network
Notes to Financial Statements
June 30, 2017**

Note 9 – Temporarily and Permanently Restricted Net Assets

Temporarily restricted

Temporarily restricted net assets were available for the following purposes as of June 30, 2017:

Purpose restrictions	
Child services/Douglas County Headstart program	\$ 140,083
Food share program	7,085
Emergency services	27,778
Weatherization	100,000
Case management	310,666
Resource development	22,429
Volunteer services/VISTA program	56,320
Facility & Property	2,100,982
Administration & agency reserves	90,261
Purpose restriction Total	<u>2,855,604</u>
Time restrictions:	
Transportation (Buses)	<u>2,844</u>
Total temporarily restricted net assets available June 30, 2017	<u><u>\$ 2,858,448</u></u>

Permanently restricted

The Board transferred certain assets to the Oregon Community Foundation (Foundation or OCF). In accordance with GAAP, when this transfer was made, the assets were deemed to be permanently restricted net assets. 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.

Note 10 – 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 36% of total support and revenue for the year ending June 30, 2017. The revenues funded by the State of Oregon accounted for approximately 29% of total support and revenue for the year ending June 30, 2017.

UCAN performs operations in Douglas and Josephine Counties.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 11 – 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, 2017, there were no liabilities under these agreements.

Note 12 – Donated Facilities Usage

The fair rental value of space utilized by UCAN's Head Start program and the Josephine County Food Bank through April 10, 2017, is recognized as an in-kind donation to the extent that the fair value exceeds the actual rent paid by UCAN. The amount of donated facilities usage included as contributions in the financial statements and the corresponding occupancy costs approximate \$270,000 for the year ending June 30, 2017.

Note 13 – 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 housing tax credit project on the Roseburg Veterans Affairs Medical Center Campus (VA Campus). The project consists of new construction of 55 apartment units in ten residential buildings, and one non-residential building. Since UCAN is a limited partner with a voting interest of 49% and has no ability to influence the operating or financial policies of the partnership, the cost method is used to account for its investment. UULLC has a year end of December 31.

The accounts of Umpqua UCAN LLC had no events occur as of June 30, 2017 that materially affect UCAN's financial position, changes in net assets of operations, or cash flows. 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.

United Community Action Network
Notes to Financial Statements
June 30, 2017

Note 13 – Partnership Investments (continued)

ELALLC has a year end of December 31. On October 10, 2012, the affordable housing project on the VA Campus broke ground and all closing documents were completed. Included in the documents were construction loans, a resident services agreement, a property management agreement, security agreements, borrowing certificates, and tax credit documents. UCAN has liability to such agreements according to the percent ownership in each entity as stated in the amended and restated operating agreements of UULLC and ELALLC.

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. As of October 10, 2012, UCAN effectively has a 35% share of 0.01% share of ELALLC.

Note 14 – Contribution of Fixed Assets

On April 10, 2017, UCAN and the Friends of Josephine County Food Bank Network, Inc. (Friends) entered into a memorandum of understanding whereby UCAN transferred all assets used in connection with the operation of the Josephine County Food Bank. The total contribution to the Friends was \$1,160,800. The assets transferred included property and equipment with a combined cost basis of \$1,403,386 and accumulated depreciation of \$353,886 for a net book value of \$1,049,500. In addition to the property and equipment, UCAN transferred inventory, and receivables related to the Josephine County Food Bank in the aggregate amount of \$111,300.

Note 15 – Subsequent Events

Management of UCAN has evaluated events and transactions occurring after June 30, 2017, up through January 18, 2018, the date the financial statements were available to be issued, for recognition and/or disclosure in the financial statements.

**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 (an Oregon non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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 January 18, 2018.

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.

Stewart C. Parmele, CPA, Partner

Stewart Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 18, 2018

**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
United Community Action Network

Report on Compliance for Each Major Federal Program

We have audited United Community Action Network'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 United Community Action Network's major federal programs for the year ended June 30, 2017. United Community Action Network'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 United Community Action Network'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 United Community Action Network'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 United Community Action Network'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, 2017.

Report on Internal Control Over Compliance

Management of United Community Action Network 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 United Community Action Network'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 United Community Action Network'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.

Purpose of this Report

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



Stewart Parmele, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 18, 2018

**United Community Action Network
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

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 Agriculture					
Passed Through Oregon Department of Education:					
Child and Adult Care Food Program (CACFP)	10.558		Contract #1021002	\$ -	\$ 180,436
Total CFDA 10.558				-	180,436
Passed Through Oregon Food Bank:					
Emergency Food Assistance Program (Administrative Costs)	10.568	na		-	13,840
Emergency Food Assistance Program (Food Commodities)TEFAP	10.569	na		-	434,326
Total Food Distribution Cluster				-	448,166
Total U. S. Department of Agriculture				\$ -	\$ 628,602
U. S. Department of Housing and Urban Development					
Direct Program:					
Supportive Housing Program	14.235		OR0064L0E051508	\$ -	\$ 113,425
Supportive Housing Program	14.235		OR0125L0E051404	-	11,083
Supportive Housing Program	14.235		OR0125L0E051505	-	29,764
Supportive Housing Program	14.235		OR0073L0E051407	-	7,997
Supportive Housing Program	14.235		OR0073L0E051508	-	30,205
Supportive Housing Program	14.235		OR0080L0E051508	93,828	131,938
Total CFDA 14.235				93,828	324,412
Passed through Oregon Housing and Community Services:					
Emergency Shelter Grant Program	14.231		Master Grant Agreement 2015-2017	16,450	151,172
Total CFDA 14.231				16,450	151,172
Home Investment Partnerships Program	14.239		Master Grant Agreement 2015-2017	-	225,956
Total CFDA 14.239				-	225,956
Total U. S. Department of Housing and Urban Development				\$ 110,278	\$ 701,540
U. S. Department of Transportation					
Passed through Douglas County:					
Federal Transit - Capital Investment Grants	20.500		Grant #30433	\$ -	\$ 576,000
Bus and Bus Facilities Formula & Discretionary Programs	20.526		Grant #30419	-	132,213
Total Federal Transit Cluster				-	708,213
Formula Grants for Rural Areas	20.509		Grant #30470	-	390,230
Total CFDA 20.509				-	390,230
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Grant #30758	-	20,260
Passed through Cow Creek Band of Umpqua Tribe of Indians:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Grant #30756	-	106,479
Total Transit Services Cluster				-	126,739
Total U. S. Department of Transportation				\$ -	\$ 1,225,182
U. S. Department of Veterans Affairs					
Passed through ACCESS, Inc:					
VA Supportive Services for Veteran Families Program	64.033		Grant #13-OR-128	\$ -	\$ 370,954
Total CFDA 64.033				-	370,954
Total U. S. Department of Veterans Affairs				\$ -	\$ 370,954
U. S. Department of Energy					
Passed Through Oregon Housing and Community Services:					
Weatherization Assistance For Low-Income Persons (DOE)	81.042		Master Grant Agreement 2015-2017	\$ -	\$ 140,008
Weatherization Assistance For Low-Income Persons (BPA Funds)	81.042		Master Grant Agreement 2015-2017	-	47,903
Total CFDA 81.042				-	187,911
Total U. S. Department of Energy				\$ -	\$ 187,911

**United Community Action Network
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

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 Health and Human Services					
Direct Programs:					
Head Start 2017	93.600		10CH0199/04	\$ 38,500	\$ 1,204,645
Head Start 2016	93.600		10CH0199/03	32,083	713,868
Total CFDA 93.600				<u>70,583</u>	<u>1,918,513</u>
Passed Through Oregon Health Authority:					
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program	93.505		Grant Agreement #152249	74,168	102,715
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				<u>74,168</u>	<u>102,715</u>
Passed Through Oregon Department of Education:					
Promoting Safe and Stable Families	93.556		Sub Grant #40548	-	10,783
Total CFDA 93.556				<u>-</u>	<u>10,783</u>
Passed Through Oregon Housing and Community Services:					
Temporary Assistance for Needy Families (TANF)	93.558		Master Grant Agreement 2015-2017	-	34,752
Total TANF Cluster				<u>-</u>	<u>34,752</u>
Low-Income Home Energy Assistance - Program Delivery & Admin	93.568		Master Grant Agreement 2015-2017	-	261,038
Low Income Home Energy Assistance - Direct Assistance	93.568		Master Grant Agreement 2015-2017	-	1,213,341
Low-Income Home Energy Assistance - Client Ed	93.568		Master Grant Agreement 2015-2017	-	80,914
Low-Income Home Energy Assistance-Weatherization	93.568		Master Grant Agreement 2015-2017	-	343,893
Total CFDA 93.568				<u>-</u>	<u>1,899,186</u>
Community Services Block Grant	93.569		Master Grant Agreement 2015-2017	-	221,134
Total CFDA 93.569				<u>-</u>	<u>221,134</u>
Passed Through Oregon Department of Education:					
Medical Assistance Program (Medicaid; Title XIX)	93.778		Sub Grant #40546	-	35,657
Total Medicaid Cluster				<u>-</u>	<u>35,657</u>
Passed Through Oregon Department of Consumer & Business Services:					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		DCBS-1624-16	-	20,732
Total CFDA 93.779				<u>-</u>	<u>20,732</u>
Passed Through Health Care Coalition of Oregon:					
Block Grants for Prevention and Treatment of Substance Abuse	93.926		Sub Award #H49MC00136-UCAN	-	109,174
Total CFDA 93.926				<u>-</u>	<u>109,174</u>
Passed Through Oregon Health Authority:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Grant Agreement #148448	-	154,601
Total CFDA 93.959				<u>-</u>	<u>154,601</u>
Total U. S. Department of Health and Human Services				\$ 144,751	\$ 4,507,247
Corporation For National and Community Service					
Direct Program:					
Retired and Senior Volunteer Program (RVSP)-Josephine County	94.002		#15SRPOR001	\$ -	\$ 47,149
Retired Senior Volunteer Program (RVSP)-Douglas County	94.002		#16SRPOR003	-	56,616
Total CFDA 94.002				<u>-</u>	<u>103,765</u>
Foster Grandparents Program (FGP)	94.011		#16SFPOR003	-	17,366
Senior Companion Program (SCP)	94.016		#16SCPOR003	-	103,330
Total Foster Grandparents/Senior Companion Cluster				<u>-</u>	<u>120,696</u>
Passed through Oregon Volunteers:					
AmeriCorps	94.006		#15AFHOR0010001	-	251,753
Total CFDA 94.006				<u>-</u>	<u>251,753</u>
Total U. S. Corporation For National and Community Service				\$ -	\$ 476,214
Federal Emergency Management Agency					
Passed Through United Way of America:					
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-003	\$ -	\$ 26,505
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 712200-002	-	22,816
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-008	-	3,047
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-014	-	8,415
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 712200-012	-	14,140
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 712200-014	-	909
Total CFDA 97.024				<u>-</u>	<u>75,832</u>
Total U. S. Federal Emergency Management Agency				\$ -	\$ 75,832
Total Expenditures of Federal Awards				\$ 255,029	\$ 8,173,482

**United Community Action Network
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

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, 2017. 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, 2017, the Organization received food commodities totaling \$434,326.

**United Community Action Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of United Community Action Network were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses in internal controls were disclosed by the audit of the financial statements of United Community Action Network.
3. No instances of noncompliance material to the financial statements of United Community Action Network were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs for United Community Action Network expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with the Uniform Guidance are reported in this Schedule.
7. The programs tested as major programs were:
 - U.S. Department of Transportation
Federal Transit Cluster; CFDA #20.500, #20.507, #20.525, #20.526
 - U.S. Department of Health and Human Services
Low-Income Home Energy Assistance; CFDA #93.568
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. United Community Action Network qualified as a low-risk auditee under the criteria specified in the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None