

# **United Community Action Network**

**Financial Statements  
Year Ended June 30, 2018  
with  
Independent Auditor's Report**



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

# United Community Action Network

June 30, 2018

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## BOARD OF DIRECTORS

### ELECTED OR APPOINTED PUBLIC OFFICIALS

NATHANIEL DUARTE (designee for Dennis Roler)  
Josephine County, OR ..... Member

KATE DWYER  
Josephine County, OR ..... Member

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

JOAN SEITZ (designee for Steve Kaser)  
Douglas County, OR ..... Board Chair

### LOW INCOME REPRESENTATIVES

PATRICIA ATTAWAY  
Douglas County, OR ..... Member

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

ERIC DAHLIN  
Josephine County, OR ..... Member

SUSAN FISCHER  
Josephine County, OR ..... Vice Chair

# United Community Action Network

Year Ended June 30, 2018

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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 statement of financial position as of June 30, 2018 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, 2018, 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 December 10, 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 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 United Community Action Network'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 United Community Action Network's internal control over financial reporting and compliance.

*Stewart Parmele CPA, Partner*

Stewart Parmele, CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 10, 2018

**United Community Action Network  
Statement of Financial Position  
June 30, 2018**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 173,414
Restricted cash - capital projects	1,927,540
Accounts receivable	15,278
Contracts receivable	1,853,037
Pledges receivable, net	29,552
Prepaid expenses	22,758
Inventory	<u>200,412</u>
Total current assets	<u>4,221,991</u>
Non-current assets:	
Property and equipment:	
Land	2,461,628
Buildings and building improvements	14,988,066
Leasehold Improvements	80,669
Furniture, fixtures and equipment	1,168,817
Vehicles	2,250,934
Construction in process	<u>253,563</u>
Total property and equipment	21,203,677
Less: accumulated depreciation	<u>(6,801,375)</u>
Total property and equipment (net)	<u>14,402,302</u>
Other assets:	
Beneficial interest in assets held by Community Foundation	<u>59,526</u>
Total assets	<u><u>\$ 18,683,819</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 486,687
Accrued payroll and payroll taxes	719,869
Accrued employee paid time off	204,676
Refundable deposits	44,120
Accrued interest payable	20,013
Current portion of long-term notes payable	<u>15,957</u>
Total current liabilities	<u>1,491,322</u>
Long-term liabilities:	
Notes payable - long term	<u>928,476</u>
Total liabilities	<u>2,419,798</u>
Net assets:	
Unrestricted	13,265,004
Temporarily restricted	2,939,491
Permanently restricted	<u>59,526</u>
Total net assets	<u>16,264,021</u>
Total liabilities and net assets	<u><u>\$ 18,683,819</u></u>

**United Community Action Network  
Statement of Activities  
Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and support:</b>				
Government agencies	\$ -	\$ 14,544,088	\$ -	\$ 14,544,088
Contributions & United Way	-	229,873	-	229,873
Private agencies	-	144,549	-	144,549
USDA food, net	-	256,579	-	256,579
In-Kind facilities use	-	252,613	-	252,613
OFB food share	-	1,004,283	-	1,004,283
Program earned revenues	2,340,341	-	-	2,340,341
Commodities and food sales	212,340	-	-	212,340
Interest income	200	-	-	200
Gain on sale of assets	36,854	-	-	36,854
Miscellaneous	4,062	-	-	4,062
<b>Total revenue and support</b>	<b>2,593,797</b>	<b>16,431,985</b>	<b>-</b>	<b>19,025,782</b>
Net assets released from restriction:				
Satisfaction of program purpose restrictions	16,348,098	(16,348,098)	-	-
Satisfaction of time restrictions on transportation vehicles (Buses)	2,844	(2,844)	-	-
<b>Total release from restriction</b>	<b>16,350,942</b>	<b>(16,350,942)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 18,944,739</b>	<b>\$ 81,043</b>	<b>\$ -</b>	<b>\$ 19,025,782</b>
<b>Expenses:</b>				
Program services:				
Child services	\$ 5,643,766	\$ -	\$ -	\$ 5,643,766
Transportation	2,209,640	-	-	2,209,640
Food programs	1,546,594	-	-	1,546,594
Energy services	2,513,133	-	-	2,513,133
Weatherization	1,146,597	-	-	1,146,597
Case management	2,787,428	-	-	2,787,428
Property management	974,135	-	-	974,135
Volunteer services	833,079	-	-	833,079
<b>Total program expenses</b>	<b>17,654,372</b>	<b>-</b>	<b>-</b>	<b>17,654,372</b>
Supporting services:				
Management and general	1,923,601	-	-	1,923,601
<b>Total supporting services</b>	<b>1,923,601</b>	<b>-</b>	<b>-</b>	<b>1,923,601</b>
<b>Total expenses</b>	<b>19,577,973</b>	<b>-</b>	<b>-</b>	<b>19,577,973</b>
<b>Operating income (loss)</b>	<b>(633,234)</b>	<b>81,043</b>	<b>-</b>	<b>(552,191)</b>
Nonoperating income (loss)				
Change in value of assets held by Community Foundation	-	-	4,961	4,961
<b>Total nonoperating income (loss)</b>	<b>-</b>	<b>-</b>	<b>4,961</b>	<b>4,961</b>
<b>Change in net assets</b>	<b>(633,234)</b>	<b>81,043</b>	<b>4,961</b>	<b>(547,230)</b>
<b>Net assets at beginning of year</b>	<b>13,898,238</b>	<b>2,858,448</b>	<b>54,565</b>	<b>16,811,251</b>
<b>Net assets at end of year</b>	<b>\$ 13,265,004</b>	<b>\$ 2,939,491</b>	<b>\$ 59,526</b>	<b>\$ 16,264,021</b>

**United Community Action Network  
Statement of Functional Expenses  
Year Ended June 30, 2018**

Expenses	Program Services								Support Services	Total
	Child Services	Transportation	Food Programs	Energy Services	Weatherization	Case Management	Property Management	Volunteer Services	Management & General	
Personnel Salaries	\$ 2,838,907	\$ 604,657	\$ 155,462	\$ 187,214	\$ 124,433	\$ 525,102	\$ 165,147	\$ 429,793	\$ 989,170	\$ 6,019,885
Payroll Tax & Fringe	1,219,205	286,759	63,475	88,339	62,856	247,160	80,682	129,061	348,764	2,526,301
Professional Services	2,698	-	1,396	-	10,300	25	1,773	245	44,726	61,163
Training & Travel	85,211	18,481	913	4,912	14,694	41,209	4,547	20,528	29,418	219,913
Vehicle Operating Expenses	82,058	256,570	4,773	258	597	11,677	12,811	561	26,808	396,113
Occupancy Costs	414,574	34,486	17,796	22,690	8,457	70,294	177,887	26,372	88,621	861,177
Communications	84,077	23,545	3,137	5,143	4,540	25,004	12,150	5,566	28,578	191,740
Rental Property Expenses	-	-	17	-	-	3,089	101,744	-	-	104,850
Insurance	48,209	63,234	5,012	2,342	2,666	7,202	34,988	3,747	16,753	184,153
Consumable Supplies	151,623	14,467	3,644	7,702	(206)	12,565	1,437	6,746	30,248	228,226
Office Expenses	48,844	14,342	4,347	12,998	8,844	25,068	10,052	13,490	52,415	190,400
Equipment & Repairs	19,235	19,844	8,650	6,818	7,988	19,335	9,266	1,978	50,893	144,007
Debt and Taxes	-	192	-	-	-	-	11,010	-	32,144	43,346
Property Construction Costs	-	483	-	-	-	-	-	-	9,988	10,471
Rent and Utility Assistance	-	-	1,250	2,103,020	620	1,591,787	9,830	-	-	3,706,507
Food Assistance	161,872	-	178,809	-	-	-	-	3,054	81	343,816
Support Service Supplies	1,283	-	-	18,456	5,126	11,380	-	21	-	36,266
Volunteer Support	3,301	628,306	561	2,128	-	125	-	144,179	-	778,600
Sub-Contracting Expense	434,850	1,305	7,300	50,627	895,465	194,801	27,078	15,479	13,137	1,640,042
Miscellaneous Expenses	16,181	686	5,970	486	217	1,605	60	938	42,684	68,827
In-Kind Expenses	-	-	1,079,988	-	-	-	-	31,321	-	1,111,309
Depreciation	31,638	242,283	4,094	-	-	-	313,673	-	119,173	710,861
<b>Total Expenses</b>	<b>\$ 5,643,766</b>	<b>\$ 2,209,640</b>	<b>\$ 1,546,594</b>	<b>\$ 2,513,133</b>	<b>\$ 1,146,597</b>	<b>\$ 2,787,428</b>	<b>\$ 974,135</b>	<b>\$ 833,079</b>	<b>\$ 1,923,601</b>	<b>\$ 19,577,973</b>

**United Community Action Network  
Statement of Cash Flows  
Year Ended June 30, 2018**

**Cash flows from operating activities:**

Change in net assets	\$ (547,230)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation & amortization	710,861
Unrealized change in value of beneficial interest in OCF	(4,961)
(Increase) decrease in current assets:	
Escrow holding account	
Accounts receivable	(4,927)
Grants receivable	(93,836)
Inventory	(180,874)
Prepaid expense	(4,486)
Increase (decrease) in current liabilities:	
Accounts payable	(61,212)
Accrued payroll and payroll taxes	24,089
Accrued vacation payable	24,853
Refundable deposits	(1,113)
Accrued interest payable	(887)
Net cash used by operating activities	(139,723)

**Cash flows from investing activities:**

Proceeds from sale of property and equipment	201,020
Purchases of property and equipment	(287,123)
Net cash used by investing activities	(86,103)

**Cash flows from financing activities:**

Payment on pledges restricted for long term investment	79,525
Repayment of debt	(15,434)
Net cash used by financing activities	64,091

**Net change in cash and cash equivalents** (161,735)

**Beginning cash and cash equivalents** 2,262,689

**Ending cash and cash equivalents** \$ 2,100,954

Unrestricted cash \$ 173,414

Restricted cash - capital projects 1,927,540

**Total cash and cash equivalents** \$ 2,100,954

**Supplemental disclosure of cash flow information:**

Interest paid \$ 44,233

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018**

**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, 2018, 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, 2018 these amounts were \$1,728.

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 & 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 depending on the fixed asset.

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 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 \$0.81 per pound for the year ending June 30, 2018.

Approximately 1.2 million pounds of donated food was received from the above referenced sources during the year ended June 30, 2018.

Advertising Costs

Advertising costs are expensed as incurred. The amount spent on advertisements by UCAN for the year ended June 30, 2018 was \$25,228.

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, 2018, 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.

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies (continued)**

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, 2018, the amount that exceeded FDIC coverage was ~\$1.9 million.

On June 30, 2018, UCAN accepted investment securities with a fair value of ~\$1.9 million 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, 2018 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.

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 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 Lane 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. 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.

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Description of Programs (continued)

Child Services (continued) –

*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 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.

*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.

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, 2018**

**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 case management.

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.

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, 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, 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.

**Note 2 – Cash and Cash Equivalents**

For purposes of reporting cash flows, cash includes petty cash and demand deposits at June 30, 2018:

Petty cash accounts	\$ 463
USDA reserve cash	52,394
Business checking account	<u>120,557</u>
Total unrestricted cash	173,414
Restricted cash - capital projects	<u>1,927,540</u>
Total cash	<u><u>\$ 2,100,954</u></u>

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 (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 48% equities (both domestic and international), 15% absolute return, 15% private equity/venture capital, 12% fixed income, and 10% real assets. 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 at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held by OCF	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,526</u>	<u>\$ 59,526</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,526</u></u>	<u><u>\$ 59,526</u></u>

**United Community Action Network  
Notes to Financial Statements  
June 30, 2018**

**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, 2017	\$	54,565
Undistributed change in value of beneficial interest in OCF (net of fees)		4,961
Balance as of June 30, 2018	\$	59,526

**Note 4 – 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 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, 2018 was \$59,526.

**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, 2018:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Land	\$ 2,543,303	\$ -	\$ -	\$ (81,675)	\$ 2,461,628
Buildings & building improvements	15,091,632	-	-	(103,566)	14,988,066
Leasehold improvements	80,669	-	-	-	80,669
Furniture, fixtures & equipment	1,108,467	60,350	-	-	1,168,817
Vehicles	2,375,414	6,677	-	(131,157)	2,250,934
Construction in progress	33,467	220,096	-	-	253,563
Total historical cost	21,232,952	287,123	-	(316,398)	21,203,677
Less: accumulated depreciation	(6,205,892)	(710,861)	-	115,378	(6,801,375)
Total net book value	\$ 15,027,060	\$ (423,738)	\$ -	\$ (201,020)	\$ 14,402,302

Depreciation expense for the year ended June 30, 2018 was \$710,861.

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.

**United Community Action Network  
Notes to Financial Statements  
June 30, 2018**

**Note 6 – Lease Commitments**

UCAN has entered into several non-cancellable operating leases of office equipment, 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, 2018 was \$435,699.

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

Year ended June 30,		2018	\$ 215,729
		2019	41,267
		2020	13,330
		2021	9,816
		2022	<u>2,454</u>
			<u>\$ 282,596</u>

**Note 7 – Line of Credit**

During 2009, the Organization 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 as published in the Wall Street Journal plus 1.000 percentage point: 5.75% at June 30, 2018. Principal and accrued interest are due monthly until February 26, 2020. This is an unsecured revolving line of credit for periodic working capital needs. As of June 30, 2018, there was no balance due.

The line of credit was increased on October 4, 2018 from \$250,000 to \$550,000 and will expire September 1, 2019.

**Note 8 – Long-Term Debt**

At June 30, 2018 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.	\$ 78,448
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.	<u>865,985</u>
Total long-term debt	<u>\$ 944,433</u>

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 8 – Long-Term Debt (continued)**

The annual requirement to amortize all long-term debt outstanding as of June 30, 2018 is as follows:

Total long-term debt	\$ 944,433
Less: portion due within one year	<u>15,957</u>
Long-term debt, net of current portion	<u><u>\$ 928,476</u></u>

Maturities of long-term debt as of June 30, 2018 are as follows:

2018	\$ 15,957
2019	16,671
2020	17,502
2021	18,299
2022	19,173
Thereafter	<u>856,831</u>
	<u><u>\$ 944,433</u></u>

**Note 9 – Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes as of June 30, 2018:

Purpose restrictions	
Child services/Douglas County Headstart program	\$ 88,371
Transportation	38,487
Food programs	206,717
Energy services	18,938
Weatherization	84,809
Case management	394,089
Resource development	1,713
Volunteer services/VISTA program	57,098
Facility and property	1,956,511
Administration and agency reserves	<u>92,758</u>
Total temporarily restricted net assets available June 30, 2018	<u><u>\$ 2,939,491</u></u>

**Permanently restricted**

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 permanently restricted net assets. The Foundation's Board of Trustees controls the Funds 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, 2018**

**Note 9 – Temporarily and Permanently Restricted Net Assets (continued)**

Net assets released from restricted

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. During the fiscal year ended June 30, 2018, assets released from restriction were:

Purpose restrictions	
Child services/Douglas County Headstart program	\$ 5,842,268
Transportation	901,544
Food programs	1,454,820
Energy services	2,489,294
Weatherization	1,139,328
Case management	2,350,910
Resource development	20,716
Property management	288,330
Volunteer services/VISTA program	807,026
Facility and property	408,419
Administration and agency reserves	<u>645,443</u>
Net assets released from purpose restrictions	16,348,098
Time restrictions	
Transportation (buses)	<u>2,844</u>
Total net assets released from donor restrictions	<u><u>\$ 16,350,942</u></u>

**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 39% of total revenue, gains and other support for the year ending June 30, 2018. The revenues funded by the State of Oregon accounted for approximately 39% of total revenue, gains and other support for the year ending June 30, 2018.

UCAN performs operations in Douglas and Josephine Counties.

**Note 11 – Commitments and Contingent Liabilities**

UCAN and the City of Roseburg (City) have an agreement whereby a Head Start Facility (Facility) will be constructed on UCAN property. The purpose of the Facility is to provide early childhood and family support services to Head Start eligible families living in Douglas County. The City will provide up to \$1,500,000 of CDBG funds for the construction of the Facility with the remaining portion to be covered by UCAN. The City will transfer its interest in the Facility to UCAN five years after completion of the project. The construction contract is \$3,340,710, of which UCAN is responsible for the amounts not covered by the CDBG funds. Construction began on the Facility in July 2018.

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 11 – Commitments and Contingent Liabilities (continued)**

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, 2018, there were no liabilities under these agreements.

**Note 12 – Donated Facilities Usage**

The fair rental value of space utilized by UCAN's Head Start 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 use included as contributions in the financial statements and the corresponding occupancy costs were \$247,957 for the year ending June 30, 2018.

**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 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. 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, 2018 that materially affected 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.

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.

**United Community Action Network**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 13 – Partnership Investments (continued)**

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 – Subsequent Events**

On October 4, 2018 UCAN increased its line of credit from \$250,000 to \$550,000 and this line expires on September 1, 2019. No draws have been made on the increased line of credit as of the date of these financial statements.

Management of UCAN has evaluated events and transactions occurring after June 30, 2018, up through December 10, 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 (UCAN), which comprise the statement of financial position as of June 30, 2018, 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 December 10, 2018.

**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) 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 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 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 UCAN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCAN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stewart Parmele CPA, Partner*

Stewart Parmele, CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 10, 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 (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, 2018. 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, 2018.

## 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.

*Stewart Parmele CPA, Partner*

Stewart Parmele, CPA, Partner  
KDP Certified Public Accountants, LLP  
Medford, Oregon  
December 10, 2018

**United Community Action Network  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

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
<b>U. S. Department of Agriculture</b>					
Passed Through Oregon Department of Education:					
Child and Adult Care Food Program (CACFP)	10.558		Contract #1021002	\$ -	\$ 190,772
Total CFDA 10.558				-	190,772
Passed Through Oregon Food Bank:					
Emergency Food Assistance Program (Administrative Costs)	10.568	na		-	15,586
Emergency Food Assistance Program (Food Commodities)TEFAP	10.569	na		-	256,579
Total Food Distribution Cluster				-	272,165
<b>Total U. S. Department of Agriculture</b>				<b>\$ -</b>	<b>\$ 462,937</b>
<b>U. S. Department of Housing and Urban Development</b>					
Direct Program:					
Supportive Housing Program	14.267		OR0064L0E051609	\$ -	\$ 113,425
Supportive Housing Program	14.267		OR0125L0E051505	-	9,926
Supportive Housing Program	14.267		OR0125L0E051606	-	32,141
Supportive Housing Program	14.267		OR0073L0E051508	-	8,547
Supportive Housing Program	14.267		OR0073L0E051609	-	32,510
Supportive Housing Program	14.267		OR0080L0E051609	109,284	147,394
Total CFDA 14.235				109,284	343,943
Passed through Oregon Housing and Community Services:					
Emergency Shelter Grant Program	14.231		Master Grant Agreement 2017-2019	30,500	164,000
Total CFDA 14.231				30,500	164,000
Home Investment Partnerships Program					
Total CFDA 14.239	14.239		Master Grant Agreement 2017-2019	-	163,425
				-	163,425
<b>Total U. S. Department of Housing and Urban Development</b>				<b>\$ 139,784</b>	<b>\$ 671,368</b>
<b>U. S. Department of Transportation</b>					
Passed through Douglas County:					
Formula Grants for Rural Areas	20.509		Grant #31917	\$ -	\$ 478,702
Total CFDA 20.509				-	478,702
Enhanced Mobility of Seniors and Individuals with Disabilities					
Total CFDA 20.513	20.513		Grant #32187	-	22,940
Passed through Cow Creek Band of Umpqua Tribe of Indians:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Grant #32184	-	32,205
Total Transit Services Cluster				-	55,145
<b>Total U. S. Department of Transportation</b>				<b>\$ -</b>	<b>\$ 533,847</b>
<b>U. S. Department of Veterans Affairs</b>					
Passed through ACCESS, Inc:					
VA Supportive Services for Veteran Families Program	64.033		Grant #13-OR-128	\$ -	\$ 244,165
Total CFDA 64.033				-	244,165
<b>Total U. S. Department of Veterans Affairs</b>				<b>\$ -</b>	<b>\$ 244,165</b>
<b>U. S. Department of Energy</b>					
Passed Through Oregon Housing and Community Services:					
Weatherization Assistance For Low-Income Persons (DOE)	81.042		Master Grant Agreement 2017-2019	\$ -	\$ 148,766
Weatherization Assistance For Low-Income Persons (BPA Funds)	81.042		Master Grant Agreement 2017-2019	-	50,115
Total CFDA 81.042				-	198,881
<b>Total U. S. Department of Energy</b>				<b>\$ -</b>	<b>\$ 198,881</b>

**United Community Action Network  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

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
<b>U. S. Department of Health and Human Services</b>					
Direct Programs:					
Head Start 2017	93.600		10CH0199/04	\$ -	\$ 877,607
Head Start 2016	93.600		10CH0199/03	-	998,609
Total CFDA 93.600				-	1,876,216
Passed Through Oregon Department of Education:					
Promoting Safe and Stable Families	93.556		Sub Grant #44119	2,695	2,695
Total CFDA 93.556				2,695	2,695
Passed Through Oregon Housing and Community Services:					
Temporary Assistance for Needy Families (TANF)	93.558		Master Grant Agreement 2017-2019	-	27,216
Total TANF Cluster				-	27,216
Low-Income Home Energy Assistance - Program Delivery & Admin	93.568		Master Grant Agreement 2017-2019	-	295,157
Low Income Home Energy Assistance - Direct Assistance	93.568		Master Grant Agreement 2017-2019	-	1,259,141
Low-Income Home Energy Assistance - Client Ed	93.568		Master Grant Agreement 2017-2019	-	79,843
Low-Income Home Energy Assistance-Weatherization	93.568		Master Grant Agreement 2017-2019	-	311,833
Total CFDA 93.568				-	1,945,974
Community Services Block Grant	93.569		Master Grant Agreement 2017-2019	-	400,790
Total CFDA 93.569				-	400,790
Passed Through Oregon Department of Education:					
Medical Assistance Program (Medicaid; Title XIX)	93.778		Sub Grant #44187	-	38,418
Total Medicaid Cluster				-	38,418
Passed Through Oregon Department of Consumer & Business Services:					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		DCBS-1624-16	-	27,268
Total CFDA 93.779				-	27,268
Passed Through Oregon Health Authority:					
Maternal, Infant, and Early Childhood Home Visiting Program	93.870		Grant Agreement #152249	134,512	162,330
Total Maternal, Infant, and Early Childhood Home Visiting Cluster				134,512	162,330
Passed Through Health Care Coalition of Oregon:					
Block Grants for Prevention and Treatment of Substance Abuse	93.926		Sub Award #H49MC00136-UCAN	-	97,112
Total CFDA 93.926				-	97,112
Passed Through Oregon Health Authority:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Grant Agreement #153333	-	137,925
Total CFDA 93.959				-	137,925
<b>Total U. S. Department of Health and Human Services</b>				<b>\$ 137,207</b>	<b>\$ 4,715,944</b>
<b>Corporation For National and Community Service</b>					
Direct Program:					
Retired and Senior Volunteer Program (RVSP)	94.002		#16SRPOR003	\$ -	\$ 95,520
Total CFDA 94.002				-	95,520
Senior Companion Program (SCP)	94.016		#16SCPOR003	-	103,330
Total Foster Grandparents/Senior Companion Cluster				-	103,330
Passed through Oregon Volunteers:					
AmeriCorps	94.006		#15AFHOR0010001	-	270,430
Total CFDA 94.006				-	270,430
<b>Total U. S. Corporation For National and Community Service</b>				<b>\$ -</b>	<b>\$ 469,280</b>
<b>Federal Emergency Management Agency</b>					
Passed Through United Way of America:					
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-003	\$ -	\$ 25,263
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-008	-	2,908
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 710800-014	-	8,370
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 712200-012	-	16,500
Emergency Food & Shelter Program National Board Program	97.024		LRO ID: 712200-014	-	878
Total CFDA 97.024				-	53,919
<b>Total U. S. Federal Emergency Management Agency</b>				<b>\$ -</b>	<b>\$ 53,919</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 276,991</b>	<b>\$ 7,350,341</b>

**United Community Action Network**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**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, 2018. 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, 2018, the Organization received food commodities totaling \$256,579.

**United Community Action Network  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

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 (UCAN) 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 UCAN.
3. No instances of noncompliance material to the financial statements of UCAN 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 UCAN 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 Housing and Urban Development  
Continuum of Care Program; CFDA #14.267
  - U.S. Department of Health and Human Services  
Head Start; CFDA #93.600
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. UCAN 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