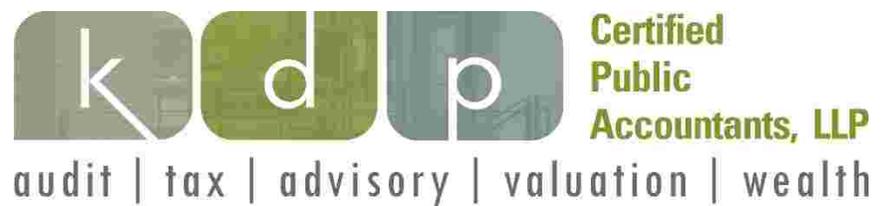


| UNITED COMMUNITY ACTION NETWORK
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021
WITH
INDEPENDENT AUDITOR'S REPORT



United Community Action Network

June 30, 2022

BOARD OF DIRECTORS

ELECTED OR APPOINTED PUBLIC OFFICIALS

TOM KRESS
Douglas County, OR..... Treasurer

LILY MORGAN
Josephine County, OR Member

STEVE LOOSLEY
Douglas County, OR..... Member

VACANT
Josephine County, OR Member

LOW INCOME REPRESENTATIVES

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

BRIANNA RAHMLow
Douglas County, OR..... Secretary

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

VACANT
Josephine County, OR Member

COMMUNITY REPRESENTATIVES

MIKE DURBIN
Douglas County, OR..... Chair

TERAH WHEELER-HENRICH
Josephine County, OR Member

VACANT
Josephine County, OR Member

VACANT
Douglas County, OR..... Member



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United Community Action Network

Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Community Action Network

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Community Action Network (UCAN), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UCAN as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of UCAN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCAN's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCAN's internal control over financial reporting and compliance.

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
March 29, 2023



| FINANCIAL STATEMENTS

United Community Action Network
Statements of Financial Position
June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 311,813	\$ 194,942
Restricted cash - capital projects	227,890	117,390
Contracts/grants receivable	3,947,150	3,879,463
Prepaid expenses and other assets	194,600	76,853
Inventory	344,955	324,232
	<u>5,026,408</u>	<u>4,592,880</u>
Non-current assets:		
USDA reserve cash	-	52,394
Property and equipment:		
Land	3,610,394	2,436,769
Buildings and building improvements	19,619,790	17,868,495
Leasehold Improvements	101,105	91,020
Furniture, fixtures and equipment	1,228,347	1,228,347
Vehicles	1,571,343	1,225,610
Construction in process	-	151,535
	<u>26,130,979</u>	<u>23,001,776</u>
Less: accumulated depreciation	<u>(8,617,286)</u>	<u>(7,908,498)</u>
	<u>17,513,693</u>	<u>15,093,278</u>
Total non-current assets	<u>17,513,693</u>	<u>15,145,672</u>
Other assets:		
Beneficial interest in assets held by Community Foundation	16,682	17,665
	<u>16,682</u>	<u>17,665</u>
TOTAL ASSETS	<u><u>\$ 22,556,783</u></u>	<u><u>\$ 19,756,217</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 631,945	\$ 788,391
Accrued payroll and payroll taxes	1,092,976	876,820
Accrued employee paid time off	277,761	275,461
Unearned revenues	356,865	35,274
Refundable deposits	42,354	44,611
Accrued interest payable	6,938	40,681
Current portion of long-term notes payable	98,978	1,798,591
	<u>2,507,817</u>	<u>3,859,829</u>
Long-term liabilities:		
Notes payable - long term (net of current portion)	3,968,553	1,123,578
	<u>3,968,553</u>	<u>1,123,578</u>
TOTAL LIABILITIES	<u>6,476,370</u>	<u>4,983,407</u>
Net assets:		
Without donor restrictions	14,509,303	12,652,165
With donor restrictions	1,571,110	2,120,645
	<u>16,080,413</u>	<u>14,772,810</u>
TOTAL NET ASSETS	<u>16,080,413</u>	<u>14,772,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,556,783</u></u>	<u><u>\$ 19,756,217</u></u>

**United Community Action Network
Statement of Activities
Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Government agencies	\$ -	\$ 36,248,968	\$ 36,248,968
Contributions	-	322,389	322,389
Private agencies	-	404,368	404,368
USDA food	-	568,889	568,889
In-kind services and facilities use	-	160,029	160,029
Other donated food commodities	-	1,275,441	1,275,441
Program earned revenues	1,500,624	-	1,500,624
Commodities and food sales	30,568	-	30,568
Miscellaneous	1,639,785	-	1,639,785
Total revenue and support	3,170,977	38,980,084	42,151,061
Net assets released from restriction:			
Satisfaction of program purpose restrictions	39,528,636	(39,528,636)	-
Total release from restriction	39,528,636	(39,528,636)	-
Total	42,699,613	(548,552)	42,151,061
EXPENSES			
Program services:			
Child services	8,448,748	-	8,448,748
Transportation	466,077	-	466,077
Food programs	2,388,212	-	2,388,212
Energy services	4,954,205	-	4,954,205
Weatherization	852,221	-	852,221
Housing and stabilization services	18,812,152	-	18,812,152
Property management	1,060,993	-	1,060,993
Volunteer services	601,042	-	601,042
Total program expenses	37,583,650	-	37,583,650
Supporting services:			
Management and general	3,258,825	-	3,258,825
Total supporting services	3,258,825	-	3,258,825
Total expenses	40,842,475	-	40,842,475
Operating income (loss)	1,857,138	(548,552)	1,308,586
Nonoperating income (loss)			
Change in value of assets held by Oregon Community Foundation	-	(983)	(983)
Total nonoperating income (loss)	-	(983)	(983)
CHANGE IN NET ASSETS	1,857,138	(549,535)	1,307,603
NET ASSETS AT BEGINNING OF YEAR	12,652,165	2,120,645	14,772,810
NET ASSETS AT END OF YEAR	\$ 14,509,303	\$ 1,571,110	\$ 16,080,413

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

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

**United Community Action Network
Statement of Functional Expenses
Year Ended June 30, 2022**

Expenses	Program Services								Support Services	Total
	Child Services	Transportation	Food Programs	Energy Services	Weatherization	Housing and Stabilization Services	Property Management	Volunteer Services	Management and General	
Personnel salaries	\$ 4,662,735	\$ 88,195	\$ 196,960	\$ 259,870	\$ 167,820	\$ 1,012,664	\$ 149,684	\$ 174,539	\$ 1,398,244	\$ 8,110,711
Payroll taxes and benefits	2,072,275	36,565	86,633	97,483	74,659	435,951	77,020	94,114	523,947	3,498,647
Professional services	24,600	470	45,852	84,630	301	285,675	38,240	14,787	289,542	784,097
Training and travel	51,941	1,072	769	3,864	14,129	46,681	300	4,523	21,334	144,613
Vehicle operating expenses	106,989	363	16,935	3,871	6,163	30,576	13,935	295	27,485	206,612
Rental expense and building repairs	383,789	14,592	39,732	36,058	21,114	260,144	325,661	26,054	150,006	1,257,150
Rental management expenses	-	-	-	-	-	-	52,275	-	-	52,275
Insurance	79,308	1,685	11,248	5,129	4,139	15,492	30,309	2,556	29,480	179,346
Office expenses and supplies	265,401	38,081	12,244	43,604	10,029	92,399	5,435	12,431	143,651	623,275
Equipment and repairs	38,680	65	15,503	6,683	8,240	47,005	2,538	4,951	8,779	132,444
Interest and property taxes	1,979	-	-	-	-	-	20,364	-	53,617	75,960
Rent and utility assistance	-	-	-	4,399,236	118	16,139,936	-	-	62,249	20,601,539
Food assistance	217,818	-	107,777	-	-	1,441	-	-	-	327,036
Support service supplies	196,393	2,568	7,492	1,636	74,717	24,211	657	3,306	1,790	312,770
Volunteer support	-	279,781	-	-	-	22	-	214,600	1,455	495,858
Sub-contracting expenses	-	-	-	-	454,307	358,349	-	304	11,585	824,545
Miscellaneous expenses	42,792	2,640	3,392	11,591	5,839	10,481	4,568	4,893	394,804	481,000
In-kind expenses	79,379	-	1,823,608	550	-	35,261	-	43,689	1,700	1,984,187
Depreciation	224,669	-	20,067	-	10,646	15,864	340,007	-	139,157	750,410
Total expenses	\$ 8,448,748	\$ 466,077	\$ 2,388,212	\$ 4,954,205	\$ 852,221	\$ 18,812,152	\$ 1,060,993	\$ 601,042	\$ 3,258,825	\$ 40,842,475

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

Expenses	Program Services								Support Services	Total
	Child Services	Transportation	Food Programs	Energy Services	Weatherization	Housing and Stabilization Services	Property Management	Volunteer Services	Management and General	
Personnel salaries	\$ 4,406,850	\$ 88,889	\$ 210,069	\$ 167,685	\$ 132,049	\$ 860,586	\$ 138,030	\$ 559,506	\$ 1,294,848	\$ 7,858,512
Payroll taxes and benefits	1,869,868	33,855	92,405	45,285	58,370	396,517	61,411	163,490	451,537	3,172,738
Professional services	2,693	655	2,508	89	-	1,660	1,905	177	75,391	85,078
Training and travel	53,575	372	849	149	-	5,023	475	8,342	14,521	83,306
Vehicle operating expenses	81,039	1,000	12,246	2,308	2,903	18,890	8,517	5,537	19,772	152,212
Rental expense and building repairs	378,961	15,934	29,385	34,008	18,353	133,974	173,908	47,470	95,403	927,396
Communications and media	87,980	3,898	6,725	36,102	5,789	72,994	13,421	16,655	39,264	282,828
Rental management expenses	-	-	-	-	-	5,068	89,326	-	-	94,394
Insurance	59,026	1,037	6,567	1,545	3,427	9,478	19,571	2,981	15,208	118,840
Office expenses and supplies	826,325	11,081	25,100	86,249	22,400	145,104	8,412	33,492	167,048	1,325,211
Equipment and repairs	48,824	4,102	16,675	775	13	8,893	12,489	693	31,786	124,250
Interest and property taxes	-	-	-	-	-	-	25,914	-	69,691	95,605
Rent and utility assistance	-	-	-	3,013,313	-	9,264,585	229	17,602	1,785	12,297,514
Food assistance	169,266	-	55,769	17	8	939	-	3,487	61	229,547
Support service supplies	10,354	-	-	29,864	9,311	35,964	-	23,415	-	108,908
Volunteer support	30	440,943	34	-	-	148	-	4,914	-	446,069
Sub-contracting expenses	22,722	90	1,758	126,983	658,119	820,353	15,710	1,720	29,844	1,677,299
Miscellaneous expenses	4,723	130	797	21	20	1,403	2,279	320	89,939	99,632
In-kind expenses	70,421	-	2,114,944	-	-	69,513	-	32,380	28,376	2,315,634
Depreciation	157,939	-	19,724	-	10,647	-	340,006	-	134,265	662,581
Total expenses	\$ 8,250,596	\$ 601,986	\$ 2,595,555	\$ 3,544,393	\$ 921,409	\$ 11,851,092	\$ 911,603	\$ 922,181	\$ 2,558,739	\$ 32,157,554

**United Community Action Network
Statements of Cash Flows
Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,307,603	\$ (607,014)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	750,410	662,581
Forgiveness on PPP loan	(1,579,848)	-
(Gain)/loss on sale of assets	72,525	-
Unrealized (gain)/loss in value of beneficial interest in OCF	983	(4,767)
(Increase) decrease in current assets:		
Contracts/grants receivable	(67,687)	(1,145,982)
Inventory	(20,723)	68,361
Prepaid expenses and other assets	(117,747)	(28,261)
Increase (decrease) in current liabilities:		
Accounts payable	(156,446)	282,462
Accrued payroll and payroll taxes	216,156	67,645
Accrued vacation payable	2,300	53,418
Unearned revenues	321,591	35,274
Refundable deposits	(2,257)	(300)
Accrued interest payable	(33,743)	20,668
Net cash provided (used) by operating activities	693,117	(595,915)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	270,000	-
Purchases of property and equipment	(3,513,350)	(614,904)
Net cash used by investing activities	(3,243,350)	(614,904)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,000,000	-
Repayment of debt	(1,274,790)	(26,748)
Net cash provided by financing activities	2,725,210	(26,748)
Net change in cash and cash equivalents	174,977	(1,237,567)
Beginning cash and cash equivalents	364,726	1,602,293
Ending cash and cash equivalents	\$ 539,703	\$ 364,726
Unrestricted cash	\$ 311,813	\$ 194,942
Restricted cash - capital projects	227,890	117,390
USDA reserve cash	-	52,394
Total cash and cash equivalents	\$ 539,703	\$ 364,726
Supplemental disclosure of cash flow information:		
Cash paid during the year:		
Interest paid	\$ 69,709	\$ 53,317



| NOTES TO
FINANCIAL STATEMENTS

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

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

Basis of Accounting

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

Basis of Presentation

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

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

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

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

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

Cash and Cash Equivalents

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

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

Contracts/Grants Receivable

Contracts/grants receivable represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All contracts receivable represents amounts owed by federal, state and local government agencies. Contracts/grants receivable are stated at the amount management expects to be collected from the outstanding balance. At June 30, 2022, and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Inventory

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

Property and Equipment

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

Revenue and Revenue Recognition

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

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

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

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Donated Services

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

Donated Commodities

Commodities received through the USDA and OFB are recorded as revenue at their commodity values per pound, which averaged \$1.15 per pound and \$1.25 per pound for the years ending June 30, 2022, and 2021, respectively.

Approximately 1.56 million and 1.85 million pounds of donated food were received from the above referenced sources during the years ended June 30, 2022, and 2021, respectively.

Forgivable Loans/Refundable Advances

During the year ended June 30, 2020, UCAN participated in the Paycheck Protection Program (PPP) that was provided for under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). It is UCAN's policy to account for such proceeds as a financial liability until either (1) the loan is, in part or wholly, forgiven legally, or (2) the liability is fully paid. On August 30, 2021 \$1,579,848 of the \$1,770,600 principal outstanding as well as \$21,469 of accrued interest was forgiven. This is included in miscellaneous revenue on the statement of activities.

Advertising Costs

Advertising costs are expensed as incurred. The amounts spent on advertisements by UCAN for the years ended June 30, 2022, and 2021, were \$13,346 and \$59,787, respectively.

Tax-Exempt Status

UCAN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, UCAN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to UCAN's tax-exempt purpose is subject to taxation as unrelated business income. At June 30, 2022, UCAN does not have an estimated tax liability on this unrelated business activity. UCAN believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures account balances at each insured institution. UCAN frequently maintains cash balances greater than the FDIC insurance coverage in two financial institutions. At June 30, 2022, the amount that exceeded FDIC coverage was approximately \$835 thousand.

Gains and Losses, and Investment Income

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

Functional Expenses

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

Description of Programs

Child Services -

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

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

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Child Services (continued) -

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

Healthy Start Program - The Healthy Start Program operates in Douglas County to prevent infant mortality. The program offers a variety of services to mothers to support the healthy development of their infant.

Transportation -

Medicaid Transportation Program - Accounts for transportation services provided to eligible Oregon Health Plan and eligible Medicaid clients traveling to authorized medical services in Coos, Douglas and Josephine Counties. This service is provided in conjunction with a number of different brokerage firms and is provided to clients who have no other means to get to their medical services.

Food Programs -

Food Bank - Accounts for revenues and expenditures related to the Feeding Umpqua Food Bank. Feeding Umpqua is the regional food bank for Douglas County and warehouses and provides food to a network of local food pantries and kitchens. Feeding Umpqua collects and distributes donated and surplus food, including USDA and Oregon Food Bank commodities. Food is then distributed for redistribution to low-income individuals and families throughout Douglas County. Feeding Umpqua also operates its own mobile pantry providing emergency food in remote communities.

Nutrition Services - Feeding Umpqua also offers programs that support healthy eating. Food Hero at the Umpqua Valley Farmers' Market offers children fun activities while they learn about nutrition, food and health. Feeding Umpqua has also offered Cooking Matters, a program that helps families prepare healthy meals on a budget.

Energy Services -

Energy Assistance - Provides support to low-income individuals so that they can avoid having their energy and water turned off, and cover the costs of their bills. The program also provides education so that households learn how to use less energy while staying warm.

Weatherization -

Weatherization - Accounts for revenues and expenditures related to providing low-income households home measures, retrofits, and upgrades designed to reduce home utility usage and costs. Some funds may also be used to address the health and safety needs of low-income households. Households also may receive education supporting reduced use of energy.

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Housing and Stabilization Services -

Housing Services - Accounts for revenues and expenditures related to services that keep low-income households at-risk of losing their housing housed, and those who have lost housing rehoused. Those who are housed can receive rent assistance to help cover the cost of rent. Those without housing can receive move-in assistance to help move into housing. Program case managers work with clients to help them identify and work toward goals related to self-sufficiency. The program also offers additional resources to address barriers to housing, such as motel and hotel vouchers.

Veteran Services - This program helps homeless veteran families obtain housing and other benefits and resources to help families remain housed. Participants also receive case management services.

Money Management - Money Management helps qualifying individuals with managing money and paying their bills through representative payee services.

Wildfire Recovery - This program specifically benefits those who were impacted by the Archie Creek Fire. Through this program, participants are connected with rental assistance and related support as well as housing replacement, rehabilitation, and reconstruction. All assistance is made available with the goal of having participants move from temporary to permanent housing.

Property Management -

Property Management - Accounts for revenues and expenditures for the purpose of providing low-income housing to individuals and families in need. UCAN operates approximately 91 units in 18 properties throughout Douglas County. The housing consists of transitional housing and permanent housing. Transitional housing focuses on moving families to stabilization. Permanent housing allows individuals and families to stay for as long as they need, given certain income requirements, with the objective of helping them to become self-sufficient. All residents are charged a below market rental rate and some are required to participate in case management programming.

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, including nonprofits, government agencies, and schools. AmeriCorps provides opportunities for Americans to give back in an intensive way to their communities and country by addressing critical needs in education, health, and economic opportunity. Members volunteer for up to one year and receive a stipend, health care benefits, childcare assistance, and may earn an education award to pay off student loans or finance secondary schooling. Funding is provided by community agencies receiving services from AmeriCorps members and from the Corporation for National Community Service through Oregon's Higher Education Coordinating Commission.

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Description of Programs (continued)

Volunteer Services (continued) -

AmeriCorps Seniors – Accounts for revenues and expenditures related to providing Retired Seniors Volunteer Program (RSVP) volunteers in Douglas and Josephine counties. RSVP is one of America's largest volunteer network for people age 55+. Members serve to meet critical needs in many areas including assistance with tax preparation, providing Medicare education and enrollment support, and preventing fraud and scams. RSVP volunteers choose how, where, and how often they want to serve, while connecting and supporting other community members.

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.

Reclassifications

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

Adopted Accounting Pronouncements

In fiscal year 2022, UCAN adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements.

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 (Topic 842), and has subsequently been amended by multiple ASU's. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease or accounting purposes is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to the current guidance in ASC 840 "Leases" ("Topic 840"). ASU 2016-02 requires lessors to account for lease using an approach that is substantially equivalent to Topic 840 for sales-type leases, direct financing leases and operating leases. ASU 2016-02 was codified as ASC 842 and will supersede ASC 840. ASU 2016-02 is effective on July 1, 2022 for UCAN.

**United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021**

Note 2 – Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 311,813	\$ 194,942
Restricted cash - capital projects	227,890	117,390
Contracts/grants receivable	3,947,150	3,879,463
Total financial assets	<u>4,486,853</u>	<u>4,191,795</u>
Less amounts not available to be used within one year:		
Refundable deposits	<u>(42,354)</u>	<u>(44,611)</u>
Financial assets not available to be used within one year	<u>(42,354)</u>	<u>(44,611)</u>
Unused line of credit:	<u>250,000</u>	<u>250,000</u>
Financial assets available to meet expenditures within one year:	<u>\$ 4,694,499</u>	<u>\$ 4,397,184</u>

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

Note 3 – Cash and Cash Equivalents

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

	<u>2022</u>	<u>2021</u>
Petty cash accounts	\$ -	\$ 3,001
Business checking account	<u>311,813</u>	<u>191,941</u>
Total unrestricted cash	311,813	194,942
Restricted cash - capital projects	227,890	117,390
USDA reserve cash	<u>-</u>	<u>52,394</u>
Total cash	<u>\$ 539,703</u>	<u>\$ 364,726</u>

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 4 – Non-Cash Contributions

Non-cash contributions consisted of the following for years ended June 30, 2022 and 2021:

	2022		
	Property and Equipment, Goods and Services	Food Contributed	Total
Non-cash contributions by program			
Management and general	\$ 1,700	\$ -	\$ 1,700
Child services	79,379	-	79,379
Food programs	-	1,275,441	1,275,441
Volunteer services	43,689	-	43,689
Housing and stabilization services	35,261	-	35,261
Total non-cash contributions	160,029	1,275,441	1,435,470
Non-cash grants consisting of USDA commodities	-	568,889	568,889
Total non-cash revenues	<u>\$ 160,029</u>	<u>\$ 1,844,330</u>	<u>\$ 2,004,359</u>
	2021		
	Property and Equipment, Goods and Services	Food Contributed	Total
Non-cash contributions by program			
Management and general	\$ 28,350	\$ -	\$ 28,350
Child services	83,391	-	83,391
Food programs	-	1,186,252	1,186,252
Volunteer services	51,175	-	51,175
Housing and stabilization services	69,513	-	69,513
Total non-cash contributions	232,429	1,186,252	1,418,681
Non-cash grants consisting of USDA commodities	-	828,592	828,592
Total non-cash revenues	<u>\$ 232,429</u>	<u>\$ 2,014,844</u>	<u>\$ 2,247,273</u>

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 5 – Fair Value of Financial Instruments

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

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

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

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

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

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

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 5 – Fair Value of Financial Instruments (continued)

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

June 30, 2022	Level 1	Level 2	Level 3	Total
Other assets:				
Beneficial interest in assets held by OCF	\$ -	\$ -	\$ 16,682	\$ 16,682
Total other assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,682</u>	<u>\$ 16,682</u>
June 30, 2021	Level 1	Level 2	Level 3	Total
Other assets:				
Beneficial interest in assets held by OCF	\$ -	\$ -	\$ 17,665	\$ 17,665
Total other assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,665</u>	<u>\$ 17,665</u>

Note 6 – Beneficial Interest in Oregon Community Foundation

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

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

The beneficial interest in Oregon Community Foundation at June 30, 2022 and 2021, was \$16,682 and \$17,665, respectively.

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 8 – Lease Commitments

UCAN has entered into several non-cancellable operating leases of office equipment, vehicles, and office and classroom space for Head Start, Case Management, and the UCAN main offices in Josephine County. Rental expense paid under lease agreements for the years ended June 30, 2022 and 2021, was \$536,180 and \$395,981, respectively.

Minimum future rental payments required under the remaining non-cancellable lease terms at June 30, 2022, are as follows:

June 30,	<u>Amount</u>
2023	\$ 401,237
2024	146,964
2025	82,165
2026	30,420
2027	<u>15,690</u>
	<u>\$ 676,476</u>

Note 9 – Line of Credit

UCAN had a line of credit with Umpqua Bank in the amount of \$550,000 and expired on December 1, 2019. The line of credit was extended on December 9, 2019, and expired March 31, 2021. Additionally, the credit limit was reduced from \$550,000 to \$250,000 at that time. UCAN extended the line of credit until April 15, 2023. The interest rate on the line of credit is variable and based on the prime rate as published in the Wall Street Journal plus 3.100 percentage points, reduced by 0.500 preferred rate reduction: 7.35% and 5.85% at June 30, 2022 and 2021, respectively. This is an unsecured revolving line of credit for periodic working capital needs. At June 30, 2022, there was no balance due.

**United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021**

Note 10 – Long-Term Debt

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

	2022	2021
Mortgage note payable with Banner Bank in the amount of \$100,000, dated June 15, 2006. Note is payable in monthly installments of \$606, including interest at 6.01% per annum and matures June 15, 2036. The note is secured by the Grandview Project property.	\$ 67,531	\$ 71,246
Note payable with USDA Rural Housing Service in the amount of \$964,000, dated December 26, 2008. Note is payable annually on December 26, in the amount of \$52,394, including interest at 4.50% per annum and matures December 26, 2049. The note was secured by the Kenneth Ford Drive property. The note was paid off by the \$1,600,000 note payable, dated June 14, 2022.	-	824,705
Note payable with Umpqua Bank in the amount of \$273,750, dated June 15, 2019. The note is payable in monthly installments of \$1,700, including interest at 4.22% per annum and matures June 15, 2029, and includes a balloon payment of \$167,397 on that date. The note was secured by the Mill Street property. The note was paid in full on sale of Mill Street property.	-	255,618
Note payable with Umpqua Bank under the Paycheck Protection Program in the amount of \$1,770,600, dated April 21, 2020. The interest rate is 1.00% per annum and matures October 21, 2022. The note has a ten-month deferment on payments beginning from the end of the 24-week initial covered period. The payments become due after the deferment and are based on an 18 month amortization term. The repayment on the note and any forgiveness is subject to the Coronavirus Aid, Relief and Economic Security Act (CARES Act). On August 30, 2021, \$1,579,848 of principal was forgiven. The remaining principal balance of \$190,752 was repaid on October 21, 2021.	-	1,770,600
Note payable with Umpqua Bank in the amount of \$2,400,000, dated June 14, 2022. The note is payable in monthly installments of \$12,611, including interest at 3.90% per annum and matures June 14, 2032, and includes a balloon payment of \$1,722,600 on that date. The note is secured by the Garden Valley property.	2,400,000	-
Note payable with Umpqua Bank in the amount of \$1,600,000, dated June 14, 2022. The note is payable in monthly installments of \$8,408, including interest at 3.90% per annum and matures June 14, 2032, and includes a balloon payment of \$1,148,399 on that date. The note is secured by the Martha Young property.	1,600,000	-
Total long-term debt	\$ 4,067,531	\$ 2,922,169

**United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021**

Note 10 – Long-Term Debt (continued)

Maturities of long-term debt at June 30, 2022, are as follows:

June 30,	<u>Amount</u>
2023	\$ 98,978
2024	102,611
2025	107,236
2026	111,632
2027	116,209
Thereafter	<u>3,530,865</u>
Total	<u>\$ 4,067,531</u>

Note 11 – Net Assets with Donor Restrictions

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

Net assets with time/purpose restrictions:	<u>2022</u>	<u>2021</u>
Child services	\$ 159,857	\$ 225,211
Food programs	448,379	549,813
Energy services	30,842	19,177
Weatherization	6,630	-
Housing and stabilization services	878,946	769,740
Volunteer services	29,774	121,623
Facility and property	-	134,613
Administration	-	282,803
Total time/purpose restricted net assets	<u>1,554,428</u>	<u>2,102,980</u>
Net assets to be held in perpetuity:		
Beneficial interest in assets held by Community Foundation	<u>16,682</u>	<u>17,665</u>
Total net assets to be held in perpetuity	<u>16,682</u>	<u>17,665</u>
Total net assets with donor restrictions	<u>\$ 1,571,110</u>	<u>\$ 2,120,645</u>

Net Assets Restricted in Perpetuity

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

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 11 – Net Assets with Donor Restrictions (continued)

Assets released from donor restrictions

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

Purpose restrictions	<u>2022</u>	<u>2021</u>
Child services	\$ 8,593,778	\$ 8,812,931
Transportation	468,031	-
Food programs	2,377,547	2,569,577
Energy services	4,958,763	3,540,784
Weatherization	844,179	838,290
Housing and stabilization services	18,886,573	11,139,009
Property management	720,995	526,427
Volunteer services	602,997	607,955
Facility and property	134,613	920,805
Administration	1,941,160	859,216
Total net assets released from donor restrictions	<u>\$ 39,528,636</u>	<u>\$ 29,814,994</u>

Note 12 – 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 64% and 52% of total revenue, gains and other support for the years ending June 30, 2022, and 2021, respectively. The revenues funded by the State of Oregon accounted for approximately 24% and 36% of total revenue, gains and other support for the years ending June 30, 2022, and 2021, respectively.

Note 13 – 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, 2022, there were no liabilities under these agreements.

United Community Action Network
Notes to Financial Statements
June 30, 2022 and 2021

Note 14 – Donated Facilities Usage

The fair rental value of space utilized by UCAN's Head Start, Case Management, and AmeriCorps Programs and is recognized as an in-kind donation to the extent that the fair value exceeds the actual rent paid (if any) by UCAN. The revenue recognized for donated-facilities use included as contributions in the financial statements and the corresponding occupancy costs were \$116,340 and \$187,424 for the years ending June 30, 2022, and 2021, respectively.

Note 15 – Retirement Plan

UCAN maintains a retirement plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers employees who have completed at least six months of service with UCAN. Contribution expense was \$205,460 and \$188,362, for the years ended June 30, 2022 and 2021, respectively.

Note 16 – Partnership Investments

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

Note 17 – Subsequent Events

Management of UCAN has evaluated events and transactions occurring after June 30, 2022, through March 29, 2023, the date the financial statements were available to be issued, for recognition and/or disclosure in the financial statements.



| **SUPPLEMENTARY
INFORMATION**



**| ADDITIONAL REPORTS AND
SCHEDULES REQUIRED BY
UNIFORM GUIDANCE**



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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, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCAN's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UCAN's internal control. Accordingly, we do not express an opinion on the effectiveness of UCAN's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCAN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
March 29, 2023



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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

Opinion on Each Major Federal Program

We have audited United Community Action Network's (UCAN) compliance with the types of compliance requirements identified as subject to audit 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, 2022. UCAN's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, UCAN 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance Section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on UCAN's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about UCAN's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
March 29, 2023

United Community Action Network
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U. S. Department of Agriculture					
Passed through Oregon Health Authority:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		Grant Agreement #169549	\$ - \$	678,717
Total AL 10.557				-	678,717
Passed through Oregon Department of Education:					
Child and Adult Care Food Program (CACFP)	10.558		Contract #1021002	-	183,314
Total AL 10.558				-	183,314
Passed through Oregon Food Bank:					
Emergency Food Assistance Program (Administrative Costs)	10.568		n/a	-	25,900
Emergency Food Assistance Program (Food Commodities) TEFAP	10.569		n/a	-	568,889
Total Food Distribution Cluster				-	594,789
Total U. S. Department of Agriculture				\$ - \$	1,456,820
U. S. Department of Housing and Urban Development					
Direct Program:					
Continuum of Care Program	14.267		OR0064L0E051912, OR0080L0E051912, OR0125L0E51909	\$ 100,974 \$	373,026
Total AL 14.267				100,974	373,026
Passed through City of Grants Pass:					
Community Development Block Grants/Entitlement Grants	14.218		n/a	-	7,714
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218		n/a	-	32,125
Total CDBG - Entitlement Grants Cluster				-	39,839
Passed through Oregon Housing and Community Services:					
Emergency Solutions Grant Program	14.231		Master Grant Agreement 2021-2023 #7016	-	152,621
COVID-19 - Emergency Solutions Grant Program CV1	14.231		Master Grant Agreement 2021-2023 #7016	-	131,776
COVID-19 - Emergency Solutions Grant Program CV2	14.231		Master Grant Agreement 2021-2023 #7016	130,443	200,931
Total AL 14.231				130,443	485,328
Home Investment Partnerships Program	14.239		Master Grant Agreement 2021-2023 #7016	-	293,807
Total AL 14.239				-	293,807
Total U. S. Department of Housing and Urban Development				\$ 231,417 \$	1,192,000
U. S. Department of the Treasury					
Passed through City of Drain:					
COVID-19 - Coronavirus Relief Fund	21.019		n/a	\$ - \$	3,274
Total AL 21.019				-	3,274
Passed through Oregon Housing and Community Services:					
COVID-19 - Emergency Rental Assistance	21.023		Contract 6192	-	13,566,819
Total AL 21.023				-	13,566,819
Passed through City of Drain:					
COVID-19 - Coronavirus State and Local Recovery Funds	21.027		n/a	-	32,445
Total AL 21.027				-	32,445
Total U. S. Department of the Treasury				\$ - \$	13,602,538
U. S. Department of Veterans Affairs					
Passed through ACCESS, Inc:					
VA Supportive Services for Veteran Families Program	64.033		Grant #19-OR-128	\$ - \$	809,616
Total AL 64.033				-	809,616
Total U. S. Department of Veterans Affairs				\$ - \$	809,616
U. S. Department of Energy					
Passed through Oregon Housing and Community Services:					
Weatherization Assistance For Low-Income Persons (DOE)	81.042		Master Grant Agreement 2021-2023 #7016	\$ - \$	192,251
Total AL 81.042				-	192,251
Weatherization Assistance For Low-Income Persons (BPA Funds)	81.XXX		Master Grant Agreement 2021-2023 #7016	-	43,746
Total AL 81.XXX				-	43,746
Total U. S. Department of Energy				\$ - \$	235,997

United Community Action Network
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
U. S. Department of Health and Human Services					
Direct Programs:					
Head Start	93.600			\$ -	\$ 3,117,694
COVID-19 - Head Start	93.600		10CH01078902-03, 10CH01078902-04, 10HE00005601C6	-	214,374
Total Head Start Cluster				-	3,332,068
Passed through Oregon Department of Consumer and Business Services:					
Special Programs for the Aging-Title IV and Title II Discretionary Projects	93.048		DCBS-1550-16	-	9,539
Total AL 93.048				-	9,539
Medicare Enrollment Assistance Program	93.071		DCBS-1730-18	-	5,366
Total AL 93.071				-	5,366
Passed through Oregon Health Authority:					
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323		Contract 168304-2	-	159,024
Total AL 93.323				-	159,024
Passed through Oregon Department of Consumer and Business Services:					
State Health Insurance Assistance Program	93.324		DCBS-1624-16	-	24,560
Total AL 93.324				-	24,560
Passed through Oregon Housing and Community Services:					
Low-Income Household Water Assistance	93.499		Master Grant Agreement 2021-2023 #7016	-	13,892
COVID-19 - Low-Income Household Water Assistance	93.499		Master Grant Agreement 2021-2023 #7016	-	64,119
Total AL 93.499				-	78,011
Passed through Oregon Department of Education:					
Promoting Safe and Stable Families	93.556		Sub Grant #21429	-	2,812
Total AL 93.556				-	2,812
Passed through Oregon Housing and Community Services:					
Temporary Assistance for Needy Families (TANF)	93.558		Master Grant Agreement 2021-2023 #7016	-	68,677
Total AL 93.558				-	68,677
COVID-19 Low-Income Home Energy Assistance	93.568		Master Grant Agreement 2021-2023 #7016	-	2,494,959
Low Income Home Energy Assistance	93.568		Master Grant Agreement 2021-2023 #7016	-	1,778,693
Total AL 93.568				-	4,273,652
Community Services Block Grant	93.569		Master Grant Agreement 2021-2023 #7016	-	339,766
COVID-19 - Community Services Block Grant	93.569		Master Grant Agreement 2021-2023 #7016	-	397,017
Total AL 93.569				-	736,783
Passed through Oregon Health Authority:					
Medical Assistance Program	93.778		Grant Agreement #159851-5	-	11,685
Total Medicaid Cluster				-	11,685
Maternal, Infant, and Early Childhood Home Visiting Program	93.870		Grant Agreement #166295	-	205,639
Total AL 93.870				-	205,639
Passed through Health Care Coalition of Southern Oregon:					
Healthy Start Initiative	93.926		Sub Award #H49MC00136-UCAN	-	192,820
Total AL 93.926				-	192,820
Passed through Oregon Health Authority:					
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Grant Agreement #159251	-	168,062
Total AL 93.959				-	168,062
Maternal and Child Health Services Block Grant to the States	93.994		Grant Agreement #169549	-	54,684
Total AL 93.994				-	54,684
Total U. S. Department of Health and Human Services				\$ -	\$ 9,323,382

United Community Action Network
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Grant/Contract Number	Passed Through to Sub-recipients	Federal Expenditures
Corporation For National and Community Service					
Direct Program:					
Retired and Senior Volunteer Program	94.002	19SRPOR003		\$ -	\$ 103,020
Total AL 94.002				-	103,020
Passed through State of Oregon Higher Education Coordinating Commission:					
AmeriCorps	94.006	20-094G		-	288,037
Total AL 94.006				-	288,037
Total Corporation For National and Community Service				\$ -	\$ 391,057
Department of Homeland Security					
Passed through United Way of America:					
Emergency Food and Shelter Program National Board Program	97.024		LRO ID: 710800-003	\$ -	\$ 30,550
COVID-19 - Emergency Food and Shelter Program National Board Program	97.024		LRO ID: 712200-012, 712200-014	-	25,440
Total AL 97.024				-	55,990
Total Department of Homeland Security				\$ -	\$ 55,990
Total Expenditures of Federal Awards				\$ 231,417	\$ 27,067,400

**United Community Action Network
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

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, 2022. 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, 2022, the Organization received food commodities totaling \$568,889 for Assistance Listings 10.569.

**United Community Action Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
#21.023	Emergency Rental Assistance
#93.568	Low Income Home Energy Assistance

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

Auditee qualified as a low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARDS FINDINGS

None