

**COMMUNITY ACTION PROGRAM OF EAST
CENTRAL OREGON**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Action Program of East Central Oregon
Pendleton, Oregon

We have audited the accompanying consolidated financial statements of Community Action Program of East Central Oregon and subsidiaries (a nonprofit organization) (the Organization or CAPECO), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CAPECO as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, CAPECO adopted a recently issued accounting standard related to the presentation of financial statements for *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 16, 2019, on our consideration of CAPECO'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 result of that testing, and not to provide an opinion on the effectiveness of CAPECO'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 CAPECO's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tri-Cities, Washington
December 16, 2019

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,839,440	\$ 2,130,101
Accounts Receivables - net of allowance of \$ 6,749 and \$ 0 respectively	1,100,071	700,813
Employee Advances	142	400
Inventory	112,600	90,270
Prepaid Expenses	100,099	61,518
Total Current Assets	3,152,352	2,983,102
PROPERTY, BUILDINGS, AND EQUIPMENT		
Building	5,264,049	5,263,970
Equipment	314,516	369,013
Automotive	981,770	879,269
Furniture	219,764	220,590
Grounds Improvements	250,825	250,825
Total	7,030,924	6,983,667
Less: Accumulated Depreciation	(5,300,884)	(5,113,826)
Total	1,730,040	1,869,841
Land	298,380	298,380
Total Property, Buildings, and Equipment	2,028,420	2,168,221
OTHER ASSETS		
Intangible Assets, Net of Amortization of \$23,109 and \$22,829, Respectively	3,901	4,181
Housing Security Deposits	332	332
Total Other Assets	4,233	4,513
Total Assets	\$ 5,185,005	\$ 5,155,836

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018**

LIABILITIES AND NET ASSETS	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 123,857	\$ 348,204
Accrued Payroll	171,147	159,960
Accrued Payroll Taxes	10,095	15,393
Accrued Benefits	42,279	58,629
Deferred Revenue	14,563	-
Tenant Security Deposits	33,976	35,917
Prepaid Tenant Rent - Deferred Revenue	212	24
Protected Payee Liability	259,801	215,118
Current Maturities of Long-Term Debt	38,174	36,869
Total Current Liabilities	<u>694,104</u>	<u>870,114</u>
LONG-TERM DEBT , Less Current Maturities and Unamortized Debt Issuance Costs	<u>709,257</u>	<u>746,209</u>
Total Liabilities	<u>1,403,361</u>	<u>1,616,323</u>
NET ASSETS		
Without Donor Restrictions	3,569,292	3,340,881
Without Donor Restrictions-Board Designated	24,534	24,409
Total Net Assets - Without Donor Restrictions	<u>3,593,826</u>	<u>3,365,290</u>
With Donor Restrictions	<u>187,818</u>	<u>174,223</u>
Total Net Assets	<u>3,781,644</u>	<u>3,539,513</u>
Total Liabilities and Net Assets	<u><u>\$ 5,185,005</u></u>	<u><u>\$ 5,155,836</u></u>

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND SUPPORT			
Revenue, Program	\$ 5,577,313	\$ 48,325	\$ 5,625,638
Revenue, Administration	360,030	-	360,030
Food Commodities	1,129,506	-	1,129,506
Housing Project Income	566,643	-	566,643
Interest Income	456	-	456
Reimbursed Expenses	147,425	-	147,425
Contributions and Fundraising Income	237,571	8,965	246,536
Gain on Disposal of Fixed Asset	14,530	-	14,530
Miscellaneous Income	4,369	-	4,369
Total	<u>8,037,843</u>	<u>57,290</u>	<u>8,095,133</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>43,695</u>	<u>(43,695)</u>	<u>-</u>
Total Revenue, Gains, and Support	8,081,538	13,595	8,095,133
EXPENSES			
Program Services	7,251,676	-	7,251,676
Supporting Services	601,326	-	601,326
Total Expenses	<u>7,853,002</u>	<u>-</u>	<u>7,853,002</u>
CHANGES IN NET ASSETS	228,536	13,595	242,131
Net Assets - Beginning of Year	<u>3,365,290</u>	<u>174,223</u>	<u>3,539,513</u>
NET ASSETS - END OF YEAR	<u>\$ 3,593,826</u>	<u>\$ 187,818</u>	<u>\$ 3,781,644</u>

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND SUPPORT			
Revenue, Program	\$ 5,192,942	\$ 9,750	\$ 5,202,692
Revenue, Administration	367,884	-	367,884
Food Commodities	1,131,965	-	1,131,965
Housing Project Income	567,376	-	567,376
Interest Income	296	-	296
Reimbursed Expenses	145,544	-	145,544
Contributions and Fundraising Income	236,707	11,717	248,424
Miscellaneous Income	114,073	4,566	118,639
Total	<u>7,756,787</u>	<u>26,033</u>	<u>7,782,820</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>90,149</u>	<u>(90,149)</u>	<u>-</u>
Total Revenue, Gains, and Support	7,846,936	(64,116)	7,782,820
EXPENSES			
Program Services	7,183,804	-	7,183,804
Supporting Services	505,833	-	505,833
Total Expenses	<u>7,689,637</u>	<u>-</u>	<u>7,689,637</u>
CHANGES IN NET ASSETS	157,299	(64,116)	93,183
Net Assets - Beginning of Year	<u>3,207,991</u>	<u>238,339</u>	<u>3,446,330</u>
NET ASSETS - END OF YEAR	<u>\$ 3,365,290</u>	<u>\$ 174,223</u>	<u>\$ 3,539,513</u>

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services					Supporting Services			Total
	Energy and Weatherization	Food and Nutrition	Housing Stability	Independent Support Services	Housing Projects	Total Program	Administrative and Agency	Fundraising	
EXPENSES									
Payroll, Payroll Taxes, and Benefits	\$ 484,174	\$ 447,806	\$ 754,708	\$ 529,963	\$ 92,741	\$ 2,309,392	\$ 358,901	\$ -	\$ 2,668,293
Direct Client Costs	1,465,392	32,746	548,652	33,127	-	2,079,917	-	-	2,079,917
Commodities Dispensed	-	1,267,782	-	90,207	-	1,357,989	-	-	1,357,989
Material Costs	179,070	-	-	-	-	179,070	-	-	179,070
Contracted Services	10,179	124,720	78,737	54,626	72,368	340,630	165,214	11,000	516,844
Tools and Equipment	12,354	5,567	17,121	13,639	-	48,681	2,542	-	51,223
Travel and Transportation	20,889	32,682	30,215	43,984	6,032	133,802	6,523	-	140,325
Occupancy	9,788	22,434	4,075	4,789	-	41,086	515	-	41,601
Utilities	14,006	29,024	10,528	11,506	99,594	164,658	6,719	-	171,377
Depreciation and Amortization	11,431	3,745	3,680	15,309	186,303	220,468	1,848	-	222,316
Office Supplies	17,257	23,396	23,431	24,583	2,433	91,100	14,279	927	106,306
Maintenance and Repair	518	1,643	1,836	432	118,415	122,844	268	-	123,112
Insurance	6,451	8,448	8,255	10,431	17,747	51,332	10,738	-	62,070
Interest	-	-	-	-	31,800	31,800	-	-	31,800
Postage and Delivery	3,238	1,664	1,319	5,278	385	11,884	1,659	3	13,546
Dues and Subscriptions	2,745	3,519	3,009	4,817	-	14,090	11,875	-	25,965
Advertising	151	635	2,537	945	3,323	7,591	1,533	-	9,124
Bad Debt Expense	-	-	-	-	3,921	3,921	6,749	-	10,670
Miscellaneous Expense	-	-	-	-	41,421	41,421	33	-	41,454
Total Expenses	\$ 2,237,643	\$ 2,005,811	\$ 1,488,103	\$ 843,636	\$ 676,483	\$ 7,251,676	\$ 589,396	\$ 11,930	\$ 7,853,002

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services					Supporting Services			Total
	Energy and Weatherization	Food and Nutrition	Housing Stability	Independent Support Services	Housing Projects	Total Program	Administrative and Agency	Fundraising	
EXPENSES									
Payroll, Payroll Taxes, and Benefits	\$ 443,130	\$ 322,223	\$ 446,594	\$ 817,750	\$ 111,681	\$ 2,141,378	\$ 346,010	\$ 949	\$ 2,488,337
Direct Client Costs	1,551,208	63,184	13,240	775,758	-	2,403,390	-	-	2,403,390
Commodities Dispensed	-	1,318,323	58,928	33,703	-	1,410,954	-	-	1,410,954
Material Costs	128,957	-	-	-	-	128,957	-	-	128,957
Contracted Services	8,925	25,974	21,927	26,935	69,392	153,153	51,864	7	205,024
Tools and Equipment	13,039	9,830	7,494	5,628	-	35,991	35,516	-	71,507
Travel and Transportation	25,564	20,767	34,002	34,507	4,774	119,614	12,283	13	131,910
Occupancy	10,534	22,673	3,358	5,397	-	41,962	284	813	43,059
Utilities	15,671	25,051	13,153	14,115	89,452	157,442	6,245	8	163,695
Depreciation and Amortization	12,807	8,693	15,619	8,018	190,214	235,351	9,852	25	245,228
Office Supplies	18,315	11,882	9,263	20,599	6,488	66,547	10,499	1,573	78,619
Maintenance and Repair	1,913	4,571	1,907	2,035	116,853	127,279	839	2	128,120
Insurance	6,053	7,481	15,412	9,829	16,484	55,259	5,135	2	60,396
Interest	-	-	-	-	32,694	32,694	-	-	32,694
Postage and Delivery	1,964	485	4,509	1,395	584	8,937	1,178	-	10,115
Dues and Subscriptions	4,271	3,537	3,149	3,078	-	14,035	14,993	-	29,028
Advertising	1,306	365	446	668	1,861	4,646	505	-	5,151
Bad Debt Expense	-	-	-	-	3,593	3,593	-	-	3,593
Miscellaneous Expense	405	-	542	-	41,675	42,622	7,238	-	49,860
Total Expenses	\$ 2,244,062	\$ 1,845,039	\$ 649,543	\$ 1,759,415	\$ 685,745	\$ 7,183,804	\$ 502,441	\$ 3,392	\$ 7,689,637

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grants and Program Services	\$ 7,708,102	\$ 7,779,678
Cash Paid to Suppliers and Employees	(7,841,005)	(7,417,888)
Interest Received	456	296
Interest Paid	(30,547)	(31,729)
Net Cash Provided (Used) by Operating Activities	(162,994)	330,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Buildings, and Equipment	(90,767)	(38,949)
Net Cash Used by Investing Activities	(90,767)	(38,949)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(36,900)	(35,603)
Net Cash Used by Financing Activities	(36,900)	(35,603)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (290,661)	 255,805
Cash and Cash Equivalents - Beginning of Year	2,130,101	1,874,296
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$ 1,839,440	 \$ 2,130,101
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 242,131	\$ 93,183
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	222,316	245,228
Amortization of Debt Issuance Costs	1,253	965
Bad Debt Expense	10,670	3,593
Gain on Sale of Capital Asset	(14,530)	-
(Increase) Decrease in Assets:		
Accounts Receivable	(386,866)	(14,094)
Employee Advances Receivable	258	500
Inventory	(22,330)	40,868
Prepaid Expenses	(38,581)	33,709
Other Related Party Receivable	-	3,562
Increase (Decrease) in Liabilities:		
Accounts Payable	(224,347)	(22,502)
Accrued Payroll	11,187	3,317
Accrued Payroll Taxes	(5,298)	7,182
Accrued Benefits	(16,350)	(7,940)
Accrued Property Management Fees	-	(32)
Deferred Revenue	14,563	-
Tenant Security Deposits	(1,941)	(811)
Prepaid Tenant Rent - Deferred Revenue	188	(213)
Protected Payee Liability	44,683	(56,158)
Total Adjustments	(405,125)	237,174
Net Cash Provided (Used) by Operating Activities	\$ (162,994)	\$ 330,357
 NON-CASH INVESTING ACTIVITIES		
Proceeds from Disposal of Capital Asset in Accounts Receivable	\$ 23,062	\$ -

See accompanying Notes to Consolidated Financial Statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Action Program of East Central Oregon (the Organization or CAPECO) is a private, nonprofit organization, which was incorporated in 1987. CAPECO was organized to coordinate the resources and agencies, both public and private, of Umatilla, Morrow, Wheeler, and Gilliam Counties of Oregon, and adjacent counties upon request, for the purpose of alleviating poverty and resolving other socio economic problems existing or occurring within the area. CAPECO's principal programs consist of antipoverty programs, emergency food services, employment and training, youth employment, low-income energy assistance, and residential weatherization.

Morrow Estates, Inc. (MEI) is an affordable housing organization. MEI was originally established under section 42 of the Internal Revenue Code (IRC), but since has been reorganized as an entity 100% controlled by CAPECO.

Applewood Village Limited Partnership (Partnership) was originally established under section 42 of the Internal Revenue Code (IRC). The Partnership terminated on December 31, 2014, and all remaining assets were transferred to Applewood Village Renewal, LLC upon termination. CAPECO is the sole member of AVR.

CAPECO is the general partner in Irrigon Farm Labor Housing Project. The project was established as an US Department of Agriculture Rural Development (formally known as Farmers Home Administration) Rural Economic and Community Development (RECD) for the sole purpose to provide farmworker housing.

All assets and equity of MEI, AVR, and Irrigon Farm Labor Housing Project will be consolidated for financial statement purposes.

Basis of Presentation

CAPECO accounts for contributions in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities Presentation of Financial Statements* (Topic 958). In accordance with Topic 958, contributions received are recorded as *Net Assets Without Donor Restrictions* or *Net Assets With Donor Restrictions*, depending upon the existence and/or nature of any donor restrictions.

CAPECO presents its consolidated financial statements in accordance with the provisions of Topic 958. Under Topic 958, the Organization is required to report information regarding its financial position and activities in two classes of *Net Assets Without Donor Restrictions* or *Net Assets With Donor Restrictions*.

Allocation of supporting service and functional expenditures — the cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses. Accordingly, costs that benefit more than one program or activity have been allocated among the programs and supporting services. Occupancy costs are allocated based on square footage, indirect costs of administrative overhead are allocated based upon the relationship of various direct costs related to each program.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

CAPECO's policy is to allocate the indirect expenses of administrative overhead (Supporting Services) to certain programs based upon the relationship of various direct costs related to each program. Certain other general programs do not receive an allocation of Supporting Services' expenses because administrative expenses are unallowed or administrative employees of CAPECO are infrequently associated with these programs.

Basis of Accounting

The consolidated financial statements of CAPECO have been prepared on the accrual basis of accounting.

Revenue Recognition

CAPECO records as support, at fair value, grants and contributions received unconditionally, including pledges, certain contributed services, and gifts of long lived and other assets. Pledges that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered to be without donor restrictions unless specifically restricted by the donor.

Principles of Consolidation

The consolidated financial statements include the accounts of CAPECO, MER, and AVR (hereinafter called CAPECO). All material intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

CAPECO considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivables

Accounts receivables are carried at the original invoice amount and are written off to expense in the period in which they are determined to be uncollectible. Management determines the uncollectibility of accounts by regularly evaluating receivables and considering a customer's financial condition, credit history, and current economic conditions. Recoveries of accounts receivables previously written off are recorded when received. As of June 30, 2019 and 2018, accounts receivable allowance was \$6,749 and \$-0-, respectively.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to CAPECO that is, in substance, without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets - without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets - with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets - with donor restrictions are reclassified to net assets - without donor restrictions.

Property, Buildings, and Equipment

CAPECO capitalizes expenditures for property, buildings, and equipment with a purchase cost of \$5,000 or more. Purchased property, buildings, and equipment are carried at cost. Donated property, buildings, and equipment are carried at the approximate fair value at the date of donation, and are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The cost of fixed assets, including capitalized leases, is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method.

Assets purchased with grantor funds remain the property of the grantor at the close of the grant contract. CAPECO has use of computers and other equipment provided for use as training tools by federal grants passed through the Oregon Housing and Community Services. The appropriate funding agency retains all rights and title to the equipment. The amount of equipment purchased through these programs for the fiscal years ended June 30, 2019 and 2018, was \$-0- and \$39,059, respectively. Equipment purchased through these programs is recorded as fixed assets. As the assets are not considered depreciating assets due to being purchased with grantor funds, the related accumulated depreciation is booked at the time of capitalization to reflect the assets as nondepreciating.

Intangible Assets

Intangible assets consist of organizational costs and tax credit fees. Intangible assets are stated at cost and amortized over the life of the asset.

Debt Issuance Costs

Debt issuance costs relate to financing costs that CAPECO incurred. Total costs were \$37,595 and are being amortized on a straight-line basis over the life of the debt which approximates the effective interest method. At June 30, 2019 and 2018, debt issuance costs are shown net of accumulated amortization of \$17,639 and \$18,892, respectively, as a contra-liability to long-term debt. Amortization expense for the years ended June 30, 2019 and 2018, was \$2,736 and \$965, respectively and is included in interest expense.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

CAPECO reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Further, CAPECO reports contributions received as without donor restrictions or with donor restrictions support depending upon the existence or nature of any donor-imposed restrictions. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations but are controlled by the board.

Without Donor Restrictions – Board Designated – Net assets that are not subject to donor-imposed stipulations but are designated by the board to be set aside for future expenditures.

	2019	2018
Deaf Access	\$ 1,498	\$ 1,491
Energy Designated	6,286	6,254
CAPECO Foundation	3,594	3,575
Hispanic Youth	1,408	1,401
Hunger Designated	4,139	4,118
Self Sufficiency	258	256
Youth Designated	7,351	7,314
Total Net Assets Without Donor Restrictions - Board Designated	\$ 24,534	\$ 24,409

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CAPECO and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. As of June 30, 2019 and 2018, CAPECO had net assets with donor restrictions as follows:

	2019	2018
CSFP	\$ 8,530	\$ 20,852
FDPIR	9,873	8,160
TEFAP	69,606	22,993
Economic Development Program	-	3,866
Back Pack Program	5,318	-
Girls Circle Program	-	80
Nutrition Program	89,833	107,360
Umatilla County Youth/OYCC	-	1,430
Independent Living Program	3,043	2,043
Employee Morale Fund	1,615	-
Youth House	-	7,439
Total	\$ 187,818	\$ 174,223

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the years ended June 30:

	2019	2018
CSFP	\$ 12,321	\$ 5,530
FDPIR	-	8,102
TEFAP	-	46,700
Economic Development Program	3,866	-
Back Pack Program	328	8,553
Girls Circle Program	80	-
Nutrition Program	18,231	15,055
Umatilla County Youth OYCC	1,430	-
Youth House	7,439	2,343
	\$ 43,695	\$ 86,283

Donated Materials and Services

CAPECO records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying consolidated statements at their estimated fair values at the date of receipt. No amounts have been reflected in the consolidated financial statements for donated services. CAPECO generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist CAPECO with specific assistance programs, campaign solicitations, and various committee assignments and these services do not meet the requirement to be recorded as donated services in the consolidated financial statements.

Inventory

Inventory of food is stated at the lower of cost (first-in, first-out) or net realizable value.

Protected Payee Program

CAPECO holds funds on behalf of protected payee clients. The intent of the account is to provide security and administrative support for individuals unable to account for their own financial affairs. These clients have individually managed bank accounts. At June 30, 2019 and 2018, \$259,801 and \$215,118, respectively, were included in cash and current liabilities related to the protected payee program.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

CAPECO is incorporated under the Nonprofit Corporation Act of the state of Oregon and is operated as a nonprofit organization exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC).

Under provisions of Section 501(c)(3) of the IRC, CAPECO is exempt from federal income taxes, except for net income from unrelated business activities. As of June 30, 2019 and 2018, CAPECO had no unrelated business activities subject to federal income tax.

Management has evaluated CAPECO's tax positions and concluded that CAPECO has not taken any uncertain tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Changes in Accounting Principles

CAPECO has adopted the accounting guidance in the FASB issued Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. CAPECO has elected to adopt this change in accounting principle as of July 1, 2018. The ASU has been applied retrospectively to all periods presented.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amended guidance clarifies the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods.

The standard will be effective for CAPECO for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the CAPECO's consolidated financial statements.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In February 2016, FASB issued ASU No. 2016-02 *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020. Management will be evaluating the effects of this new standard.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958). This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities—Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. For contributions received, ASU No. 2018-08 is effective for resource recipients for fiscal years beginning after December 15, 2018. Management will be evaluating the effects of this new standard.

Subsequent Events

Subsequent events have been evaluated through December 16, 2019, which is the date the consolidated financial statements were available to be issued.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 LIQUIDITY AND RESERVES

Board Designated Funds - occasionally the CAPECO Board designates a portion of any operating surplus to these funds, to be drawn upon systematically based on a formula documented in board policy.

In the event of an unanticipated liquidity need, CAPECO also could draw upon these board-designated funds.

Property Reserves and Tenant Deposits – Property Reserves are funds that have been designated by the CPAECO board or funds for contractual obligations in which a portion of operating surplus is transferred to a Property Reserves account for future significant maintenance of the building. Tenant Deposits are funds held in trust for tenants.

Donor Restricted - funds received which are with donor restrictions. These funds are set aside until such time as they are released from donor restrictions, by incurring expenses satisfying the purpose or the passage of time.

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets at June 30:	2019	2018
Cash and Cash Equivalents, Accounts Receivables and Employee Advance	\$ 2,939,653	\$ 2,831,314
Less those unavailable for general expenditures within one year		
Board Designated Funds	24,534	24,409
Property Reserves and Tenant Deposits	507,876	482,690
Donor Restricted	187,818	174,223
Subtotal	720,228	681,322
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,219,425	\$ 2,149,992

NOTE 3 INTANGIBLE ASSETS

Intangible assets consisted of the following as of June 30:

	2019	2018
Tax Credit Fees	\$ 18,524	\$ 18,524
Other	8,486	8,486
Total Intangible Assets	27,010	27,010
Less: Accumulated Amortization	(23,109)	(22,829)
Total Intangible Assets, Net	\$ 3,901	\$ 4,181

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 INTANGIBLE ASSETS (CONTINUED)

Estimated amortization for intangible assets for the succeeding years is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 280
2021	280
2022	280
2023	280
2024	280
Thereafter	2,501
Total	<u>\$ 3,901</u>

NOTE 4 LONG-TERM DEBT

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

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note Payable to Farm Home Administration at \$688 per month, including interest at 1% through June 2028; collateralized by the Irrigon Housing Project	\$ 67,273	\$ 74,818
Note Payable to Bank of Eastern Oregon at \$2,319 per month, including interest at 4% through June 2031; collateralized by the Morrow Estates Housing Project	419,231	430,901
Note Payable to Network for Oregon Affordable Housing at \$2,538 per month, including interest at 4.43% through March 2031; collateralized by the Applewood Village Housing Project	278,566	296,251
Total Long-Term Debt	<u>765,070</u>	<u>801,970</u>
Less: Current Maturities	38,174	36,869
Less: Unamortized Debt Issuance Costs	17,639	18,892
Total Long-Term Debt, Net	<u>\$ 709,257</u>	<u>\$ 746,209</u>

Principal maturities of long-term debt for the succeeding years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 38,174
2021	39,625
2022	41,063
2023	43,135
2024	45,087
Thereafter	557,986
Total	<u>\$ 765,070</u>

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 EMPLOYEE BENEFIT PLAN

CAPECO established a defined contribution retirement plan under section 401(a) of the IRC that was effective through December 31, 1997. Beginning January 1, 1998, CAPECO established a retirement plan under Section 403(b) of the IRC that was effective through January 30, 2009. Beginning February 17, 2009, CAPECO established a retirement plan under Section 401(k) of the IRC. All employees who have worked a minimum of 1,000 hours and have 12 months of service are eligible to be participants in the plan. During the years ended June 30, 2019 and 2018, CAPECO's contribution rate was 6% for both years and the total amount contributed was \$76,881 and \$79,732, respectively.

NOTE 6 COMMITMENTS AND CONTINGENCIES

CAPECO participates in federal and state assisted programs. These programs are subject to program compliance requirements which, if not met, could result in the disallowance of costs. At June 30, 2019 and 2018, CAPECO believes that any costs, which may be disallowed, would be immaterial.

NOTE 7 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject CAPECO to credit risk consist of cash and cash equivalents. CAPECO maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. CAPECO has not experienced any losses on such accounts. CAPECO believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

CAPECO is highly dependent on federal and state funding and, thus, CAPECO is subject to federal budgetary cuts and measures. The impact of such federal budgetary cuts and measures is undetermined at this time.

NOTE 8 OPERATING LEASES

CAPECO leases various facility and office space in east central Oregon under operating lease agreements. The leases expire at various times through September 30, 2021.

A summary of future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 40,144
2021	16,425
Total	<u>\$ 56,569</u>

Total rent expense for the years ended June 30, 2019 and 2018, was \$41,601 and \$43,059, respectively.



**INDEPENDENT AUDITORS' 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**

Board of Directors
Community Action Program of East Central Oregon
Pendleton, Oregon

We have audited, 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, the consolidated financial statements of Community Action Program of East Central Oregon and subsidiaries (the Organization or CAPECO), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CAPECO'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAPECO's internal control. Accordingly, we do not express an opinion on the effectiveness of CAPECO'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

CAPECO’s Response to Findings

CAPECO’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CAPECO’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Tri-Cities, Washington
December 16, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Community Action Program of East Central Oregon
Pendleton, Oregon

Report on Compliance for Each Major Federal Program

We have audited Community Action Program of East Central Oregon and subsidiaries (CAPECO) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CAPECO's major federal programs for the year ended June 30, 2019. CAPECO's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CAPECO'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 CAPECO'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 CAPECO's compliance.

Opinion on Each Major Federal Program

In our opinion, CAPECO 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, 2019.

Report on Internal Control Over Compliance

Management of CAPECO 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 CAPECO'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 CAPECO'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 a 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002, that we consider to be a significant deficiency.

CAPECO's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CAPECO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Tri-Cities, Washington
December 16, 2019

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness (es) identified? _____ yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness (es) identified? _____ yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.515(d)(2) of the Uniform Guidance? yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.044	Aging Cluster: Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.045	Aging Cluster: Special Programs for the Aging, Title III, Part C, Nutrition Services
93.053	Aging Cluster: Special Programs for the Aging, Title III, Part C, Nutrition Services

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major Federal Programs

CFDA Number(s)

93.568

Name of Federal Program or Cluster

Low Income Home Energy Assistance
Program (LIHEAP)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001

Type of Finding:

- Significant Deficiency in Internal Control Over Financial Reporting

Condition: During our audit procedures, it was noted that various accounts were not reconciled at year-end resulting in adjustments during the course of audit fieldwork. It was also noted that various accounts were not reconciled on a timely basis during the year. Furthermore, it was noted that the Schedule of Financial Assistance (SEFA) did not agree to the underlying accounting records.

Criteria: Management is responsible for establishing and maintaining a system of internal control for the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Context: An adjusting journal entry, totaling \$24,534, was posted to record the a cash account held at Umpqua Bank and an adjusting journal entry, totaling \$14,131, was posted to properly record accounts receivable at year end. Various journal entries were posted to properly record account transactions due to the lack of timely reconciliations during the year including two uncorrected misstatements. Furthermore, we noted that the SEFA didn't reconcile back to accounting records which resulted in an adjusting journal entry of \$15,858.

Effect: The lack of controls in place over reconciling accounts increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected and could also lead to incorrect reporting of federal funds.

Cause: No formal reconciliation process in place resulted in account misstatements and internal controls failed over accurate preparation of the SEFA.

Repeat Finding: Yes.

Recommendation: We recommend that management establish procedures and internal controls to ensure accounts are reviewed and reconciled on a monthly basis and recommends that the SEFA is reconciled to the accounting records.

Views of responsible officials: There is no disagreement with the audit finding.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section III – Federal Award Findings and Questioned Costs

2019 – 002

Federal agency: U.S. Department of Health and Human Services

Federal program: Low Income Home Energy Assistance (LIHEAP)

CFDA Number: 93.568

Pass-Through Agency: Oregon Housing and Community Services

Pass-Through Number(s): 4220

Award Period: 10/1/2017-9/30/2019, 10/1/2018-9/30/2020

Type of Finding:

- Significant Deficiency in Internal Control Over Compliance – Cash Management

Condition: No documentation was maintained to support that an independent review and/or approval of reimbursement requests or reports occurred prior to submission of these reports.

Criteria: Submitted reimbursement request or reports should be formally reviewed and approved prior to submission.

Context: During our testing of cash management, we noted that the Organization did not maintain documentation to support that an independent review and/or approval of reimbursement requests or reports occurred prior to submission of these reports. A total of eight reimbursement requests were tested and three didn't contain a formal independent review or approval.

Effect: Submitted reimbursement requests or reports may contain errors as there is no formal review.

Cause: Internal controls to ensure proper review and approval failed.

Repeat Finding: No.

Recommendation: We recommend management implement procedures to ensure that reimbursement requests and reports submitted are reviewed and approved prior to submission. We recommend that this review and approval is formally documented by the reviewer's initials and date.

Views of responsible officials: There is no disagreement with the audit finding.

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements / Expenditures
U.S. Department of Labor			
Passed Through Eastern Oregon Workforce Investment Board:			
Adult	17.258	002-16/17	\$ 166,945
Youth	17.259	002-16/17	134,553
High Concentration of Eligible Youth	17.259	002-16/17	11,262
Total CFDA 17.259			<u>145,815</u>
Dislocated Worker	17.278	002-16/17	208,031
Hermiston Foods (Additional Assistance)	17.278	002-16/17	62,355
Sykes (Rapid Response)	17.278	002-16/17	7,874
Sykes (Additional Assistance)	17.278	002-16/17	950
Total CFDA 17.278			<u>279,210</u>
Total WIOA Cluster			<u>591,970</u>
Total U.S. Department of Labor			<u>591,970</u>
U.S. Department of Health and Human Services			
Passed Through Oregon Seniors and Persons with Disability Division:			
Title III B	93.044	148982	160,303
Title C1	93.045	148982	264,424
Title C2	93.045	148982	137,624
Total CFDA 93.045			<u>402,048</u>
USDA/NSIP	93.053	148982	83,179
Total Aging Cluster			<u>645,530</u>
Title III D	93.043	148982	3,408
Title III E	93.052	148982	52,919
Title VII-B	93.401	148982	7,833
Total U.S. Department of Health and Human Services			<u>709,690</u>
Passed Through Oregon Housing and Community Services:			
Temporary Assistance for Needy Families (HSP)	93.558	4220	40,448
Passed Through Eastern Oregon Workforce Investment Board:			
Temporary Assistance for Needy Families	93.558	18-089A	12,584
Passed Through Administration for Children and Families:			
CAF Self Sufficiency	93.558	148786	44,437
Total CFDA 93.558			<u>97,469</u>
Total TANF Cluster			<u>97,469</u>
Passed Through Oregon Housing and Community Services:			
Low Income Home Energy Assistance Program	93.568	4220	1,669,424
Community Services Block Grant	93.569	4220	138,972
Passed Through Administration for Children and Families:			
Child Welfare	93.658	149010	42,467
Passed Through Community Connection of Northwest Oregon:			
No Wrong Door	93.778	93-0575647	55,944
Total U.S. Department of Health and Human Services			<u>2,713,966</u>

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements / Expenditures
U.S. Department of Agriculture			
Passed Through Oregon Food Bank:			
Community Supplemental Food Program	10.565	CAPECO-OFT-PDO	25,584
Commodities	10.565	CAPECO-OFT-PDO	85,775
Total CFDA 10.565			<u>111,359</u>
The Emergency Food Assistance Program	10.568	CAPECO-OFT-PDO	25,585
Commodities	10.569	CAPECO-OFT-PDO	369,904
Total Food Distribution Cluster			<u>506,848</u>
Passed Through Confederated Tribes Umatilla County Indian Reservation:			
Food Distribution Program Indian Reservation	10.567	251-015	112,775
Commodities	10.567	251-015	64,293
Total CFDA 10.567			<u>177,068</u>
Total U.S. Department of Agriculture			<u>683,916</u>
U.S. Department of Housing and Urban Development			
Supportive Housing Program/Continuum of Care Homeless Assistance Programs (TH)			
	14.235		114,846
Supportive Housing Program/Continuum of Care Homeless Assistance Programs (PSH)			
	14.235		29,438
Total CFDA 14.235			<u>144,284</u>
Passed Through Oregon Housing and Community Services:			
Emergency Shelter Grant Program	14.231	4220	25,881
Home Tenant Based Assistance	14.239	4220	49,824
Total U.S. Department of Housing and Urban Development			<u>219,989</u>
U.S. Department of Energy			
Passed Through Oregon Housing and Community Services:			
Bonneville Power Administration	81.xxx	4220	75,063
U.S. Department of Energy	81.042	4220	133,310
Total U.S. Department of Energy			<u>208,373</u>
Total Consolidated Federal Awards			<u>\$ 4,418,214</u>

**COMMUNITY ACTION PROGRAM OF EAST CENTRAL OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of CAPECO under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 CAPECO, it is not intended to, and does not, present the consolidated financial position, changes in net assets, or cash flows of CAPECO.

CAPECO does not have subrecipients.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

CAPECO has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.