

**YAMHILL COMMUNITY ACTION
PARTNERSHIP**

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

**YEAR ENDED JUNE 30, 2017
With Comparative Totals for 2016**

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YAMHILL COMMUNITY ACTION PARTNERSHIP

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INDEPENDENT AUDITOR'S REPORT

January 22, 2018

Board of Directors
Yamhill Community Action Partnership
McMinnville, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Yamhill Community Action Partnership, which comprise the statements of financial position as of June 30, 2017 and the related statements of activities and changes in net assets, functional revenues and expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

January 22, 2018
Yamhill Community Action Partnership
Board of Directors

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yamhill Community Action Partnership as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, unrestricted and temporarily restricted net assets for the year ended June 30, 2016 have been reclassified to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Yamhill Community Action Partnership's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

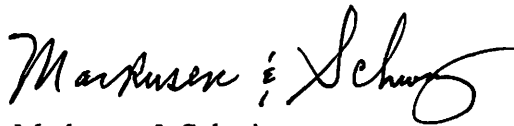
Report of Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements of Yamhill Community Action Partnership taken as a whole. The accompanying Audited Supplemental Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

January 22, 2018
Yamhill Community Action Partnership
Board of Directors

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018 on our consideration of Yamhill Community Action Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yamhill Community Action Partnership's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Markusen & Schwing". The signature is written in black ink and is positioned above the printed name.

Markusen & Schwing

YAMHILL COMMUNITY ACTION PARTNERSHIP
STATEMENT OF FINANCIAL POSITION
June 30, 2017 with Comparative Totals as of June 30, 2016

ASSETS

Current Assets:	<u>2017</u>	<u>2016</u>
Cash	\$ 619,126	\$ 452,102
Cash - restricted for unemployment coverage	47,677	37,734
Grants and contracts receivable	305,200	236,391
Accounts receivable	34,105	28,042
Pledges receivable - capital campaign	-	940
Prepaid expenses	10,766	19,165
Inventory - food inventory	160,613	195,332
Total current assets	<u>1,177,487</u>	<u>969,706</u>
Property, Facilities and Equipment, net of accumulated depreciation	<u>3,193,391</u>	<u>3,499,434</u>
Restricted Deposits and Funded Reserves	<u>100,001</u>	<u>95,269</u>
 Total Assets	 <u>\$ 4,470,879</u>	 <u>\$ 4,564,409</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current portion of long-term debt	\$ 32,598	\$ 29,173
Accounts payable	82,485	86,835
Accrued payroll and related costs	89,875	77,925
Accrued vacation pay	49,085	47,075
Accrued interest payable	1,120	1,679
Other current liabilities	955	1,077
Deferred revenue	25,154	42,109
Total current liabilities	<u>281,272</u>	<u>285,873</u>
Deposit Liabilities - Tenant security deposits	<u>13,660</u>	<u>12,970</u>
Long-Term Debt, less current portion	<u>318,538</u>	<u>352,946</u>
Total Liabilities	<u>613,470</u>	<u>651,789</u>
Net Assets		
Unrestricted	3,551,897	3,503,631
Temporarily restricted	305,512	408,989
Total net assets	<u>3,857,409</u>	<u>3,912,620</u>
Total Liabilities and Net Assets	<u>\$ 4,470,879</u>	<u>\$ 4,564,409</u>

YAMHILL COMMUNITY ACTION PARTNERSHIP
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2017 with Comparative Totals for the year ended June 30, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Totals	Totals
Revenues and Other Support				
Grants and contracts	\$ 3,127,804	\$ 14,782	\$ 3,142,586	\$ 2,805,118
Contributions	351,338	54,037	405,375	416,487
Program revenue	401,071	9,897	410,968	334,036
In-kind donations	2,393,818	160,613	2,554,431	1,875,533
Fundraising revenue	18,710	-	18,710	36,578
Other revenue	82,246	-	82,246	105,251
Total Revenues and Other Support	6,374,987	239,329	6,614,316	5,573,003
Net Assets Release from Restriction	342,806	(342,806)	-	-
Total Revenues and Other Support	6,717,793	(103,477)	6,614,316	5,573,003
Expenses				
Program Services				
Community development	25,468	-	25,468	14,441
Energy assistance and weatherization	1,451,286	-	1,451,286	1,425,106
Food	2,929,454	-	2,929,454	2,117,850
Client services and shelters	944,965	-	944,965	670,380
Camellia Court housing project	212,569	-	212,569	220,131
Youth	520,803	-	520,803	475,088
Total Program Services	6,084,545	-	6,084,545	4,922,996
Supporting Services				
Fund development and fundraising	103,545	-	103,545	149,797
General and administrative	481,437	-	481,437	486,828
Total Supporting Services	584,982	-	584,982	636,625
Total Expenses	6,669,527	-	6,669,527	5,559,621
Change in Net Assets	48,266	(103,477)	(55,211)	13,382
Net Assets, Beginning of Year	3,503,631	408,989	3,912,620	3,899,238
Net Assets, End of Year	\$ 3,551,897	\$ 305,512	\$ 3,857,409	\$ 3,912,620

YAMHILL COMMUNITY ACTION PARTNERSHIP
STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES
Year Ended June 30, 2017 with Comparative Totals for the year ended June 30, 2016

	<u>Community Development</u>	<u>Energy and Weatherization</u>	<u>Food</u>	<u>Client Services and Shelters</u>
Revenue and Other Support				
Grants and contracts	\$ 28,957	\$ 1,423,519	\$ 152,077	\$ 1,024,993
Contributions	-	2,503	181,697	33,900
Program revenue	-	-	184,498	13,646
In-kind donations	-	107,887	2,427,512	6,590
Fundraising revenue	-	-	1,850	-
Other revenue	-	61,944	4,947	9,114
Total Revenue and Other Support	<u>28,957</u>	<u>1,595,853</u>	<u>2,952,581</u>	<u>1,088,243</u>
Expenses				
Personnel	24,905	362,149	231,571	315,464
Contracted services	-	2,466	3,822	56,697
Weatherization installation	-	210,262	-	-
Client assistance	-	715,827	5,309	442,568
In-kind	-	107,887	2,427,512	6,590
In-kind food inventory adjustment	-	-	34,719	-
Vehicle costs	-	2,991	14,086	2,927
Travel costs	13	1,875	1,510	1,724
Space and interest	-	-	1,361	46,133
Telephone	-	1,546	1,901	5,419
Supplies and publications	67	3,604	149,288	21,025
Equipment repairs and rent	-	1,353	8,409	8,449
Printing and photocopying	26	3,811	1,140	2,197
Insurance	-	3,072	2,083	3,111
Training and recruitment	241	11,030	-	6,316
Miscellaneous	216	4,596	284	842
Fundraising	-	-	1,146	-
Sub-total expenses	<u>25,468</u>	<u>1,432,469</u>	<u>2,884,141</u>	<u>919,462</u>
Depreciation				
Grant-funded	-	-	2,880	-
Agency-funded	-	18,817	42,433	25,503
Total Depreciation	<u>-</u>	<u>18,817</u>	<u>45,313</u>	<u>25,503</u>
Total Functional Expenses	<u>25,468</u>	<u>1,451,286</u>	<u>2,929,454</u>	<u>944,965</u>
General and administrative expense	<u>3,728</u>	<u>185,999</u>	<u>96,707</u>	<u>120,099</u>
Total Expenses	<u>29,196</u>	<u>1,637,285</u>	<u>3,026,161</u>	<u>1,065,064</u>
Change in Net Assets by Function	<u>\$ (239)</u>	<u>\$ (41,432)</u>	<u>\$ (73,580)</u>	<u>\$ 23,179</u>

The accompanying notes are an integral part of the financial statements.

Camellia Court Housing Project	Youth	Fund Development and Fundraising	General and Administrative	Totals 2017	Totals 2016
\$ -	\$ 511,946	\$ -	\$ 1,094	\$ 3,142,586	\$ 2,805,118
-	25,196	161,892	187	405,375	416,487
211,889	270	-	665	410,968	334,036
-	12,000	442	-	2,554,431	1,875,533
-	2,850	14,010	-	18,710	36,578
31	600	900	4,710	82,246	105,251
<u>211,920</u>	<u>552,862</u>	<u>177,244</u>	<u>6,656</u>	<u>6,614,316</u>	<u>5,573,003</u>
-	348,128	63,095	286,560	1,631,872	1,498,697
86,933	14,786	3,190	70,898	238,792	193,090
-	-	-	-	210,262	180,769
-	39,515	441	-	1,203,660	1,037,605
-	12,000	-	-	2,553,989	1,857,865
-	-	-	-	34,719	(8,162)
-	9,107	-	905	30,016	43,567
-	6,255	138	3,692	15,207	21,550
52,193	56,971	527	24,228	181,413	169,851
3,043	14,203	465	11,657	38,234	37,264
6,209	7,010	527	11,867	199,597	158,723
-	4,820	3,716	8,782	35,529	37,628
-	484	324	9,832	17,814	14,885
4,989	1,757	-	12,150	27,162	24,341
100	3,067	2,695	23,053	46,502	51,577
4,436	-	9	754	11,137	38,177
-	-	26,921	-	28,067	46,285
<u>157,903</u>	<u>518,103</u>	<u>102,048</u>	<u>464,378</u>	<u>6,503,972</u>	<u>5,403,712</u>
-	-	-	-	2,880	2,875
54,666	2,700	1,497	17,059	162,675	153,034
<u>54,666</u>	<u>2,700</u>	<u>1,497</u>	<u>17,059</u>	<u>165,555</u>	<u>155,909</u>
212,569	520,803	103,545	481,437	6,669,527	5,559,621
2,622	61,562	13,552	(484,269)	-	-
<u>215,191</u>	<u>582,365</u>	<u>117,097</u>	<u>(2,832)</u>	<u>6,669,527</u>	<u>5,559,621</u>
<u>\$ (3,271)</u>	<u>\$ (29,503)</u>	<u>\$ 60,147</u>	<u>\$ 9,488</u>	<u>\$ (55,211)</u>	<u>\$ 13,382</u>

**YAMHILL COMMUNITY ACTION PARTNERSHIP
STATEMENT OF CASH FLOWS**

Year Ended June 30, 2017 with Comparative Totals for the year ended June 30, 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (55,211)	\$ 13,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	165,555	155,909
Interest-amortized debt issuance costs	497	497
In-kind donations capitalized	-	(14,434)
Net change in operating assets and liabilities:		
Grants and contracts receivable	(68,809)	(16,112)
Accounts receivable	(6,063)	7,587
Pledges receivable	940	17,900
Prepaid expenses	8,399	(716)
Inventory	34,719	(8,718)
Accounts payable	(4,350)	1,068
Payroll and payroll taxes payable	11,950	33,921
Accrued vacation pay	2,010	15,955
Accrued interest payable	(559)	(122)
Other current liabilities	(122)	1,077
Deferred revenue	(16,955)	30,194
Deposit liability	690	
Net cash provided by operating activities	72,691	237,388
Cash flows from investing activities:		
(Increase) in cash - restricted	(9,943)	(13,694)
(Increase) in restricted deposits and funded reserves	(4,732)	(4,040)
Purchases of property, plant and equipment	(34,512)	(55,477)
Construction defect settlement received	175,000	-
Net cash provided (used) by investing activities	125,813	(73,211)
Cash flows from financing activities:		
Principal payments on long-term debt	(31,480)	(156,836)
Net cash (used) by financing activities	(31,480)	(156,836)
Net increase in cash	167,024	7,341
Cash, beginning of year	452,102	444,761
Cash, end of year	\$ 619,126	\$ 452,102
Supplemental disclosure of cash flows information:		
Cash paid during year for income taxes	\$ -	\$ -
Cash paid during year for interest charged to expense	\$ 16,339	\$ 25,007

The accompanying notes are an integral part of the financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

1. The Organization

The Yamhill Community Action Partnership (YCAP) was founded in 1980 as part of a nationwide network of social service agencies designed to help improve the lives of low-income people and strengthen communities. YCAP assists the residents of Yamhill County, diligently focusing on four primary service categories: Client Services and Housing, Energy Services, the regional Food Bank, and Youth Services.

Client Services and Housing assists hundreds of individuals and families annually with transitional shelter, stable housing search, rental assistance, emergency financial support, case management and resource referral, among other services. This includes a specialized homeless veterans program. During the year ended June 30, 2017 YCAP's Energy Services provided approximately 1,000 households with emergency utility bill support, and weatherized over 30 homes to help improve efficiency and lower energy costs. YCAP's Food Bank collected and distributed approximately 1.4 million pounds of food to over 35 partner pantries, community meal sites, public housing complexes, a senior center and four elementary schools throughout the county. Youth Services programs support young people ages 11-21 with a safe place to hang out or stay overnight, longer term housing, youth leadership and life skills training, job placement, and more.

YCAP's primary sources of revenue include federal and state grants, contracts with local, state and federal governments, fees for service, and donations from foundations, corporations, and generous individuals. A volunteer Board of Directors oversees YCAP through professional management.

YCAP's mission is to advocate for and assist persons toward self-sufficiency. YCAP's dedicated and caring staff is inspired every day by the stories of those who want a better life for themselves and their families, and we are honored to support our neighbors in need.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC). Under FASB ASC, financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets predicated on the existence of donor-imposed restrictions.

Unrestricted net assets consist of all resources of YCAP which have not been specifically restricted by a donor. Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit their use. Donor restrictions are stipulated by either a time restriction or a purpose restriction. Upon expiration of a time restriction or completion of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets consist of assets whose use has been restricted for investment in perpetuity. YCAP has no permanently restricted net assets.

YAMHILL COMMUNITY ACTION PARTNERSHIP

Notes to Financial Statements

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies – Continued

Revenue Recognition

Rental income, principally short-term leases on apartment units and commercial space, is recognized as the rentals become due.

Grant, Contracts and Contributions: YCAP receives grants from government sources and private foundations. Government grants, which generally reflect cost reimbursement agreements, are recognized when earned. Unconditional promises to give are recorded as revenue at estimated net realizable value. Conditional promises to give are not included as revenue until the conditions are substantially met. Grants and contributions whose restrictions, if any, are met in the same reporting period are reported as unrestricted revenue in the period of receipt. Grants and contract monies received in advance are recorded as deferred revenue, and are recognized as revenue as earned.

Donated goods and services are provided in a number of ways by volunteers and other friends of the Organization. Valuation of donated goods is based on an estimate of fair value of the goods. No amounts have been reflected in the financial statements for donated services by the Board members involved in Board activities or from unpaid volunteers because the criteria for recognition has not been met.

Cash

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restriction or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less.

Receivables

Past due receivables are charged directly to expense when the amount is determined to be uncollectible. This method is not significantly different from the allowance method required by generally accepted accounting principles. In the opinion of management, receivables at June 30, 2017 and 2016 are fully collectible.

Inventory - Food

Inventory consists of donated and purchased food. A substantial portion of the donated food inventory is stated generally at \$1.25 per pound as of June 30, 2017 and 2016, as calculated by Feeding America and The Oregon Food Bank as a fixed price per pound rate. In addition, certain food commodity inventory is stated at a value assigned by the U.S. Department of Agriculture. Purchased food inventory is stated at cost. Amounts held at year-end are considered to be temporarily restricted in accordance with grantor requirements.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies – Continued

Facilities, Equipment and Depreciation

Facilities and equipment utilized by YCAP are stated at cost. Donated assets are recorded at their estimated fair value. The cost of significant betterments are capitalized and depreciated over the useful life of the asset. YCAP generally capitalizes expenditures in excess of \$5,000. Depreciation is provided on the straight-line method over estimated useful lives of thirty to forty years for buildings and five to ten years for furniture, equipment and vehicles. Normal repairs and maintenance are charged to expense when incurred.

Buildings and capital expenditures related to the Camellia Court Project are depreciated over their estimated useful lives of twenty-seven years under the straight-line method. Land improvements are depreciated over useful lives of fifteen years under the 150% double declining balance method. Furniture and equipment including software is depreciated over five to seven years under the 200% declining balance method. Declining balance methods are appropriate for the type of property being depreciated.

When facilities and equipment are retired or sold, cost and the related accumulated depreciation or amortization is removed from YCAP's accounts and the resulting gain or loss is recognized.

Impairment

Management reviews its investment in real estate for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Preparation of estimated expected future cash flows is inherently subjective and is based on management's best estimate of assumptions concerning expected future conditions. Management believes there were no impairments of assets at June 30, 2017 and 2016.

Change in Accounting Principle

During the current year, YCAP retroactively adopted new requirements to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The effect of the change for 2017 was to decrease deferred charges, net and notes payable by \$4,510. The financial statements of 2016 have been retroactively restated for this change, which resulted in a decrease to deferred charges, net and notes payable of \$5,007. The change does not impact change in net assets or net assets.

YAMHILL COMMUNITY ACTION PARTNERSHIP

Notes to Financial Statements

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies – Continued

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments when it is practicable to estimate that value. The operations generated by the investment in real estate are subject to various government rules, regulations, and restrictions which make it impracticable to estimate the fair value of the notes payable, and related accrued interest. The carrying amount of other assets and liabilities reported on the statement of financial position that requires such disclosure approximates fair value.

FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under are described below:

Level 1 – Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The carrying amounts for cash, receivables, prepaid expenses, restricted cash, accounts payable and other accrued liabilities approximate their fair value due to their short maturities. It is impractical to estimate the fair value of financing fees, tax credit fees, and mortgages and notes payable because there are no quoted market prices for transactions that are similar in nature.

Except for donated food disclosed above, all of YCAP's assets are Level 1. There were no Level 2 or Level 3 assets during the years ended June 30, 2017 and 2016.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies – Continued

Federal and State Taxes

YCAP is a tax-exempt corporation within the provisions of Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. It is management's opinion that none of YCAP's present activities are subject to unrelated business income taxes; therefore, no provisions for income taxes have been made in the accompanying financial statements.

YCAP files returns in the U.S. federal jurisdiction as well as the state of Oregon jurisdiction. Generally, tax filings are subject to federal and state examination for three years after they are filed. The returns filed for periods prior to June 30, 2014 are considered closed and management believes those returns are no longer subject to income tax examination. In the event penalties and interest are assessed by income taxing authorities, it is the YCAP's policy to include these in operating expenses. No penalties and interest were assessed for the years ended June 30, 2017 and 2016.

Accounting principles generally accepted in the United States of America require organization's management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the plan has taken an uncertain position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service. YCAP has analyzed the tax positions taken and has concluded that as of June 30, 2017 and June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Concentration of Credit Risk

YCAP maintains cash balances with banks and other financial institutions, which may exceed depository insurance limits. YCAP has not experienced any losses from these accounts and does not believe that they are exposed to significant credit risk. At June 30, 2017 and 2016, cash exceeded federally insured limits by \$331,559 and \$181,103, respectively.

Compensated Absences

Sick pay is earned at a rate of .0463 hours for every hour paid for all employees, but because it is not payable at termination, it is not accrued. Vacation pay is recorded as an expense when earned by the employee.

Concentration of Economic Risk

YCAP receives a substantial portion of its support from governmental agencies. If these funds were not available, YCAP may not be able to continue operations. In the opinion of management, YCAP will continue to receive sufficient funding to assure its existence.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies – Continued

Donated Goods

Individuals and organizations, from time to time, donate goods to YCAP to benefit clients. YCAP values these based on management's judgment, at fair value at the date of donation, and records the receipt and subsequent disbursement of these goods as in-kind revenues and expenses, respectively.

Donated Services

Certain individuals, including Board of Directors members, donate substantial time to the operations of YCAP. Financial Accounting Standards significantly limit the amount of donated services that may be recorded in the financial statements. Generally accepted accounting principles require that only donated services that create non-financial assets and which would need to have been purchased if not donated are reflected in the financial statements. When such amounts are recorded, they are valued at the equivalent market rate at which the service could have been purchased.

Functional Allocation of Expenses

The costs of providing YCAP's various programs are summarized in the Statement of Functional Revenues and Expenses. Accordingly, certain costs, including indirect and administrative costs, have been allocated among the programs benefited based primarily on a cost allocation plan designed by management. In addition, YCAP has entered into an indirect cost agreement with the U.S. Department of Health and Human Services that limits the percentage of indirect cost to program costs that can be allocated to its programs. The rate was 13.4% for the year ended June 30, 2017. During the year ended June, 30, 2016, the rate was 11.0% from July 1, 2015 until January 31, 2016 and was 13.4% from February 1, 2016 to June 30, 2016.

Summary of Financial Information for 2016

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

3. Grants and Contracts Receivable

Grants and contracts receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Oregon Department of Housing and Community Services		
LIHEAP Energy Programs	\$ 10,604	\$ 17,156
LIHEAP Weatherization and Education Programs	21,224	4,446
DOE Weatherization and Education Programs	6,868	2,064
ECHO Weatherization and Education Programs	49,258	43,645
BPA Weatherization Programs	1,672	5,613
OEA Weatherization Programs	27,995	12,595
Home TBA	17,009	12,093
EHA	67,069	7,247
EHA VET DRF	11,586	-
HSP	4,424	1,971
SHAP	23,312	1,539
ESGP	607	4,250
LIRHF	1,207	3,193
OLGA	1,008	358
Community Services Block Grant	14,952	11,553
U.S. Department of Health and Human Services		
RHY – SOP Youth	7,761	9,385
Basic Center Grants – Youth	-	9,962
Transitional Living Program – Youth	11,952	15,978
U.S. Department of Housing and Urban Development		
Continuum of Care	6,786	8,091
United Community Action Network		
Continuum of Care	-	18,356
Oregon Department of Human Services		
Supplemental Nutrition Assistance Program	2,504	3,238
Oregon Food Bank		
TEFAP	5,527	2,343
OHRF	-	2,930
Community Action Partnership of Oregon		
VA Supportive Services for Veteran Families Program	11,875	34,921
Others	-	3,464
	<u>\$ 305,200</u>	<u>\$ 236,391</u>

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

4. Pledges Receivable – Capital Campaign

YCAP has waged a capital campaign to obtain funds for construction of a facility to house its Food Bank and administrative offices. Capital Campaign pledges receivable at June 30, 2017 and 2016 represent unconditional promises to give as follows:

	2017	2016
Unconditional promises to give	\$ -	\$ 1,000
Less allowance for doubtful accounts	-	-
Less unamortized discount	-	(60)
Net capital campaign pledges receivable	\$ -	\$ 940
The pledges receivable are due as follows:		
Less than one year	\$ -	\$ 940
One to five years	-	-
More than five years	-	-
	\$ -	\$ 940

Pledges receivable with due dates extending beyond one year are discounted at 3%.

5. Property, Facilities and Equipment

Property, facilities and equipment as of June 2017 and 2016 consist of the following:

	2017	2016
Land	\$ 465,902	\$ 465,902
Buildings and improvements	4,131,238	4,271,726
Site improvements	433,281	433,281
Vehicles	178,875	178,875
Furniture and equipment	177,675	177,675
	5,386,971	5,527,459
Less accumulated depreciation	2,193,580	2,028,025
	\$ 3,193,391	\$ 3,499,434

6. Restricted Deposits and Funded Reserves

Restricted cash balances related to the Camellia Court Project as of June 2017 and 2016 are comprised of the following:

	2017	2016
Tenant security deposits	\$ 13,660	\$ 12,970
Operating reserve	45,344	45,322
Replacement reserve	40,997	36,977
	\$ 100,001	\$ 95,269

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

6. Restricted Deposits and Funded Reserves – Continued

Tenant security deposits are held in a separate bank account for refundable tenant security deposits. As of June 30, 2017 and 2016, the tenant security deposit account was funded as required.

The operating reserve fund shall be used to pay the operating costs and expenses to the extent collected gross receipts are insufficient for such purposes. As of June 30, 2017 and 2016, the reserve was funded as required.

The replacement reserve account shall be funded from the greater of \$3,946 or three percent of the annual gross income from the Project on or before December 31, 1996. For each year after 1996, the Project shall deposit the greater of the amount contributed to such reserve in the previous year increased by four percent, or three percent of the annual gross income from the Project. The funds in the replacement reserve account shall be used solely for substantial repairs and/or replacement of the capital assets of the Project. As of June 30, 2017 and 2016, the reserve was funded as required.

7. Deferred Revenue

Deferred revenue at June 30, 2017 and 2016 consists of funds received in advance for the following programs and grants:

	2017	2016
U.S. Department of Health and Human Services		
RHY – SOP Youth	\$ 1,667	2,905
New Basic Center Grant	3,583	4,821
Transitional Living Program	2,625	3,862
NW Natural Gas – Utility Client Assistance	17,068	13,245
Yamhill Community Care Organization – Mobile Food Pantries	-	9,574
Others	211	7,702
	\$ 25,154	\$ 42,109

8. Employee Benefit Plan

YCAP has a tax-deferred defined contribution retirement plan under Internal Revenue Code Section 401(k) for the years ended June 30, 2017 and June 30, 2016 for its employees. Regular, full- and part-time employees are eligible to receive employer contributions on the first of the month following 60 days of employment. Employees may make voluntary contributions. YCAP is required to match employees' contributions up to 3% of compensation. Employer contributions are 100% vested after four years of employment. Plan assets are not assets of YCAP, and, accordingly, are not recorded in the financial statements of YCAP. Contributions are invested in any of several investment vehicles as directed by participating employees. Employer contributions to the plan for the years ended June 30, 2017 and 2016 were \$18,745 and \$14,716, respectively.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

9. Long-Term Debt

Long-term debt at June 30, 2017 and 2016 consists of the following:

	2017	2016
5.205% mortgage payable to Bank of America, due in monthly installments of \$4,093, including interest, matures August 1, 2026. The loan is secured by a first trust deed on the Camellia Court Project.	\$ 355,646	\$ 387,126
Less unamortized debt issuance costs	4,510	5,007
	351,136	382,119
Less current portion	32,598	29,173
	\$ 318,538	\$ 352,946

Debt issuance costs are being amortized to interest expense over the term of the loan. For both 2017 and 2016, amortization expense for debt issuance costs was \$497.

Aggregate maturities of long-term debt as of June 30, 2017 for the next five years are as follows:

2018	\$ 32,598
2019	33,871
2020	35,192
2021	36,564
2022	37,990
Thereafter	174,921
Total	\$ 351,136

10. Commitment and Contingencies

YCAP rents and leases facilities and equipment under month-to-month rental agreements and non-cancelable operating leases that expire in September 2020. Monthly facility rent will be adjusted annually to reflect the most recent twelve-month increase in the Portland CPI all urban index.

Minimum rental commitments under non-cancelable operating leases at June 30, 2017 are as follows:

Year ended June 30,	
2018	\$ 4,464
2019	4,464
2020	4,464
2021	1,116
Total	\$ 14,508

Total rent expense for both years ended June 30, 2017 and 2016 was approximately \$47,000.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Financial Statements
June 30, 2017 and 2016

11. Construction Defect Settlement

YCAP contracted with a general contractor to construct its new facility that was completed in the autumn of 2011. In September 2013, the building experienced a major water intrusion event. YCAP's legal counsel notified the liability insurance carrier that provided coverage to the contractors involved of the imminent claim for property damages and deficient workmanship. In July 2016, YCAP received a final settlement in the amount of \$175,000, which in the opinion of management should cover the cost of necessary repairs to the building as well as its out-of-pocket legal fees.

The settlement of \$175,000 has been recorded as a reduction in the basis of buildings and improvements in the accompanying statement of financial position as of June 30, 2017. During the year ended June 30, 2017 \$34,511 of the settlement was used for repairs and related costs. The remaining \$140,489 will be used to complete the necessary repairs. If there is any amount remaining after all necessary repairs are made it will first be used to reimburse YCAP for legal fees paid from general operating funds and the balance, if any, will remain as a reduction of buildings and improvements, which will reduce depreciation expense proportionately over the remaining useful life of the building.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Youth program grants and donations	\$ 32,969	\$ 28,119
Food program grants and donations	7,349	95,044
Food inventory	160,613	195,332
Client services and shelters grants and donations	91,429	81,214
Energy and weatherization grants and donations	<u>13,152</u>	<u>9,280</u>
	<u>\$ 305,512</u>	<u>\$ 408,989</u>

13. Reclassification of Unrestricted and Temporarily Restricted Net Assets

Upon management's review it was determined that prior year's food inventory that was restricted by grantor requirements had been included in unrestricted net assets. Since food inventory was restricted until the grantor requirements were fulfilled it should have been included in temporarily restricted net assets. As a result, as of June 30, 2016 Net Assets have been reclassified as follows:

	<u>Restated</u>	<u>Originally Reported</u>
Unrestricted net assets	\$ 3,503,631	\$ 3,698,963
Temporarily restricted net assets	<u>408,989</u>	<u>213,657</u>
Total net assets	<u>\$ 3,912,620</u>	<u>\$ 3,912,620</u>

The effect on the Statement of Activities for the year ended June 30, 2016 was to decrease change in unrestricted net assets by \$8,718, and to increase change in temporarily restricted net assets by \$8,718.

YAMHILL COMMUNITY ACTION PARTNERSHIP

Notes to Financial Statements

June 30, 2017 and 2016

14. Related Party Transaction

During the year ended June 30, 2016, YCAP provided food in the amount of \$1,429 for a church soup kitchen, of which a YCAP board member is the church's Pastor.

15. Unemployment Coverage

As a 501(c)(3) organization, YCAP has elected not to participate in the State Unemployment Tax system. However, YCAP does participate in the 501(c) Services Unemployment Compensation Trust program. Under the Trust program, YCAP makes contributions to a reserve account based primarily upon prior year's experience. Unemployment claims are paid to the State by the Trust from YCAP's reserve account. YCAP can be required to make additional contributions to the Trust in case of unusually large claims; however, stop-loss insurance protects the Trust and its participating agencies in the event of catastrophic losses.

16. McMinnville Area Community Foundation

On April 28, 2015, YCAP'S Board of Directors voted to invest \$50,000 to McMinnville Area Community Foundation (MACF) to establish an endowment fund for the benefit of the Organization and to encourage future growth of the endowment by other donors. The endowment fund was created on May 7, 2015 and is known as the YCAP Fund. The Organization irrevocably transferred the cash to the endowment fund in the form of a contribution. The contribution was included in miscellaneous expense in the accompanying Statement of Functional Revenues and Expenses for the year ended June 30, 2015. The Organization has no control over the investment or reinvestment of Fund assets. MACF has exclusive control over the YCAP Fund and MACF charges the fund an annual service fee which shall not exceed 1% of the Fund's net assets. The Organization is entitled to distributions from the YCAP Fund. The distributable amount of the Fund shall be calculated according to MACF's Spending Policy and Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA), at a rate to be determined by MACF's Board of Directors.

17. Subsequent Events

YCAP has evaluated events and transactions occurring after June 30, 2017 through January 22, 2018, the date the financial statements were available for issuance, for potential recognition or disclosure in the financial statements and have concluded no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

AUDITED SUPPLEMENTARY INFORMATION

CAMELLIA COURT HOUSING PROJECT
SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
June 30, 2017

ASSETS

Current Assets:	
Cash	\$ 37,267
Tenant receivables	2,418
Prepaid expenses	1,980
Total current assets	<u>41,665</u>
Restricted Deposits and Funded Reserves	
Tenant security deposits	13,660
Operating reserve	45,344
Replacement reserve	40,997
Total restricted deposits and funded reserves	<u>100,001</u>
Property, Facilities and Equipment	
Land	110,290
Site improvements	195,379
Building and improvements	1,486,258
Furnishings and equipment	63,246
	<u>1,855,173</u>
Less accumulated depreciation	1,368,867
Net book value	<u>486,306</u>
Total Assets	<u>\$ 627,972</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Current portion of long-term debt	\$ 32,598
Accounts payable	3,681
Accrued interest payable	1,120
Prepaid rent	211
Total current liabilities	<u>37,610</u>
Deposit Liabilities - Tenant security deposits	<u>13,660</u>
Long-Term Debt, less current portion	<u>318,538</u>
Total Liabilities	369,808
Net Assets - Unrestricted	<u>258,164</u>
Total Liabilities and Net Assets	<u>\$ 627,972</u>

**CAMELLIA COURT HOUSING PROJECT
SCHEDULE OF REVENUE AND EXPENSES
Year ended June 30, 2017**

Revenue	
Gross potential rental income	\$ 211,879
Vacancies	(7,235)
Total current assets	204,644
Interest income	44
Other fees and reimbursements	7,232
Total Revenue	211,920
Operating Expenses	
Administrative	53,864
Utilities	17,260
Maintenance and operating	63,545
Taxes and insurance	8,285
	142,954
Net Operating Income	68,966
Other Expenses	
Interest expense	14,949
	14,949
Change in net assets before depreciation	54,017
Depreciation Expense	54,666
	54,666
Change in Net Assets	\$ (649)

Note: The above does not include \$2,622 of general and administrative expense allocated in the Statement of Functional Revenues and Expenses on page 6 of the accompanying Financial Statements.

CAMELLIA COURT HOUSING PROJECT
SCHEDULE OF EXPENSES
Year ended June 30, 2017

Administrative	
Property management fee	\$ 12,493
Managers payroll	19,754
Managers rent free rent	8,400
Bad debt expense	4,303
Advertising	296
Compliance fees	600
Office supplies	2,390
Telephone	3,043
Miscellaneous expense	2,585
	<u>\$ 53,864</u>
Utilities	
Electricity	\$ 2,372
Water and sewer	8,342
Garbage	6,546
	<u>\$ 17,260</u>
Maintenance and Operating	
Maintenance staff payroll	\$ 13,549
Landscape maintenance	7,129
Maintenance and repairs	42,867
	<u>\$ 63,545</u>
Taxes and Insurance	
Payroll taxes	\$ 2,836
Workers compensation insurance	410
Licenses and taxes	50
Property and liability insurance	4,989
	<u>\$ 8,285</u>
Interest Expense	
Interest on mortgage	\$ 14,452
Interest - amortized debt issuance costs	497
	<u>\$ 14,949</u>