

**YAMHILL COMMUNITY ACTION
PARTNERSHIP**

CONSOLIDATED FINANCIAL STATEMENTS

**WITH INDEPENDENT AUDITORS' REPORT
AND
FEDERAL PROGRAM REPORTS**

**YEAR ENDED JUNE 30, 2014
With Comparative Totals for 2013**

YAMHILL COMMUNITY ACTION PARTNERSHIP

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With Comparative Totals for 2013**

YAMHILL COMMUNITY ACTION PARTNERSHIP

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 3
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Changes in Net Assets	5
Consolidated Statement of Functional Revenues and Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 19
FEDERAL FINANCIAL ASSISTANCE:	
Schedule of Expenditures of Federal Awards	20 - 21
Notes to Schedule of Expenditures of Federal Awards	22
Summary of Findings and Questioned Costs	23 - 24
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Audit Standards	25 - 26
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	27 - 28

INDEPENDENT AUDITORS' REPORT

October 28, 2014

Board of Directors
Yamhill Community Action Partnership
McMinnville, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Yamhill Community Action Partnership, which comprise the consolidated statements of financial position as of June 30, 2014, and the related consolidated 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 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.

Auditor's 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 auditor's 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.

October 28, 2014
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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamhill Community Action Partnership, as of June 30, 2014, 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 described in Note 15 to the consolidated financial statements, there was a prior period adjustment in the amount of \$30,835 related to a grant receivable that had not been previously recorded. 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

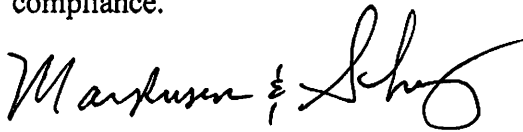
Report on Schedule of Expenditures of Federal Awards Required by *OMB Circular A-133*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Yamhill Community Action Partnership's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 28, 2014
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 October 28, 2014 on our consideration of Yamhill Community Action Partnership's internal control over consolidated 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 consolidated financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over consolidated 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 consolidated financial reporting and compliance.



Markussen & Schwing

YAMHILL COMMUNITY ACTION PARTNERSHIP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2014 with Comparative Totals as of June 30, 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 342,216	\$ 239,248
Cash-restricted for unemployment coverage	22,705	-
Grants and contracts receivable	282,913	261,115
Accounts receivable	13,341	9,354
Pledges receivable-capital campaign	7,275	28,893
Prepaid expenses	12,036	29,445
Inventory - Food	219,875	138,147
Total current assets	<u>900,361</u>	<u>706,202</u>
 Property, Facilities and Equipment, net of accumulated depreciation	 <u>3,700,803</u>	 <u>3,817,348</u>
 Restricted Deposits and Funded Reserves	 <u>86,831</u>	 <u>82,815</u>
 Other Assets:		
Cash-donor restricted to capital campaign	51,633	125,196
Pledges receivable-capital campaign	18,840	35,035
Financing costs, net of accumulated amortization	6,001	6,692
Total other assets	<u>76,474</u>	<u>166,923</u>
 Total Assets	 <u>\$ 4,764,469</u>	 <u>\$ 4,773,288</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current portion of long-term debt	\$ 116,180	\$ 111,389
Accounts payable	56,100	73,346
Payroll and payroll taxes payable	50,537	27,161
Accrued vacation pay	34,156	39,360
Accrued interest payable	9,390	11,912
Deferred revenue	10,727	19,720
Total current liabilities	<u>277,090</u>	<u>282,888</u>
 Deposit Liabilities-Tenant security deposits	 <u>12,610</u>	 <u>12,630</u>
 Long-Term Debt, less current portion	 <u>589,856</u>	 <u>706,036</u>
 Total Liabilities	 <u>879,556</u>	 <u>1,001,554</u>
 Commitments and Contingencies	 -	 -
 Net Assets		
Unrestricted	3,577,310	3,407,246
Temporarily restricted	307,603	364,488
Total net assets	<u>3,884,913</u>	<u>3,771,734</u>
 Total Liabilities and Net Assets	 <u>\$ 4,764,469</u>	 <u>\$ 4,773,288</u>

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

YAMHILL COMMUNITY ACTION PARTNERSHIP
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2014 with Comparative Totals for the year ended June 30, 2013

	2014			2013 Totals
	Unrestricted	Temporarily Restricted	Totals	
Revenues and Other Support				
Grants and contracts	\$ 2,455,596	\$ 45,115	\$ 2,500,711	\$ 2,529,514
Contributions	279,694	70,201	349,895	283,716
Program revenue	319,350	50,877	370,227	325,673
In-kind donations	1,445,740	-	1,445,740	1,370,050
Gain (Loss) on sale/disposal of assets	-	-	-	5,135
Other revenue	46,814	2,827	49,641	97,533
Total Revenues and Other Support	4,547,194	169,020	4,716,214	4,611,621
Net Assets Release from Restriction	225,905	(225,905)	-	-
Total Revenues and Other Support	4,773,099	(56,885)	4,716,214	4,611,621
Expenses				
Program Services				
Community development	44,662	-	44,662	65,663
Energy assistance and weatherization	1,244,660	-	1,244,660	1,347,775
Food	1,657,360	-	1,657,360	1,777,053
Client services and shelters	517,472	-	517,472	543,927
Camellia Court housing project	204,141	-	204,141	180,525
Transportation	-	-	-	31,377
Youth	514,202	-	514,202	441,553
Total Program Services	4,182,497	-	4,182,497	4,387,873
Supporting Services				
General agency and capital campaign	117,712	-	117,712	105,264
General and administrative	302,826	-	302,826	273,803
Total Supporting Services	420,538	-	420,538	379,067
Total Expenses	4,603,035	-	4,603,035	4,766,940
Change in Net Assets	170,064	(56,885)	113,179	(155,319)
Net Assets, Beginning of Year as previously stated	3,407,246	364,488	3,771,734	3,896,218
Prior period adjustment	-	-	-	30,835
Net Assets, Beginning of Year as restated	3,407,246	364,488	3,771,734	3,927,053
Net Assets, End of Year	\$ 3,577,310	\$ 307,603	\$ 3,884,913	\$ 3,771,734

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

YAMHILL COMMUNITY ACTION PARTNERSHIP
CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES
Year Ended June 30, 2014 with Comparative Totals for the year ended June 30, 2013

	<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	\$ 59,214	\$ 1,247,683	\$ 117,312	\$ 550,776
Contributions	-	2,520	156,756	32,089
Program revenue	-	-	154,807	14,975
In-kind donations	-	46,805	1,377,935	9,000
Gain (Loss) sale/disposal of assets	-	-	-	-
Other revenue	-	46,116	1,502	130
Total Revenue and Other Support	<u>59,214</u>	<u>1,343,124</u>	<u>1,808,312</u>	<u>606,970</u>
Expenses				
Personnel	37,221	283,386	145,993	179,572
Contracted services	5,778	3,468	1,123	2,888
Weatherization installation	-	203,720	-	1,894
Client assistance	-	615,098	2,650	229,075
In-kind client assistance	-	46,805	1,357,767	9,000
In-Kind food inventory adjustment	-	-	(81,728) *	-
Vehicle costs	-	3,586	11,954	3,435
Travel costs	492	11,470	869	2,918
Space and interest	-	13,874	25,934	49,515
Telephone	-	1,837	2,553	3,373
Supplies and publications	9	3,028	145,677	2,300
Equipment rent	-	-	-	-
Printing and photocopying	183	7,783	1,189	1,390
Insurance	-	2,547	-	-
Training and recruitment	-	9,334	79	2,471
Miscellaneous	979	14,075	5,286	6,613
Fundraising	-	-	45	-
Sub-total expenses	<u>44,662</u>	<u>1,220,011</u>	<u>1,619,391</u>	<u>494,444</u>
Depreciation				
Grant funded	-	5,832	4,524	-
Agency funded	-	18,817	33,445	23,028
Total Depreciation	<u>-</u>	<u>24,649</u>	<u>37,969</u>	<u>23,028</u>
Total Functional Expenses	<u>44,662</u>	<u>1,244,660</u>	<u>1,657,360</u>	<u>517,472</u>
General and administrative expense	<u>14,891</u>	<u>114,125</u>	<u>33,903</u>	<u>37,666</u>
Total Expenses	<u>59,553</u>	<u>1,358,785</u>	<u>1,691,263</u>	<u>555,138</u>
Change in Net Assets by Function	<u>\$ (339)</u>	<u>\$ (15,661)</u>	<u>\$ 117,049</u> *	<u>\$ 51,832</u>

* The Change in Net Assets for the food program includes an inventory adjustment of \$81,728.
The accompanying notes are an integral part of the consolidated financial statements.

<u>Camellia Court</u>	<u>Youth</u>	<u>General Agency and Capital Campaign</u>	<u>General and Administrative</u>	<u>Totals 2014</u>	<u>Totals 2013</u>
\$ -	\$ 524,910	\$ 816	\$ -	\$ 2,500,711	\$ 2,529,514
-	50,269	61,249	47,012	349,895	283,716
198,761	1,684	-	-	370,227	325,673
-	12,000	-	-	1,445,740	1,370,050
-	-	-	-	-	5,135
-	-	1,891	2	49,641	97,533
<u>198,761</u>	<u>588,863</u>	<u>63,956</u>	<u>47,014</u>	<u>4,716,214</u>	<u>4,611,621</u>
-	331,760	49,908	199,429	1,227,269	1,274,207
5,226	16,052	15,503	44,338	94,376	92,374
-	-	-	-	205,614	251,483
-	25,772	-	-	872,595	872,034
-	12,000	-	-	1,425,572	1,369,973
-	-	-	-	(81,728)	88,479
-	9,370	-	1,892	30,237	23,651
145	12,574	170	1,334	29,972	21,041
146,538	53,621	7,412	167	297,061	308,138
-	15,208	-	5,584	28,555	32,152
-	4,510	181	4,691	160,396	118,972
-	2,076	494	8,437	11,007	7,367
-	158	-	(76)	10,627	14,417
-	-	-	3,541	6,088	18,093
-	5,593	76	1,847	19,400	16,036
400	21,047	16,098	15,590	80,088	77,985
-	-	26,373	-	26,418	19,858
<u>152,309</u>	<u>509,741</u>	<u>116,215</u>	<u>286,774</u>	<u>4,443,547</u>	<u>4,606,260</u>
-	2,436	-	-	12,792	14,918
51,832	2,025	1,497	16,052	146,696	145,762
<u>51,832</u>	<u>4,461</u>	<u>1,497</u>	<u>16,052</u>	<u>159,488</u>	<u>160,680</u>
204,141	514,202	117,712	302,826	4,603,035	4,766,940
-	46,568	8,659	(255,812)	-	-
<u>204,141</u>	<u>560,770</u>	<u>126,371</u>	<u>47,014</u>	<u>4,603,035</u>	<u>4,766,940</u>
<u>\$ (5,380)</u>	<u>\$ 28,093</u>	<u>\$ (62,415)</u>	<u>\$ -</u>	<u>\$ 113,179</u>	<u>\$ (155,319)</u>

**YAMHILL COMMUNITY ACTION PARTNERSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2014 with Comparative Totals for the year ended June 30, 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 113,179	\$ (155,319)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	159,984	162,021
(Gain) loss sale or disposal of assets	-	(5,135)
In-Kind donations capitalized	(20,168)	-
Net change in operating assets and liabilities:		
Grants and contracts receivable	(21,798)	118,097
Accounts receivable	(3,987)	5,557
Pledges receivable	37,813	17,875
Prepaid expenses	17,604	15,864
Inventory	(81,728)	88,479
Accounts payable	(17,246)	(33,597)
Payroll and payroll taxes payable	23,376	(26,724)
Accrued vacation pay	(5,204)	(892)
Accrued interest payable	(2,522)	(2,057)
Deferred revenue	(8,993)	(908)
Net cash provided (used) by operating activities	<u>190,310</u>	<u>183,261</u>
Cash flows from investing activities:		
(Increase) in cash-restricted	(22,705)	-
(Increase) in restricted deposits	(4,036)	(4,033)
Purchases of property, plant and equipment-net of financing	(22,775)	(542)
Proceeds from sale of assets	-	5,800
Decrease in cash restricted by donors	73,563	33,769
Net cash provided (used) by investing activities	<u>24,047</u>	<u>34,994</u>
Cash flows from financing activities:		
Principal payments on long term debt	(111,389)	(101,906)
Net cash provided (used) by financing activities	<u>(111,389)</u>	<u>(101,906)</u>
Net increase in cash	102,968	116,349
Cash, beginning of year	<u>239,248</u>	<u>122,899</u>
Cash, end of year	<u>\$ 342,216</u>	<u>\$ 239,248</u>
Supplemental disclosure of cash flows information:		
Cash paid during year for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid during year for interest charged to expense	<u>\$ 38,170</u>	<u>\$ 44,707</u>

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

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

1. The Organization

Yamhill Community Action Partnership (YCAP) is a nonprofit corporation, incorporated in 1980 under the laws of the State of Oregon. YCAP's mission is to advocate for and assist persons toward self-sufficiency. By changing the lives of low income, senior and disabled county residents, YCAP strengthens the communities of Yamhill County. As a CAP agency, YCAP is charged by federal statute with assessing the needs of the county and communities it serves and working with other community groups to find solutions to barriers affecting low income members of the county.

YCAP has programs to provide emergency and social services, services to children, transportation services, weatherization of low-income individual's housing, and community development in the Yamhill County area. The transportation program was discontinued in May of 2012. The principal sources of revenue are grants and contracts with local, state and federal governments and federal pass-through funds, fees for services and charitable donations.

The Camellia Court Housing project operates a 24 unit low-income project in Newberg, Oregon. YCAP was the General Partner of the project's owner, Camellia Court Limited Partnership and held a 1% controlling interest. On December 1, 2013 the 99% Limited Partner assigned its interest to Newberg Camellia Court, LLC, which is solely owned by YCAP. On December 31, 2013 Camellia Court Limited Partnership was terminated and all the assets and liabilities were transferred to YCAP. The Camellia Court Housing project financial activity has been included in the consolidated financial statements in accordance with Financial Accounting Standards Codification.

A volunteer Board of Directors directs the activities of YCAP through professional management.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements include the accounts of YCAP and Camellia Court Limited Partnership that is controlled by YCAP. The Limited Partnership interest held by YCAP (as the General Partner) is 1.0% with the remainder of the partnership's equity generally held by the Limited Partner and shown as noncontrolling interests in the accompanying financial statements. At June 30, 2014 and 2013 the Limited Partner had zero equity. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated 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 958-225-45-6, financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets predicated on the existence of donor-imposed restrictions.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies – continued

Basis of Presentation – continued

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.

Revenue Recognition

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

Grant, Contracts and Contribution - 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.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies – continued

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, 2014 and 2013 are fully collectible.

Inventory

Inventory consists of donated and purchased food. A substantial portion of the donated food inventory is stated generally at \$1.39 and \$1.50 per pound as of June 30, 2014 and 2013, respectively, 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.

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. Amortization of capitalized leases is also included in depreciation.

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, 2014 and 2013.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies – continued

Amortization

Loan fees are amortized on a straight-line basis over the life of the loans.

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 820-10-50-1 through 50-3 and 820-10-50-8 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.

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, 2014 and 2013.

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 Consolidated Financial Statements
June 30, 2014 and 2013

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, 2011 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, 2014 and 2013.

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, 2014 and June 30, 2013 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 and its affiliated entity maintain cash balances with banks and other financial institutions, which may exceed depository insurance limits. YCAP and its affiliated entity have not experienced any losses from these accounts and do not believe that they are exposed to significant credit risk.

Compensated Absences

Sick pay is earned at a rate of one day per month for full-time 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 Consolidated Financial Statements
June 30, 2014 and 2013

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 limits 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 Revenue and Expense. 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 9.6% and 8.4% for the years ended June 30, 2014 and 2013, respectively.

Summary of Financial Information for 2013

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, 2013, from which the summarized information was derived.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of the following:

	<u>2014</u>	<u>2013</u>
Oregon Department of Housing and Community Services		
LIHEAP Energy Programs	\$ 5,726	\$ 7,053
LIHEAP Weatherization Programs	14,376	11,997

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

3. Grants and Contracts Receivable - continued

	<u>2014</u>	<u>2013</u>
Oregon Department of Housing and Community Services-continued:		
DOE Weatherization Programs	15,315	-
ECHO Weatherization Programs	4,160	18,682
BPA Weatherization Programs	2,739	2,028
OEA Weatherization Programs	20,316	16,449
Home TBA	13,750	3,938
EHA	1,482	17,396
HSP	10,367	15,000
SHAP	-	1,089
ESGP	11,915	51,169
LIRHF	655	392
OLGA	595	2,099
Duke El Paso Weatherization	-	1,729
Community Services Block Grant	14,610	11,675
U.S. department of Health and Human Services		
RHY – SOP Youth	11,155	16,302
Basic Center Grants – Youth	44,365	30,835
Transitional Living Program – Youth	21,100	-
United Community Action Network		
Continuum of Care	985	-
Oregon Department of Human Services		
Supplemental Nutrition Assistance Program	5,766	-
Youth Job Development	12,500	-
Department of Homeland Security		
FEMA	14,172	-
Oregon Food Bank		
TEFAP	1,126	-
OHRF	14,352	8,266
United Way	26,375	-
Meyer Memorial Trust	15,000	45,000
Others	11	16
	<u>\$ 282,913</u>	<u>\$ 261,115</u>

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, 2014 and 2013 represent unconditional promises to give as follows:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give	\$ 29,200	\$ 70,309
Less allowance for doubtful accounts	(700)	(3,260)
Less unamortized discount	(2,385)	(3,121)
Net capital campaign pledges receivable	<u>\$ 26,115</u>	<u>\$ 63,928</u>

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

4. Pledges Receivable – Capital Campaign – continued

The pledges receivable are due as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 6,872	\$ 28,893
One to five years	19,243	32,598
More than five years	-	2,437
	<u>\$ 26,115</u>	<u>\$ 63,928</u>

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 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 465,902	\$ 465,902
Buildings and improvements	4,170,760	4,170,760
Site improvements	433,281	424,006
Vehicles	172,261	158,761
Furniture and equipment	<u>177,675</u>	<u>157,507</u>
	5,419,879	5,376,936
Less accumulated depreciation	<u>1,719,076</u>	<u>1,559,588</u>
	<u>\$ 3,700,803</u>	<u>\$ 3,817,348</u>

6. Restricted Deposits and Funded Reserves

Restricted cash balances related to the Camellia Court Project as of June 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Tenant security deposits	\$ 12,610	\$ 12,630
Operating reserve	45,276	45,254
Replacement reserve	<u>28,945</u>	<u>24,931</u>
	<u>\$ 86,831</u>	<u>\$ 82,815</u>

Tenant security deposits are held in a separate bank account for refundable tenant security deposits. As of June 30, 2014 and 2013, 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. Any funds in the reserve account at the close of any year in excess of \$120,059 may be withdrawn to repay principal and interest owing to the General Partner on the advances. As of June 30, 2014 and 2013 the reserve was funded as required.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

6. Restricted Deposits and Funded Reserves - continued

The replacement reserve account shall be funded from the greatest 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 through 2013, 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, 2014 and 2013 the reserve was funded as required.

7. Deferred Revenue

Deferred revenue at consists of funds received in advance for the following programs and grants:

	<u>2014</u>	<u>2013</u>
Oregon Department of Housing and Community Services		
SHAP	\$ 653	\$ -
ECHO	739	226
LIHEAP Energy Programs	289	2,018
OECA	-	25
ESGP	-	8,414
U.S. Department of Health and Human Services		
RHY – SOP Youth	3,000	3,780
Basic Center Grant	3,000	2,340
New Basic Center Grant	3,000	2,880
Other	<u>46</u>	<u>37</u>
	<u>\$ 10,727</u>	<u>\$ 19,720</u>

8. Employee Benefit Plan

YCAP has a tax deferred defined contribution retirement plan under Internal Revenue Code 401K for the year ended June 30, 2014 and Section 403(b) during the year ended June 30, 2013 for its employees. Regular, full-and part-time employees are eligible to receive employer contributions immediately upon employment. Employees may make voluntary contributions. YCAP is required to match employee's contributions up to 3% of compensation. Employer contributions are 100% vested after four years of employment for the 401K plan and two years for the 403(b) plan. 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, 2014 and 2013 were \$15,202 and \$11,772, respectively.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

9. Long Term Debt

	<u>2014</u>	<u>2013</u>
Long-term debt consists of the following:		
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.	\$ 442,036	\$ 467,425
4% note payable, \$89,438 principal plus interest due October 19, 2014, the remaining unpaid principal and interest due October 19, 2015. The note is secured by a trust deed on YCAP's property.	<u>264,000</u>	<u>350,000</u>
	706,036	817,425
Less current portion	<u>116,180</u>	<u>111,389</u>
	<u>\$ 589,856</u>	<u>\$ 706,036</u>

Aggregate maturities of long-term debt as of June 30, 2014 for the next five years are as follows:

2015	\$ 116,180
2016	202,730
2017	29,669
2018	31,251
2019	32,917
Thereafter	<u>293,289</u>
Total	<u>\$ 706,036</u>

10. Line of Credit

YCAP has an unused \$50,000 unsecured line of credit with a variable interest rate. The effective rate at June 30, 2014 was 5.5%. The line matures March 15, 2017.

11. Commitment and Contingencies

YCAP rents and leases facilities and equipment under month-to-month rental agreements and non-cancelable operating leases that expire through June, 2019. Monthly facility rent will be adjusted annually to reflect the most recent twelve month increase in the Portland CPI all urban index.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

11. Commitment and Contingencies - continued

Minimum rental commitments under non-cancelable operating leases at June 30, 2014 are as follows:

Year ended June 30,	
2015	\$ 16,906
2016	2,879
2017	2,160
2018	2,160
2019	2,160
Thereafter	<u>-</u>
Total	<u>\$ 26,265</u>

Total rent expense for the years ended June 30, 2014 and 2013 was approximately \$41,000 and \$42,000, respectively.

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. Estimated cost to repair the building is \$659,000. In the opinion of legal counsel, a substantial portion of the repair cost should be covered by the contractors' liability insurance.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Capital campaign donations	\$ 77,748	\$ 189,124
Youth program donations	87,370	72,897
Food program donations	23,657	-
Donor restricted grants	<u>118,828</u>	<u>102,467</u>
	<u>\$ 307,603</u>	<u>\$ 364,488</u>

13. Fundraising Expense

Direct fundraising expenses during the years ended June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Personnel costs	\$ 49,908	\$ 42,030
Contracted services	6,096	1,427

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

13. Fundraising Expense - continued

	<u>2014</u>	<u>2013</u>
Printing and photocopying	-	18
General administrative expenses	16,203	7,029
Direct mail and other solicitation	<u>26,417</u>	<u>19,858</u>
	<u>\$ 98,624</u>	<u>\$ 70,362</u>

Direct fundraising expenses are included in general agency and capital campaign in the accompanying financial statements.

14. 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 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.

15. Prior Period Adjustment

Prior period adjustment as of July 1, 2012 consist of the following:

A Federal grant in the amount of \$80,000 for Runaway and Homeless Youth for the budget period September 30, 2009 to September 29, 2010 was fully expended; however, only \$49,165 was requested by YCAP and disbursed by the Federal Government. This situation was discovered by the Federal Government during the process of the grant close out. The Federal Government paid YCAP \$30,835 in October, 2014 to close-out the grant.

Their was no effect of the prior period adjustment on the change in net assets for the year ended June 30, 2012.

16. Subsequent Events

YCAP has evaluated events and transactions occurring after June 30, 2014 through October 28, 2014, 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.

FEDERAL FINANCIAL ASSISTANCE

YAMHILL COMMUNITY ACTION PARTNERSHIP
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

<u>Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>MAJOR PROGRAMS</u>		
<u>U.S. Department of Health and Human Services</u>		
Passed through Oregon Department of Housing and Community Services		
Low Income Home Energy Assistance Program		
Energy Assistance and Administration	93.568	\$ 498,471
Weatherization	93.568	124,952
Weatherization-TTA	93.568	9,513
Leverage	93.568	1,611
Client Education	93.568	26,424
TOTAL MAJOR FEDERAL AWARDS		660,971
 <u>NONMAJOR PROGRAMS</u>		
<u>U.S. Department of Agriculture</u>		
Passed through Oregon Department of Human Services		
Supplemental Nutrition Assistance Program	10.561	9,838
 Passed through Oregon Food Bank		
Emergency Food Assistance Program Admin	10.568	9,690
Emergency Food Assistance Program Commodities (In-Kind)	10.569	166,365
Sub-Total		176,055
Total U.S. Department of Agriculture		185,893
 <u>U.S. Department of Housing and Urban Development</u>		
Direct Funding		
Continuum of Care	14.235	41,126
Passed through United Community Action Network		
Continuum of Care	14.235	61,081
Sub-Total		102,207
 Passed through Oregon Department of Housing and Community Services:		
Emergency Shelter Grant Program	14.231	59,682
Home TBA	14.239	63,501
Sub-Total		123,183
Total U.S. Department of Housing and Urban Development		225,390

YAMHILL COMMUNITY ACTION PARTNERSHIP
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended June 30, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>NONMAJOR PROGRAMS - Continued</u>		
<u>U.S. Department of Energy</u>		
Passed through Oregon Department of Housing and Community Services:		
DOE Weatherization	81.042	60,974
DOE TTA	81.042	2,804
Sub-Total		<u>63,778</u>
BPA Weatherization and TTA	81.xxx	<u>40,512</u>
Total U.S. Department of Energy		<u>104,290</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Funding		
Transitional Living for Homeless Youth	93.550	213,724
Education & Prevention to Reduce Sexual Abuse of Runaway Homeless and Street Youth	93.557	99,756
Basic Center Grants	93.623	<u>136,227</u>
Total Direct Funding		449,707
Passed through Oregon Department of Housing and Community Services		
Temporary Assistance for Needy Families - HSP	93.558	11,018
Community Services Block Grant CSBG Discretionary	93.569	<u>144,348</u>
Total U.S. Department of Health and Human Services		<u>605,073</u>
<u>Department of Homeland Security</u>		
Passed through Federal Emergency Management Agency		
Emergency Food and Shelter Program/FEMA	97.024	<u>28,344</u>
TOTAL NONMAJOR FEDERAL AWARDS		<u>1,148,990</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,809,961</u>
Percentage of major awards to total awards		<u>37.3%</u>

YAMHILL COMMUNITY ACTION PARTNERSHIP
Notes to Schedule of Federal Awards
For the Year Ended June 30, 2014

Note 1. Summary of Significant Accounting Policies

The Schedule of Federal Awards is prepared on the accrual basis of accounting followed in the general-purpose consolidated financial statements. See Note 2 of the general-purpose consolidated financial statements for a summary of significant accounting policies.

Note 2. Non-cash assistance

There was \$166,365 of non-cash assistance expended for federal awards.

Note 3. Insurance coverage

The total liability insurance coverage in effect for the year was \$3,000,000.

Note 4. Loan or loan guarantees

There were no outstanding loans or loan guarantees that were related to federal programs at June 30, 2014.

Note 5. Subrecipients

None noted.

YAMHILL COMMUNITY ACTION PARTNERSHIP
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness identified?	<u>No</u>
• Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major program:	
• Material weakness identified?	<u>No</u>
• Significant deficiencies identified?	<u>None reported</u>

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<u>No</u>

Major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low Income Home Energy Assistance Program

Dollar threshold used to distinguish between type A and B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u>Yes</u>
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**YAMHILL COMMUNITY ACTION PARTNERSHIP
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2014**

2. Findings relating to the general purpose financial statements reported in accordance with Government Auditing Standards: **None noted**

3. Findings and questioned costs relating to federal awards: **None noted**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 28, 2014

Board of Directors
Yamhill Community Action Partnership
McMinnville, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Yamhill Community Action Partnership as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Yamhill Community Action Partnership's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yamhill Community Action Partnership'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yamhill Community Action Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Yamhill Community Action Partnership's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yamhill Community Action Partnership'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.



Markusen & Schwing

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 28, 2014

Board of Directors
Yamhill Community Action Partnership
McMinnville, Oregon

Report on Compliance for Each Major Federal Program

We have audited Yamhill Community Action Partnership's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yamhill Community Action Partnership's major federal programs for the year ended June 30, 2014. Yamhill Community Action Partnership's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Yamhill Community Action Partnership'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Yamhill Community Action Partnership'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 Yamhill Community Action Partnership's compliance.

Opinion on Each Major Federal Program

In our opinion, Yamhill Community Action Partnership 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, 2014.

Report on Internal Control Over Compliance

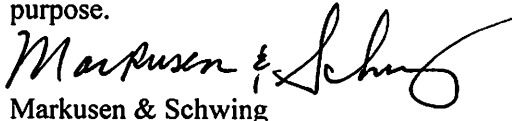
Management of Yamhill Community Action Partnership is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yamhill Community Action Partnership's 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 OMB Circular A-133, 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 Yamhill Community Action Partnership's internal control over compliance.

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

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

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Markusen & Schwing