

**Union Community Action Association, Inc.
Farmerville, Louisiana**

Financial Statements

**As of and for the Years Ended June 30, 2012 and 2011
With Supplemental Information Schedules**

Union Community Action Association, Inc.
Farmerville, Louisiana

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Independent Auditors' Report

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the accompanying statements of financial position of Union Community Action Association, Inc. as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Union Community Action Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

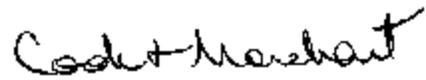
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Union Community Action Association, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of Union Community Action Association, Inc.'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* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Union Community Action Association, Inc. taken as a whole. 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 financial statements. The accompanying supplemental combining schedules on pages 12 and 13 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion the schedule of expenditures of federal awards and the supplemental combining schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Cook & Morehart".

Cook & Morehart
Certified Public Accountants
January 10, 2013

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 164,372	\$ 156,387
Grant receivables	55,050	194,176
Other receivables	749	1,047
Other assets	3,374	3,371
Due from other funds	47,063	130,595
Total current assets	270,608	485,576
Property and equipment:		
Property and equipment	107,634	263,943
Accumulated depreciation	(83,707)	(222,791)
Net property and equipment	23,927	41,152
Total Assets	\$ 294,535	\$ 526,728
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 49,018	\$ 57,274
Accrued liabilities	8,776	81,374
Refundable advances	6,244	13,260
Due to other funds	47,063	130,595
Total current liabilities	111,101	282,503
Net assets:		
Unrestricted:		
Operating	141,425	171,167
Designated	16,082	31,906
Fixed assets	23,927	41,152
Total net assets	183,434	244,225
Total Liabilities and Net Assets	\$ 294,535	\$ 526,728

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Activities
For the Years Ended June 30, 2012 and 2011

	Unrestricted	
	2012	2011
Revenues and Other Support:		
Contractual revenue - grants	\$ 1,052,662	\$ 2,330,642
Interest income		375
Miscellaneous revenues	4,791	15,621
Total revenues and other support	1,057,453	2,346,638
Expenses:		
Workforce investment programs	117,358	1,193,555
Migrant education	328,262	337,213
Community services	70,041	147,162
Energy assistance	561,412	626,927
General services	41,181	49,316
Total expenses	1,118,244	2,354,173
Change in net assets	(60,791)	(7,535)
Net assets as of beginning of year	244,225	251,760
Net assets as of end of year	\$ 183,434	\$ 244,225

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Change in net assets	\$ (60,791)	\$ (7,535)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,984	12,299
Loss on disposal	11,834	
(Increase) decrease in operating assets:		
Grant receivables	139,424	(8,591)
Other assets	(3)	(5)
Increase (decrease) in operating liabilities:		
Accounts payable	(8,256)	(16,750)
Accrued liabilities	(72,598)	(30,588)
Refundable advances	<u>(7,016)</u>	<u>(2,235)</u>
Net cash provided by (used in) operating activities	<u>11,588</u>	<u>(53,405)</u>
Investing Activities		
Payments for property and equipment	<u>(3,603)</u>	<u>(7,190)</u>
Net cash used in investing activities	<u>(3,603)</u>	<u>(7,190)</u>
Net increase (decrease) in cash and cash equivalents	7,985	(60,595)
Cash and cash equivalents as of beginning of year	<u>156,387</u>	<u>216,982</u>
Cash and cash equivalents as of end of year	<u>\$ 164,372</u>	<u>\$ 156,387</u>

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Union Community Action Association, Inc. (Union) is a private non-profit corporation incorporated under the laws of the State of Louisiana. Union is governed by a Board of Directors composed of 15 members. These board members receive no compensation for their services.

Union operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in Union parish in Louisiana. The following programs, shown with their approximate percentage of total revenues, are administered by Union:

WIA Adult Program (4%) – Prepares adults for participation in the labor force by increasing their occupational and educational skills. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Workforce Commission.

WIA Youth Program (3%) – Improves the long-term employability of youth; enhances the educational, occupational, and citizenship skills of youth; encourages school completion or enrollment in alternative school programs; increases the employment and earnings of youth; and reduces welfare dependency. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Workforce Commission.

WIA Dislocated Worker Program (2%) – Establishes an early readjustment capacity for dislocated workers by providing comprehensive coverage to workers regardless of the cause of dislocation; providing early referral from the unemployment insurance system to adjustment services as an integral part of the adjustment process; and fostering labor, management and community partnerships with government in addressing worker dislocation with an emphasis on retraining and reemployment services rather than income support. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Workforce Commission.

Migrant Education (31%) – Provides assistance to establish or improve programs designed to meet the special educational needs of migratory children of migratory agricultural workers or migratory fishers. Funding is provided by federal funds passed through the Louisiana Department of Education.

Community Services Block Grant (6%) – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Workforce Commission.

Home Energy Assistance (52%) — Assists low income households offset the burden of high energy costs. Funding is provided by federal funds passed through the Louisiana Association of Community Action Partnerships, Inc.

Emergency Program (1%) — Provides various types of assistance payments in areas of high need through out the community to persons based upon their employment or poverty status. Funding is provided by federal funds from the Federal Emergency Management Agency.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011
(Continued)

Affordable Care Act (PHOCAS) (1%)— Provides individuals with education and training that will prepare them to enter and advance in the health care sector. Funding is provided by federal funds passed through the Louisiana Workforce Commission.

B. Basis of Accounting

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

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

Union is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Union's tax-exempt purpose is subject to taxation as unrelated business income. Union had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2009, 2010, 2011, and 2012 are subject to examination by the IRS, generally three years after they were filed.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Union considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents, when there is no significant penalty for early withdrawal.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds there from is subject to federal regulations. Union has adopted a policy to capitalize all items with a unit cost of \$1,000 or greater.

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011
(Continued)

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Union to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2012 and 2011, Union had no significant concentrations of credit risk in relation to grant receivables.

Union maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At June 30, 2012 and 2011, total cash balances held at financial institutions were \$187,078 and \$217,534, respectively, all of which was secured by FDIC.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2012 and 2011, but received after that date.

(4) Due To and Due From Other Funds

The following schedule represents amounts due to and due from other funds at June 30, 2012:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 42,278	\$ 4,785
Workforce investment programs	-	30,848
Migrant Education	4,785	
Community Services Block Grant	-	11,430
	<u>\$ 47,063</u>	<u>\$ 47,063</u>

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011
(Continued)

The following schedule represents amounts due to and due from other funds at June 30, 2011:

Fund	Due From Other Funds	Due To Other Funds
General Services	\$ 130,595	\$ -
Workforce investment programs	-	121,718
Migrant Education	-	-
Community Services Block Grant	-	8,877
	<u>\$ 130,595</u>	<u>\$ 130,595</u>

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Furniture and equipment	5-10 years	\$ 82,274	\$ 6,056	\$ 88,330
Vehicles	5 years	-	19,304	19,304
Accumulated depreciation		(58,591)	(25,116)	(83,707)
Net investment in property and equipment		<u>\$ 23,683</u>	<u>\$ 244</u>	<u>\$ 23,927</u>

Depreciation expense for the year ended June 30, 2012 was \$8,994.

Property and equipment consisted of the following at June 30, 2011:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Furniture and equipment	5-10 years	\$ 189,829	\$ 14,825	\$ 184,654
Vehicles	5 years	59,985	19,304	79,289
Accumulated depreciation		(189,178)	(33,613)	(222,791)
Net investment in property and equipment		<u>\$ 40,636</u>	<u>\$ 516</u>	<u>\$ 41,152</u>

Depreciation expense for the year ended June 30, 2011 was \$12,299.

(6) Refundable Advances

Union records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011
(Continued)

(7) Accrued Liabilities

Accrued liabilities at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Accrued annual leave	\$ 8,776	\$ 63,510
Accrued payroll	-	8,774
Payroll liabilities	-	9,090
	\$ 8,776	\$ 81,374

(8) Contractual Revenue – Grants

During the years ended June 30, 2012 and 2011, Union received contractual revenue from federal and state grants in the amount of \$1,052,662 and \$2,330,642, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(9) Retirement Plan

Effective January 1, 2005, Union adopted a 401(k) Profit Sharing Plan. Union contributes 4% of the employees' compensation and the employees may contribute up to the maximum percentage allowable by law. The amount contributed by Union for the years ended June 30, 2012 and 2011 was \$1,262 and \$16,350, respectively.

(10) Leases

Union leases certain buildings and equipment under operating leases. Rental costs on those leases for the years ended June 30, 2012 and 2011 were \$7,419 and \$50,957, respectively.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending June 30,		
2013	\$	2,687
2014		2,587
2015		2,587
2016		2,156
Total minimum future rentals	\$	10,017

(11) Contingency

Employees of Union are entitled to paid sick days, earned at the rate of twelve hours per month of full time employment. It is reasonably possible but not certain that sick leave will be paid in the future; accordingly, no liability has been recorded in the accompanying financial statements. Union's policy is to recognize the costs of sick leave benefits when actually paid to employees. Upon an employee's resignation, lay-off, or death, no pay will be granted for any earned sick leave. Union estimates the liability for sick leave earned by employees but not yet taken as of June 30, 2012, to be approximately \$33,550.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2012 and 2011
(Continued)

(12) Designated Net Assets

Designated net assets at June 30, 2012 and 2011 consist of funds designated for use within the Low-income Home Energy Assistance Program.

(13) Subsequent events

Subsequent events have been evaluated through January 10, 2013, the date the financial statements were available to be issued.

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Financial Position
June 30, 2012

	Workforce Investment Programs	Migrant Education	Community Services	General Services	Total
Assets					
Current assets:					
Cash	\$ 30,848	\$ 1,459	\$	\$ 132,065	\$ 164,372
Grant receivables			7,242	47,808	55,050
Other receivables				749	749
Other assets				3,374	3,374
Due from other funds		4,785		42,278	47,063
Total current assets	<u>30,848</u>	<u>6,244</u>	<u>7,242</u>	<u>226,274</u>	<u>270,608</u>
Property and equipment:					
Property and equipment	33,858	46,961	1,455	25,360	107,634
Accumulated depreciation	(28,062)	(29,218)	(1,311)	(25,116)	(83,707)
Net property and equipment	<u>5,796</u>	<u>17,743</u>	<u>144</u>	<u>244</u>	<u>23,927</u>
Total Assets	<u>\$ 36,644</u>	<u>\$ 23,987</u>	<u>\$ 7,386</u>	<u>\$ 226,518</u>	<u>\$ 294,535</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$	\$	\$	\$ 49,018	\$ 49,018
Accrued liabilities				8,776	8,776
Refundable advances		6,244			6,244
Due to other funds	30,848		11,430	4,785	47,063
Total current liabilities	<u>30,848</u>	<u>6,244</u>	<u>11,430</u>	<u>62,579</u>	<u>111,101</u>
Net assets:					
Unrestricted:					
Operating			(4,188)	145,613	141,425
Designated				18,082	18,082
Fixed assets	5,796	17,743	144	244	23,927
Total net assets	<u>5,796</u>	<u>17,743</u>	<u>(4,044)</u>	<u>163,939</u>	<u>163,434</u>
Total Liabilities and Net Assets	<u>\$ 36,644</u>	<u>\$ 23,987</u>	<u>\$ 7,386</u>	<u>\$ 226,518</u>	<u>\$ 294,535</u>

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2012

	Workforce Investment Programs	Migrant Education	Community Services	General Services	Total
Revenues and Other Support:					
Contractual revenue – grants	\$ 97,268	\$ 324,469	\$ 65,782	\$ 565,143	\$ 1,052,662
Miscellaneous revenues		1,898		2,893	4,791
Total revenues and other support	97,268	326,367	65,782	568,036	1,057,453
Expenses and Losses:					
Salaries	63,650	128,380	48,987	55,696	296,693
Fringe benefits	13,399	13,545	6,208	13,844	46,994
Travel	70	48,643	2,461	983	52,157
Equipment	2,277	5,975	591	3,515	12,358
Occupancy	225			3,000	3,225
Telephone and postage	1,793	5,690	2,131	95	9,709
Supplies	1,551	29,206	1,055	1,603	33,415
Professional services	12,836	80,945	2,515	5,426	101,721
Insurance		839	144	916	1,899
Miscellaneous	13,754	9,542	5,899	5,402	34,597
Client assistance payments				511,841	511,841
Participant support services	4,641				4,641
Depreciation	3,163	5,487	72	272	8,994
Total expenses	117,358	328,252	70,041	602,593	1,118,244
Change in net assets	(20,090)	(1,885)	(4,259)	(34,557)	(60,791)
Net assets as of beginning of year	20,793	19,628	215	203,589	244,225
Transfers	5,093			(5,093)	
Net assets as of end of year	\$ 5,796	\$ 17,743	\$ (4,044)	\$ 163,939	\$ 183,434

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed through Louisiana Workforce Commission Community Services Block Grant Affordable Care Act (PHOCAS)	93.568 93.093	\$ 65,782 8,453
<u>Passed through Louisiana Association of Community Action Partnerships</u>		
Home Energy Assistance Program - Energy	93.568	<u>548,385</u>
Total U.S. Department of Health and Human Services		
<u>U.S. Department of Homeland Security</u>		
Passed through United Way of America Emergency Food and Shelter Program	97.024	<u>8,238</u>
<u>U.S. Department of Education</u>		
Passed through Louisiana Department of Education Migrant Education	84.011	<u>317,384</u>
<u>U.S. Department of Labor</u>		
Passed through Louisiana Workforce Commission: Workforce Investment Act - Cluster: Adult Program Youth Program Dislocated Worker Program	17.258 17.259 17.276	43,613 27,186 <u>26,490</u>
Total U.S. Department of Labor		
		<u>97,269</u>
Total federal expenditures		<u>\$ 1,045,511</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the financial statements of Union Community Action Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Union Community Action Association, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union Community Action Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Community Action Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-B1 that we consider to be a significant deficiency in internal control over financial reporting. *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.

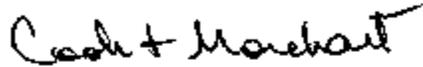
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Community Action Association, Inc.'s financial statements are free of 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*.

Union Community Action Association, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Union Community Action Association, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
January 10, 2013

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STUART L. REEKS, CPA

Report on Compliance with Requirements That Could Have A Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditors' Report

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

Compliance

We have audited Union Community Action Association, Inc.'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 Union Community Action Association, Inc.'s major federal program for the year ended June 30, 2012. Union Community Action Association, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Union Community Action Association, Inc.'s management. Our responsibility is to express an opinion on Union Community Action Association, Inc.'s compliance based on our audit.

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 Union Community Action Association, Inc.'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. Our audit does not provide a legal determination on Union Community Action Association, Inc.'s compliance with those requirements.

In our opinion, Union Community Action Association, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

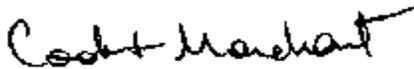
Internal Control Over Compliance

The management of Union Community Action Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Union Community Action Association, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB-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 Union Community Action Association, Inc.'s internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Union Community Action Association, Inc.'s major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Union Community Action Association, Inc.'s compliance but not to provide an opinion on the effectiveness of Union Community Action Association, Inc.'s internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Community Action Association, Inc.'s compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
January 10, 2013

Union Community Action Association, Inc.
Farmerville, Louisiana
Summary Schedule of Prior Audit Findings
June 30, 2012

There were no findings related to federal awards programs for the audit for the year ended June 30, 2011.

Schedule of Findings and Questioned Costs
June 30, 2012

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Union Community Action Association, Inc.
2. One significant deficiency is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiency is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Union Community Action Association, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements That Could Have A Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Union Community Action Association, Inc. expresses an unqualified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was: 1) Home Energy Assistance Program, CFDA#93.568.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Union Community Action Association, Inc. qualifies as a low-risk auditee.

B. Findings – Financial Statements Audit:

2012-B1 SIGNIFICANT DEFICIENCY

Deficiency: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2012
(Continued)

Recommendation: Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: Union Community Action Association, Inc. concurs with the finding and recommendation.

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None.

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
June 30, 2012

There was one significant deficiency related to the agency's financial statements in the previous audit for the year ended June 30, 2011, as follows:

2011-B1 SIGNIFICANT DEFICIENCY

Deficiency: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. This condition is intentional by management based upon the agency's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance.

Recommendation: Whether or not it would be cost effective to cure a control deficiency is not a factor in applying Statement on Auditing Standards (SAS) 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status: See repeat comment in current year audit.

Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2012

There is one significant deficiency for the current year audit period ended June 30, 2012, as reported in the accompanying schedule of findings and questioned costs.