UCAN

Report to the Audit Committee
June 16, 2023

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June 16, 2023

Audit Committee
UCAN
Chicago, Illinois

Attention: Mr. Mario Rizzo, Chair

We are pleased to present this report related to our audit of the consolidated financial statements of UCAN as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for UCAN's financial reporting process.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to UCAN.

RSM US LLP

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted a in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated November 8, 2022. Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated November 8, 2022, regarding the planned scope and timing of our audit and identified significant risks.

In addition to the significant risks previously communicated to you in our letter dated November 8, 2022, we also identified a significant risk related to pledges receivable, which we incorporated into our audit approach.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by UCAN. UCAN did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions
We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates
Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by UCAN are shown in the attached list of Recorded Audit Adjustments.

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the consolidated financial statements under audit.

Observations About the Audit Process

Disagreements With Management
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the consolidated financial statements.

Consultations With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management
The following is a description of significant issues arising from the audit that were discussed with management:

- Deficiencies identified throughout the audit related to credit card expenses, gift card policy, accounts payable process, and accounts receivable process.

Significant Difficulties Encountered in Performing the Audit
As outlined in our internal control communication letter attached, we encountered significant difficulties relative to the availability of sufficient, appropriate audit evidence during the audit of the consolidated financial statements as of and for the year ended June 30, 2022.

Difficult or Contentious Matters That Required Consultation
We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and RSM each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.

- Maintain a system of quality control over compliance with independence rules and firm policies.

UCAN's Responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting and compliance oversight roles.
  - Changes in the reporting entity impacting affiliates.
- Provide necessary affiliate information, such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to UCAN and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of non-audit services resulting in RSM being involved in making management decisions on behalf of UCAN.
- Not entering into relationships resulting in RSM, RSM covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at UCAN.

Internal Control and Compliance Matters

We have separately communicated significant deficiencies and material weaknesses in internal control and compliance findings over financial reporting identified during our audit of the consolidated financial statements as required by *Government Auditing Standards*. This communication is attached as Exhibit A.

Significant Written Communication Between Management and Our Firm

A copy of a significant written communication between our firm and the management of UCAN, the representation letter provided to us by management, is attached as Exhibit B.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in UCAN's June 30, 2022, consolidated financial statements.

Significant Accounting Estimates	
Accounts Receivable, Grants Receivable and Pledges Receivable	
Accounting policy	The valuation policy of accounts receivable, grants receivable and pledges receivable is based upon management's estimate of the collectability of such receivables.
Management's estimation process	Management reviews these receivables on a consistent basis and follows up on outstanding balances. Management's estimate for the allowance for doubtful accounts is based on past experience, the age of receivables, and consideration of possible future losses. Management has represented to us that methodologies used in fiscal year 2022 for computing the allowance are consistent with previous years' methodologies and are reasonable in the circumstances.
Basis for our conclusion on the reasonableness of the estimate	We evaluated the key factors and assumptions used by management and have determined that these allowances are reasonable.
Accrued Pension—Defined Benefit Plan	
Accounting policy	The accrued pension cost is recorded as a liability as of June 30, 2022, as determined by an outside actuary.
Management's estimation process	Management utilizes the services of an outside actuary to determine the accrued pension cost each year. The actuary uses various estimates and assumptions in its computations, resulting in UCAN recognizing an increase/decrease in the pension liability.
Basis for our conclusion on the reasonableness of the estimate	We used the assistance of another actuary to evaluate the key assumptions and methods used to calculate UCAN's pension liability at June 30, 2022, and have concluded that they are reasonable.
Fair Value of Investments and Beneficial Interest in Trusts	
Accounting policy	Investment balances and beneficial interest in trusts are recorded at fair value.
Management's estimation process	Fair value is estimated by the fund managers and reviewed by management.
Basis for our conclusion on the reasonableness of the estimate	We confirmed all investments at year-end. To test the valuation, on a sample basis, we agreed the stated market price to an independent pricing source. Management's fair value estimate appears reasonable.

Significant Accounting Estimates	
Functional Allocation of Expenses	
Accounting policy	Management allocates expenses that benefit more than one programmatic or supporting functional area.
Management's estimation process	Management allocates each type of expense on a rational basis consistently applied. Costs related to personnel are allocated based on estimates of time and effort; occupancy-related costs are allocated based on estimates of space utilized; and management costs are allocated based on direct program costs, which is estimated to approximate the management and general resources consumed by the respective programs.
Basis for our conclusion on the reasonableness of the estimate	We tested the reasonableness of management's assumptions and found them to be reasonable. We traced certain transactions through the allocation process to determine that their ultimate classification was reasonable.

RECORDED AUDIT ADJUSTMENTS

Management corrected the following misstatements that were identified as a result of our audit procedures.

Description	Effect—Increase (Decrease)					
			Net Assets			
	Assets	Liabilities	Without Donor Restrictions	With Donor Restrictions	Revenue	Expense
To adjust beneficial interest in trusts to fair value at year-end	$ (2,498,421)	$ -	$ (2,498,421)	$ -	$ (2,498,421)	$ -
To record defined benefit accrual at year-end	-	(152,493)	152,493	-	-	(152,493)
To reflect reclassification of negative cash balances at year-end	719,016	719,016	-	-	-	-
To reclassify accrued payroll and accrued payroll tax	-	35,199	-	-	-	-
	-	(35,199)	-	-	-	-
To reclassify depreciation expense from UTHC I to UCAN	-	-	-	-	-	(470,208)
	-	-	-	-	-	470,208
To adjust expenses for payroll accrual	-	39,549	(39,549)	-	-	39,549
To adjust accounts payable to its correct balance	-	260,643	(260,643)	-	-	260,643
To adjust expenses for health claims payable accrual	-	262,700	(262,700)	-	-	262,700
To adjust rent payable for North Lawndale Campus	-	63,333	(63,333)	-	-	63,333
To balance intercompany accounts—UTHC II	(46,270)	(46,270)	-	-	-	-
To reclassify contribution from restricted to unrestricted $1,000,000	-	-	1,000,000	-	1,000,000	-
	-	-		(1,000,000)	(1,000,000)	
To adjust balances to close out UTHC I	(1,182)	(231,500)	-	377,582	(147,264)	-
To reverse out duplicate entry to accounts receivable	(17,467)	-	(17,467)	-	(17,467)	-

(Continued)

Description	Effect—Increase (Decrease)					
			Net Assets			
	Assets	Liabilities	Without Donor Restrictions	With Donor Restrictions	Revenue	Expense
To adjust accounts payable for rent expense	$ -	$ 199,083	$ (199,083)	$ -	$ -	$ 199,083
To adjust deferred revenue to YV LifeSet prepaid program	1,171,466	1,171,466				
To eliminate intercompany transactions	(175,730)	(175,730)	-	-	(190,000)	(190,000)
To reclassify allowance for grant receivables	-	(204,088)	-	-	-	-
	-	204,088	-	-	-	-
Total effect					$ (2,853,152)	$ 482,815
Statement of net position effect	$ (848,588)	$ 2,109,797	$ (2,188,703)	$ (622,418)		

UNCORRECTED MISSTATEMENTS

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the consolidated financial statements. We agree with management's conclusion in that regard.

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Reversal of prior-year misstatements identified					
To reflect projected effect of $2,500 expense related to FY22 that was recorded in FY21	$ -	$ -	$ -	$ -	$ 124,842
To reflect actual ($146,060) and projected ($115,609) error in accounts receivable	-	-	-	261,669	-
To reflect the projected effect of a questioned accounts receivable sample item (actual amount of $11,505)	-	-	-	73,564	-
Current-year misstatement identified					
To reflect understatement of pledge receivable	91,653	-	91,653	91,653	-
To reflect projected overstatement of CPS related accounts receivable based on actual sampling error ($28,894)	(1,279,824)	-	(1,279,824)	(1,279,824)	-
To reflect reclassification between net assets with and without donor restrictions	-	-	(166,720)	-	-
	-	-	166,720	-	-
To reflect adjustment to accounts payable to reflect projected error based on actual sampling error ($106,497)	-	(1,087,451)	1,087,451	-	(1,087,451)
Total effect				$ (852,938)	$ (962,609)
Statement of financial position effect	$ (1,188,171)	$ (1,087,451)	$ (100,720)		

EXHIBIT A

Internal Control and Compliance Matters

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June 16, 2023

Management and the Audit Committee
UCAN
Chicago, Illinois

In planning and performing our audit of the consolidated financial statements of UCAN as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered UCAN's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of UCAN's internal control. Accordingly, we do not express an opinion on the effectiveness of UCAN's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in UCAN's internal control to be material weaknesses:

Material Weakness No. 1: Account Reconciliation and Generally Accepted Accounting Principles (Repeat Finding)

During our testing of various balance sheet accounts, we noted that certain accounts were not properly reconciled to the trial balance and certain accounts required adjustments in accordance with GAAP. For example, cash in controlled disbursement and payroll accounts had a cumulative negative $719,000 balance per the trial balance, which was not reclassified to accounts payable at year-end and required an adjustment. Health claims payable were underaccrued by $262,000, which resulted in an adjustment to increase payable and corresponding expense account. Depreciation for a portion of the fiscal year had not been recorded for the assets moved over from the title holding companies, resulting in an adjustment of approximately $470,000 to decrease assets and increase depreciation expense. Adjustments in the amount of $36,000 were needed to accrue payable for Foster Grand Parent payroll. An adjustment of $337,000 was required to correct an entry required to close UTHC I out of net assets into expenses.

In addition to the adjustments noted above, we received over 10 client-prepared adjustments throughout the audit as well as updated schedules to reflect those changes. This resulted in significant audit delays due to duplication of work that had to be performed to reconcile and update work performed up to the point of the adjustments.

Recommendation

We recommend that management review their close process and consider additional steps to improve internal controls.

Material Weakness No. 2: Accounts Payable Reconciliation and Maintenance

During the course of our audit, we identified several issues pertaining to accounts payable. We have identified several errors during our initial testing and as a result testing had to be expanded. During the expanded testing, we identified additional errors which indicated overall issues with identifying and recording accounts payable. As a result of our testing, a detailed review had to be performed by the organization. A proposed adjusting entry was made in the amount of $266,951 to correct the balance. Based on our sampling we calculated a projected error of approximately $1,080,000.

Recommendation

We recommend that management review their process for identifying and recording accounts payable. We also recommend that staff obtain training around accounting and reporting for accounts payable.

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. We consider the following deficiencies in UCAN's internal control to be significant deficiencies:

Significant Deficiency No. 1: Review Process Over Credit Card Expenses

Per UCAN Credit Card Policy, at the end of each billing cycle a reconciliation must be performed and reviewed and approved by the credit card holder supervisor, using supporting documentation in the form of the original receipt, description of business purpose, and account number to be charged. After supervisory review and approval has been performed, the expense report should then be submitted to the finance department for review. The finance department should compare the receipts submitted to the AMEX credit card statement and inform the cardholder of any missing receipts, establishing a timeframe for submission of missing receipts. In the event that no receipts can be obtained from the vendor, a Missing Receipt Form should be completed and submitted to a direct supervisor for review and approval. If cardholder fails to submit to finance department an approved expense report, along with required supporting documentation by the monthly due date, credit card spending authority shall be suspended until delinquent reports are submitted and reviewed by the finance department.

UCAN finance department did not enforce the credit card policy for expense report submissions by the monthly due date. We selected five employees' expense reports to review for compliance with UCAN's credit card policy. No receipts were provided for one out of five employees, and receipts were missing or cut off during scanning for four out of five employees. The employee with no receipts provided left UCAN in September 2022, and the expense report selected for testing was for May 2022. As a result of the audit, UCAN had obtained IT access to the email address of the departed employee and was able to recover some of the receipts. RSM expanded the testing requesting all the expense reports for the employee in question starting from the fiscal year until the date of the departure. Numerous receipts were still missing, evidencing the lack of supervisory and finance department reviews.

Recommendation

We recommend that management enforce the credit card policy and perform timely review of credit card expense reports. Timely follow-up should be performed on missing receipts, and Missing Receipt Forms should be filled out for all missing receipts. We recommend management establish a central system of retaining documentation, so in the event that a cardholder separates from UCAN, the documentation is readily available.

Significant Deficiency No. 2: Deferred Revenue and Accounts Receivable Maintenance

During the course of the audit, we identified incorrect postings within accounts receivable and deferred revenue balances associated with the LifeSet program. LifeSet is a program of Youth Villages funded by the Illinois Department of Children and Family Services (DCFS) and is designed to provide services for children and young adults. The program operates on an advance basis, which requires UCAN to incur expenditures associated with the program in order to recognize revenue. Revenue recognized is typically lower than the cash received upfront on a month-to-month basis. The difference between the advance and revenue recognized should be booked to deferred revenue. Management did not reclass the unearned portion of the advance to deferred revenue in the amount of $1,171,466, holding the difference as a negative balance in accounts receivable instead.

Recommendation

We recommend that management establishes monthly reconciliation procedures as well as annual year-end close protocols for capturing deferred revenue and reflecting proper accounts receivable balances.

Significant Deficiency No. 3: Revenue Recognition and Accounts Receivable Maintenance

During revenue testing, RSM identified an overstatement of revenue and associated account receivables by $28,894. Subsequent to year-end, an adjustment was made to the funder billing which did not get adjusted to the fiscal year 2022 trial balance. This error was extrapolated and projected onto the whole population, which resulted in a projected error of $1,279,824.

Recommendation

We recommend that management establishes monthly reconciliation procedures as well as annual year-end close protocols for capturing revenue and accounts receivable.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Control Deficiency No. 1: Review Process Over Gift Cards

During our testing of credit card expenses, we noted that there were approximately $8,000 of gift card purchases made by certain employees who did not follow organization's gift card policies and procedures. Gift card issuances should be documented by a tracking log spreadsheet identifying each individual gift card with recipient name, youth ID number, date, purpose of the payment, serial number of the gift card, gift card amount, and gift card vendor name, as well as signature of the recipient confirming the receipt. None of these procedures were followed.

Recommendation

We recommend that management follows the procedures put in place for tracking gift cards and implementing tools for accountability.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

EXHIBIT B

Significant Written Communication Between Management and Our Firm

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June 16, 2023

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This representation letter is provided in connection with your audit of the consolidated financial statements of UCAN and Affiliates (UCAN), which comprise the consolidated statement of financial position as of June 30, 2022, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 16, 2023

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 8, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.

4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. We agree with the findings of the specialist in evaluating the defined benefit pension obligation and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values of amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.

9. We have received determinations from the Internal Revenue Service (IRS) that UCAN is exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and that UCAN Title Holding Company II are exempt from federal taxes as 501(c)(3) not-for-profit corporations. We have complied with the IRS regulations regarding these exemptions.

10. With respect to the assistance with drafting the financial statements (the services) performed in the course of the audit:

    a. We have made all management decisions and performed all management functions;

    b. We assigned an appropriate individual to oversee the services;

    c. We evaluated the adequacy and results of the services performed, and made an informed judgement on the results of the services performed;

    d. We have accepted responsibility for the results of the services; and

    e. We have accepted responsibility for all significant judgements and decisions that were made.

11. We have informed you of all uncorrected misstatements.

    As of and for the year ended June 30, 2022, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Assets	Revenue	Expense
Reversal of prior-year misstatements identified					
To reflect projected effect of $2,500 expense related to FY22 that was recorded in FY21	$ -	$ -	$ -	$ -	$ 124,842
To reflect actual ($146,060) and projected ($115,609) error in accounts receivable	-	-	-	261,669	-
To reflect the projected effect of a questioned accounts receivable sample item (actual amount of $11,505)	-	-	-	73,564	-
Current-year misstatement identified					
To reflect understatement of pledge receivable	91,653	-	91,653	91,653	-
To reflect projected overstatement of CPS related accounts receivable based on actual sampling error ($28,894)	(1,279,824)	-	(1,279,824)	(1,279,824)	-
To reflect reclassification between	-	-	(166,720)	-	-
net assets with and without donor restrictions	-	-	166,720	-	-
To reflect adjustment to accounts payable to reflect projected error based on actual sampling error ($106,497)	-	(1,087,451)	1,087,451	-	(1,087,451)
Total effect				$ (852,938)	$ (962,609)
Statement of financial position effect	$ (1,188,171)	$ (1,087,451)	$ (100,720)		

Information Provided

12. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within UCAN from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of allegations of fraud or suspected fraud affecting UCAN's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of allegations of fraud or suspected fraud affecting UCAN's financial statements received in communications from employees, former employees, regulators or others.

17. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations.

18. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements.

19. We have disclosed to you the identity of all of UCAN's related parties and all the related-party relationships and transactions of which we are aware.

20. We have informed you of all deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect UCAN's ability to record, process, summarize and report financial data.

21. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

22. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

23. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

24. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

25. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

26. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

27. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

28. Has taken timely and appropriate steps to remedy identified or suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that the auditor reports.

29. Has a process to track the status of audit findings and recommendations.

30. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.

31. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

32. Has provided views on the auditor’s reported findings, conclusions and recommendations, as well as management’s planned corrective actions, for the report.

33. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

UCAN and Affiliates

DocuSigned by:
Christa A. Hamilton
9BB52DC8B29C463...

Christa A. Hamilton
Chief Executive Officer

DocuSigned by:
Kim Parish
B6CDBF663CD14C7...

Kim Parish
Chief Financial Officer