

**COMMUNITY ACTION
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2002

Aiken & Sanders, Inc., PS
Certified Public Accountants and
Management Consultants

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS:

Statement of Assets, Liabilities and Net Assets 2

Statement of Revenues, Expenses, and Changes in Net Assets 3

Statement of Functional Revenues, Expenses and Changes in Net Assets 4

Statement of Cash Flows 5

Notes to the Financial Statements 6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 12

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 14

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS 15

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 17

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 19

SUPPLEMENTARY SCHEDULE OF PROGRAMS 20



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INDEPENDENT AUDITOR'S REPORT

December 16, 2002

To the Board of Directors
Community Action Organization
1001 SW Baseline St.
Hillsboro, OR 97123

We have audited the accompanying statement of assets, liabilities, and net assets of Community Action Organization (CAO) as of June 30, 2002; the related statements of revenues, expenses, and changes in net assets; functional revenues, expenses, and changes in net assets; and cash flows for the fiscal year then ended. These financial statements are the responsibility of CAO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CAO's 2001 financial statements and, in our report dated December 12, 2001, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the grant basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of CAO as of June 30, 2002, and its revenues, expenses and cash flows for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2002, on our consideration of CAO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of CAO taken as a whole. The accompanying schedule of programs and the schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Aiken & Sanders'.

Aiken & Sanders, Inc., PS
Certified Public Accountants and
Management Consultants

COMMUNITY ACTION ORGANIZATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS As of June 30, 2002 and 2001

ASSETS		
	2002	2001
Current Assets		
Cash	\$ 218,825	\$ 214,328
Restricted Cash	414,613	358,000
Accounts Receivable	766,853	810,406
Pledges Receivable	62,825	-
Prepaid Expenses	3,045	2,000
	1,466,161	1,384,734
Property & Equipment		
Property and Equipment, net	2,482,073	2,525,025
Other Assets		
Pledges Receivable	118,961	-
Investments	610	610
	119,571	610
Total Assets	\$ 4,067,805	\$ 3,910,369

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 525,027	\$ 708,190
Employee Benefits Payable	13,229	43,743
Accrued Vacation Payable	105,733	75,005
Payroll Tax Payable	43,731	67,723
Voluntary Deductions Payable	274	805
Deferred Revenue	139,715	47,663
Line of Credit	12,443	-
Current Portion of Long-Term Debt	19,299	15,580
	859,451	958,709
Long-Term Liabilities		
Notes and Mortgages Payable, net	1,304,699	1,324,420
	2,164,150	2,283,129
Net Assets		
Unrestricted Net Assets	279,561	(192,004)
Temporarily Restricted Net Assets	1,624,094	1,819,244
	1,903,655	1,627,240
Total Liabilities and Net Assets	\$ 4,067,805	\$ 3,910,369

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Fiscal Year Ended June 30, 2002 with Comparative Totals for 2001

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2002 TOTAL</u>	<u>2001 TOTAL</u>
<u>Support and Revenue</u>				
Grants & Contracts	\$ 9,548,587	\$ -	\$ 9,548,587	\$ 7,970,471
United Way	186,790	-	186,790	207,117
Contributions - Other	129,607	318,433	448,040	263,350
Contributions - Corp. & Foundations	224,848	-	224,848	246,334
In-Kind Revenue	815,084	-	815,084	959,920
Fees	150,130	-	150,130	150,083
Reimbursements	103,997	-	103,997	42,088
Nets Assets Released from Restrictions:				
Satisfaction of Time Restrictions	79,167	(79,167)	-	-
Satisfaction of Program Restrictions	434,416	(434,416)	-	-
Total Support and Revenue	<u>11,672,626</u>	<u>(195,150)</u>	<u>11,477,476</u>	<u>9,839,363</u>
Expenses:				
Program Services	9,894,499	-	9,894,499	8,334,184
Administration	1,044,676	-	1,044,676	932,850
Resource Development	264,218	-	264,218	247,864
Total Expenses	<u>11,203,393</u>	<u>-</u>	<u>11,203,393</u>	<u>9,514,898</u>
Other Sources of Funding:	<u>2,332</u>	<u>-</u>	<u>2,332</u>	<u>54,773</u>
Change in Net Assets	<u>471,565</u>	<u>(195,150)</u>	<u>276,415</u>	<u>379,238</u>
Net Assets at Beginning of Year	(192,004)	1,819,244	1,627,240	1,248,002
Net Assets at End of Year	<u>\$ 279,561</u>	<u>\$ 1,624,094</u>	<u>\$ 1,903,655</u>	<u>\$ 1,627,240</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FUNCTIONAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2002 with Comparative Totals for 2001

	<u>Early Childhood Development</u>	<u>Family & Community Resources</u>	<u>Community Partners</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Resource Development</u>	<u>2002 Total</u>	<u>2001 Total</u>
Support and Revenue								
Grants:	\$ 5,735,584	\$ 3,668,006	\$ 9,759	\$ 9,413,349	\$ 135,238	\$ -	\$ 9,548,587	\$ 7,970,471
Private Revenue:								
United Way	-	-	-	-	-	186,790	186,790	207,117
Contributions - Other	-	-	-	-	-	448,040	448,040	263,350
Contributions - Corp. & Foundations	-	-	-	-	-	224,848	224,848	246,334
	-	-	-	-	-	859,678	859,678	716,801
Income:								
Fees	124,886	21,987	-	146,873	3,230	27	150,130	150,083
Reimbursements	24,788	65,929	3,150	93,867	10,130	-	103,997	42,088
	149,674	87,916	3,150	240,740	13,360	27	254,127	192,171
In-Kind Revenue	462,456	58,729	215,766	736,951	68,003	10,130	815,084	959,920
Transfers Between Funds	57,668	354,207	13,977	425,852	15,132	(440,984)	-	-
Total Support and Revenue	6,405,382	4,168,858	242,652	10,816,892	231,733	428,851	11,477,476	9,839,363
Expenses								
Employee Costs	3,655,864	1,186,231	2,153	4,844,248	645,852	192,674	5,682,774	4,495,988
Professional Costs	7,786	22,783	-	30,569	92,141	3,625	126,335	259,373
Travel/Transportation	52,386	32,404	8	84,798	11,355	1,993	98,146	105,719
Occupancy	256,552	54,718	14,469	325,739	-	7,072	332,811	305,226
Other Rent	25,592	3,479	-	29,071	29,267	-	58,338	85,117
Depreciation	-	-	-	-	70,057	-	70,057	75,648
Supplies	274,167	23,788	15	297,970	46,868	18,438	363,276	388,907
Communications	77,733	42,926	3,934	124,593	16,257	17,501	158,351	127,943
Marketing	4,441	2,442	-	6,883	2,187	3,459	12,529	28,770
Insurance	22,054	1,942	162	24,158	28,606	-	52,764	45,502
Repairs and Maintenance	40,432	1,533	-	41,965	12,306	-	54,271	58,014
Miscellaneous	116,781	27,220	-	144,001	28,189	9,326	181,516	119,512
Client Expenses	799,266	2,275,342	11,912	3,086,520	7,330	-	3,093,850	2,000,100
Bad Debt Expense	-	-	-	-	500	-	500	661
Capital Outlay	117,034	-	-	117,034	1,000	-	118,034	458,498
In-Kind Expenses	462,455	58,729	215,766	736,950	52,761	10,130	799,841	959,920
Total Expenses	5,912,543	3,733,537	248,419	9,894,499	1,044,676	264,218	-11,203,393	9,514,898
Transfers from CSBG	-	(22,976)	(2,426)	(25,402)	111,662	(86,260)	-	-
Administration Allocation	473,487	305,438	-	778,925	(820,607)	41,682	-	-
Other Fund Sources	3,371	(3,602)	(2,310)	(2,541)	209	-	(2,332)	(54,773)
Total Other	476,858	278,860	(4,736)	750,982	(708,736)	(44,578)	(2,332)	(54,773)
Change in Net Assets	15,981	156,461	(1,031)	171,411	(104,207)	209,211	276,415	379,238
Net Assets at Beginning of Year	62,253	438,354	(15,983)	484,624	969,820	172,796	1,627,240	1,248,002
Net Assets at End of Year	\$ 78,234	\$ 594,815	\$ (17,014)	\$ 656,035	\$ 865,613	\$ 382,007	\$ 1,903,655	\$ 1,627,240

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2002 with Comparative Totals for 2001

	2002	2001
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 276,415	\$ 379,238
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	70,057	75,648
Donated Equipment	(15,242)	-
(Increase) Decrease in Accounts Receivable	43,553	(334,371)
(Increase) Decrease in Pledges Receivable	(181,786)	-
(Increase) Decrease in Prepaid Expenses	(1,045)	-
Increase (Decrease) in Accounts Payable	(183,163)	302,170
Increase (Decrease) in Interest Payable	-	(10,682)
Increase (Decrease) in Accrued Vacation Payable	30,728	(1,244)
Increase (Decrease) in Payroll Liabilities	(55,037)	68,793
Increase (Decrease) in Deferred Revenue	92,052	6,013
Increase (Decrease) in Due to Other Agencies	-	(97,577)
Total Adjustments	(199,883)	8,750
Net Cash Provided by Operating Activities	76,532	387,988
Cash Flows from Investing Activities:		
Capital Expenditures	(11,863)	-
Net Cash Used by Investing Activities	(11,863)	-
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(16,002)	(19,973)
Proceeds from Line of Credit	12,443	-
Payments on Capital Leases	-	(4,775)
Net Cash Used by Financing Activities	(3,559)	(24,748)
Net Increase in Cash & Cash Equivalents	61,110	363,240
Cash and Cash Equivalents at Beginning of Year	572,328	209,088
Cash and Cash Equivalents at End of Year	633,438	572,328
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	\$ 116,490	\$ 103,467

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

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community Action Organization (CAO) is a non-profit entity exempt from federal income tax under Internal Revenue Code Section 501(c)(3). CAO operates primarily as the sponsoring agency of various federal, state and locally funded programs aimed at providing various services to assist low-income residents of Washington county, state of Oregon. The programs include Head Start preschool, USDA childcare food program, shelter and housing, child care, pregnancy support, energy and other individual assistance programs.

Support and Revenues

CAO receives a substantial amount of its annual support in the form of government grants and contributions. A significant reduction in the level of this support, if it were to occur, might have a significant effect on CAO's programs and activities.

Accounting Basis

CAO uses the grant basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as temporarily restricted or unrestricted as provided in the particular terms of the respective grant contracts.

Under the grant basis of accounting, the cost of property and equipment purchased by CAO with restricted (grant) funds is charged as a period cost under the appropriate grant in accordance with the provisions of such grant. When such purchases are made with resources from grants, such grant contracts generally specify that the title of such property remains with or reverts to the grantor.

When restrictions on grant funds are met in the same year that the funds are awarded, it is the policy of CAO to record the grant funds as unrestricted on the statement of activities and changes in net assets.

Recognition of Contribution Revenue

CAO reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 are reported in the statement of activities and changes in net assets as net assets released from restrictions. However, restricted gifts for which the donor restriction is met in the same period that the gift is received are recorded as unrestricted.

CAO reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, CAO reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property and Equipment

Property and equipment purchased by CAO with unrestricted funds is recorded at cost. Items of less than \$5,000 per unit cost are charged to expense as minor equipment or supplies.

For property and equipment purchased with unrestricted funds, depreciation is provided over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

Straight-line depreciation is provided over the estimated useful lives of the assets as follows:

Buildings	40 years
Office equipment	3 to 5 years
Vehicles	7 years

Use of Estimates

The preparation of financial statements in conformity with grant accounting requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

It is CAO's policy to expense all advertising costs as incurred.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts (Grants) receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. CAO uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2002 and 2001, there were bad debts of \$500 and \$661, respectively. As of June 30, 2002, management estimated that all accounts receivable were collectible.

NOTE 3: EMPLOYEE BENEFITS

CAO provides a 403(b) tax sheltered annuity. Beginning in the third year of employment, CAO will contribute between \$25 and \$100 per month to a qualified employee's tax sheltered annuity, based on an employee's number of years of service. For the fiscal years ended June 30, 2002 and 2001, the pension expense was \$59,011 and \$49,312, respectively. The tax sheltered annuity was fully funded at June 30, 2002 and 2001.

CAO also provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Unused annual leave is paid to the employee in cash upon termination.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

NOTE 4: DEFERRED REVENUES

Deferred revenue is recognized for program (grant) advances received by CAO that is in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

NOTE 5: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by CAO. Donated services are recorded as in-kind revenue at estimated fair market value with an offsetting entry to in-kind expense. During the fiscal years ended June 30, 2002 and 2001, the estimated fair value was \$174,739 and \$301,426, respectively.

CAO receives donated materials and rent that are used in CAO programs. Donated materials and rent are recorded as in-kind revenue at estimated fair market value with an offsetting entry to in-kind expense. During the fiscal years ended June 30, 2002 and 2001, donated supplies were \$193,346 and \$186,787, respectively. During the fiscal years ended June 30, 2002 and 2001, donated rent was \$431,757 and \$471,707, respectively.

During the fiscal year ended June 30, 2002, the CAO received donated equipment. The value of the donated equipment are reflected in the financial statements as in-kind revenue on the statement of revenues, expenses, and changes in net assets, and capitalized as equipment on the statement of assets, liabilities and net assets at an estimated fair value of \$15,242.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2007. Lease expense for facilities and equipment for the fiscal years ended June 30, 2002 and 2001, was \$58,338 and \$85,117, respectively.

Future obligations under currently executed non-cancelable leases are as follows:

<u>Year</u>		
2003	\$	80,514
2004		70,267
2005		55,278
2006		27,082
2007		<u>15,395</u>
	\$	<u>248,536</u>

NOTE 7: LINE-OF-CREDIT

CAO has available a line of credit with Columbia Community Bank in the amount of \$250,000. The interest rate on the line of credit is Prime (currently 4.75%). At June 30, 2002 and 2001, the outstanding balance on the line of credit was \$12,443 and \$0, respectively. The expiration date of the line of credit agreement is March 2003.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

NOTE 8: LONG-TERM DEBT

As of June 30, 2002 and 2001, long-term debt was as follows:

	2002	2001
Columbia Community Bank - payable \$11,030 per month including interest accrued at the Treasury Maturities Rate (currently at 8.6%) - Secured by Building	1,323,998	1,340,000
Less current maturities	(19,299)	(15,580)
	\$ 1,304,699	\$ 1,324,420

Maturity of debt due within 5 years:

2003	\$	19,299
2004		20,934
2005		22,807
2006		24,847
2007		27,070
Thereafter		1,209,041
Total	\$	1,323,998

NOTE 9: SUPPLEMENTAL DISCLOSURES - STATEMENT OF CASH FLOWS

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

Non-cash Transaction:

During the fiscal year ended June 30, 2001, CAO refinanced all of its long-term debt with a new loan from Columbia Community Bank for \$1,340,000.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

As of June 30, 2002 and 2001, CAO has cash accounts with Columbia Community Bank that exceeded the \$100,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). Columbia Community Bank has collateralized the amounts that are in excess of the amount insured by FDIC.

The pledges receivable are primarily from donors located in Washington County, Oregon. Consequently, the CAO's ability to collect the pledges is affected by the economy in Washington County.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

NOTE 11: RESTRICTED CASH

Opening Doors, a program of Healthy Start, Inc. another nonprofit organization, joined CAO in 1998 with a cash reserve of \$257,000. The cash reserve came with donor imposed restrictions. The cash reserve is restricted for use on expenditures of the Opening Doors program. As of June 30, 2002 and 2001, the unexpended balance of this cash reserve and restricted donations that were not spent by the end of the fiscal years was \$414,613 and \$358,000, respectively.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2002 and 2001, property and equipment consists of the following:

	<u>2002</u>	<u>2001</u>
Land and Building	\$ 2,939,611	\$ 2,939,609
Furniture and Equipment	516,138	490,416
Vehicles	102,725	204,493
Accumulated Depreciation	<u>(1,076,401)</u>	<u>(1,109,493)</u>
	<u>\$ 2,482,073</u>	<u>\$ 2,525,025</u>

NOTE 13: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards include the federal grant activity of CAO and is presented on the grant basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

NOTE 14: OTHER SOURCES OF FUNDING

During the fiscal years ended June 30, 2002 and 2001, there were \$2,332 and \$54,773, respectively, of expenditures incurred in various departments that were allowable expenditures in other grants. The allowable expenditures were recorded in the appropriate grant with an offsetting entry to other sources of funding.

NOTE 15. PLEDGES RECEIVABLE

As of June 30, 2002, the CAO has pledges that will be received over the next five years. As of June 30, 2002, management estimated that all pledges receivable were collectible. The long-term pledges are adjusted to present value using a risk free rate of return of 1.7%. Long-term pledges due in the following years are as follows:

2004	\$ 59,925
2005	33,100
2006	31,125
2007	500
Present Value Adjustment	<u>(5,689)</u>
Net Long-Term Pledges Receivable	<u>\$ 118,961</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2002

NOTE 16: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Property, net of loan and depreciation *	\$ 1,052,427	\$ 1,099,591
Head Start	444	139,585
Child Care	30,036	5,000
Transitional Housing	8,474	-
Opening Doors	425,373	414,613
Shelter	64,226	8,223
FEMA	-	2,798
Energy Assistance	7,727	10,697
Weatherization	35,387	138,737
	<u>\$ 1,624,094</u>	<u>\$ 1,819,244</u>

*= During 1995, the CAO received \$1,257,500 from the Office of Community Development to purchase the property to be used as a community action organization. The funds will be due and payable in full if the property is sold, refinanced, or its use changes on or before October 4, 2025.

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2002

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Department of Health & Human Services</u>			
Head Start	93.600	None	\$ 3,477,000
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	90243	134,485
Temporary Assistance For Needy Families	93.558	90243	24,875
Low Income Housing Energy Assistance Program	93.568	90243	935,027
Passed Through Child Care Development Services:			
Childcare Resource & Referral	93.575	None	93,189
AFS Childcare	93.575	None	71,586
Passed Through Washington County Dept. of Health & Humal Services:			
Stabilization of Child Care Providers	93.575	02-0585	63,382
			<u>4,799,544</u>
<u>Department of Energy</u>			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.X16	90243	4,800
Weatherization Assistance For Low Income Persons	81.042	90243	113,376
			<u>118,176</u>
<u>Department of Agriculture</u>			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	183,104

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

For the Fiscal Year Ended June 30, 2002

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Federal Emergency Management Agency</u>			
Emergency Food & Shelter National Board Program	83.523	None	<u>153,979</u>
<u>Department of Housing and Urban Development</u>			
Supportive Housing Program	14.235	None	154,564
<u>Passed Through Washington County Office of Community Development:</u>			
CDBG-Self Help Weatherization	14.218	3502	25,000
CDBG-Comprehensive Weatherization	14.218	3501	20,000
CDBG-Homeless	14.218	3337	6,721
CDBG-Opening Doors	14.218	02-0585	47,867
<u>Passed Through Oregon Housing & Community Services:</u>			
Emergency Shelter Grant	14.231	90243	<u>54,407</u>
			<u>308,559</u>
Total Federal Awards			<u>\$ 5,563,362</u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2002

No matters are reportable.



CERTIFIED PUBLIC ACCOUNTANTS
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 16, 2002

To the Board of Directors
Community Action Organization
1001 SW Baseline St.
Hillsboro, OR 97123

We have audited the financial statements of Community Action Organization (CAO) as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether CAO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, 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.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants and
Management Consultants



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 16, 2002

To the Board of Directors
Community Action Organization
1001 SW Baseline St.
Hillsboro, OR 97123

Compliance

We have audited the compliance of Community Action Organization (CAO) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002. CAO's major federal programs are 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 each of its major federal programs is the responsibility of CAO's management. Our responsibility is to express an opinion on CAO'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 the CAO'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 CAO's compliance with those requirements.

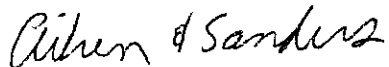
In our opinion, CAO complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2002.

Internal Control Over Compliance

The management of CAO is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CAO's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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 Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, 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.



Aiken & Sanders, Inc., PS
Certified Public Accountants and
Management Consultants

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2002

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Reportable conditions identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Reportable conditions identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.558	Child & Adult Care Food Program
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: No

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.

Community Action Organization

**Supplementary Schedule of Programs
For the Fiscal Year Ended June 30, 2002**

	Total	Head Start	CCRR	A-Kids Domain	Opening Doors	Shelter	Transitional Housing	Emergency Needs	Information Referral	Weatherization	Energy	CSBG	Community Partners	Resource Development	Administration
Support and Revenue															
Government Revenue															
Federal	\$ 3,834,406	\$ 3,524,000	\$ -	\$ -	\$ 2,829	\$ -	\$ 154,564	\$ 153,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	4,976,222	2,137,998	-	71,586	-	454,283	-	-	-	364,221	1,812,952	135,182	-	-	-
Local	737,959	-	225,802	2,000	172,375	220,454	12,324	35,700	14,490	45,000	-	-	9,759	-	56
	9,548,587	5,661,998	225,802	73,586	175,203	674,737	166,888	188,713	14,490	409,221	1,812,952	135,182	9,759	-	56
Private Revenue															
United Way	186,790	-	-	-	-	-	-	-	-	-	-	-	-	186,790	-
Contributions	448,040	-	-	-	-	-	-	-	-	-	-	-	-	448,040	-
Corporations & Foundations	224,848	-	-	-	-	-	-	-	-	-	-	-	-	224,848	-
	859,678	-	-	-	-	-	-	-	-	-	-	-	-	859,678	-
Income															
Fees / Sales	150,130	67,235	21,775	57,652	-	-	-	212	-	-	-	-	-	27	3,230
Reimbursements	103,997	24,788	116	-	2,376	12	350	-	-	62,095	980	-	3,150	-	10,130
	254,127	92,023	21,891	57,652	2,376	12	350	212	-	62,095	980	-	3,150	27	13,360
Total Inkind Revenue	815,084	343,164	-	119,291	30,373	24,005	-	-	-	4,352	-	-	215,766	10,130	68,003
Total Revenue	11,477,476	6,097,185	247,693	250,528	207,952	698,753	167,238	188,925	14,490	475,668	1,813,932	135,182	228,676	869,835	81,418
Transfers of Private Funds	-	3,727	61,113	53,941	165,480	47,677	5,515	56,953	17,468	-	-	-	13,977	(440,984)	15,132
Total Combined Revenue	11,477,476	6,100,913	308,806	304,469	373,433	746,430	172,753	245,878	31,958	475,668	1,813,932	135,182	242,653	428,851	96,550
Expenses															
Employee Costs	5,682,774	3,510,817	195,628	145,047	234,958	233,005	125,898	22,194	49,755	112,933	211,861	-	2,133	192,674	645,852
Supplies	363,276	270,158	5,446	4,009	9,131	3,916	779	2,025	1,600	421	469	-	15	18,438	46,868
Professional Costs	126,335	6,706	-	1,080	14,953	7,530	300	-	-	-	-	-	-	3,625	92,141
Communications	158,351	74,113	12,706	3,620	9,686	8,338	848	7,377	1,329	1,880	761	-	3,934	17,501	16,257
Transportation & Travel	98,146	52,196	4,988	190	16,724	2,984	4,561	1,042	159	1,946	-	-	8	1,993	11,355
Marketing	12,529	4,441	951	-	1,276	36	-	72	-	107	-	-	-	3,459	2,187
Occupancy	332,811	254,851	8,897	1,701	1,477	22,504	1,036	6,909	1,510	-	12,384	-	14,469	7,072	-
Other Rents	58,338	25,592	-	-	-	1,047	440	-	-	1,991	-	-	-	-	29,267
Insurance	52,764	22,054	-	-	-	833	-	-	-	1,109	-	-	162	-	28,606
Repair & Maintenance	54,271	40,432	-	-	-	328	-	1,206	-	-	-	-	-	-	12,306
Miscellaneous Expenses	182,016	115,398	13,079	1,383	6,985	2,908	-	234	20	3,995	-	1,060	-	9,326	27,629
Capital Outlay	118,034	117,034	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Client Expenses	3,093,850	799,236	-	30	9,202	339,525	26,883	159,494	45	273,139	1,467,055	-	11,912	-	7,330
Inkind	799,841	343,164	-	119,291	30,373	24,005	-	-	-	4,352	-	-	215,766	10,130	52,761
Depreciation Expenses	70,057	-	-	-	-	-	-	-	-	-	-	-	-	-	70,057
Administrative Charges	-	461,121	26,764	12,366	27,909	54,596	14,706	18,249	3,255	38,406	121,552	19,817	-	41,682	(840,424)
Total Expenditures	11,203,393	6,097,313	268,460	288,717	362,673	701,555	175,451	218,802	57,673	440,280	1,814,082	20,877	248,420	305,900	203,193
Expense Transfers: CSBG	-	-	-	-	-	-	(11,172)	-	(11,804)	-	-	113,608	(2,426)	(86,260)	(1,946)
Expense Transfers: Other	(2,332)	3,156	10,309	215	-	(19,350)	-	19,350	(13,911)	697	-	697	(2,310)	-	(488)
Adjusted Expenditures	11,201,061	6,100,469	278,769	288,932	362,673	682,205	164,279	238,152	31,958	440,280	1,814,082	135,182	243,684	219,640	200,759
Change in Net Assets	276,415	444	30,036	15,537	10,760	64,225	8,474	7,727	-	35,388	(150)	-	(1,031)	209,212	(104,209)
Beginning of Year Net Assets	1,627,240	122,200	13,051	(67,276)	414,613	(23,799)	(2,379)	(40,193)	6,208	138,737	16,188	(7,253)	(15,983)	89,222	983,902
End of Year Net Assets	\$ 1,903,655	\$ 122,644	\$ 43,087	\$ (51,738)	\$ 425,373	\$ 40,426	\$ 6,095	\$ (32,466)	\$ 6,208	\$ 174,124	\$ 16,038	\$ (7,253)	\$ (17,013)	\$ 298,433	\$ 879,693

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