

**COMMUNITY ACTION  
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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CERTIFIED PUBLIC ACCOUNTANTS  
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**INDEPENDENT AUDITOR'S REPORT**

November 22, 2004

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, 2004; 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 2003 financial statements and, in our report dated November 24, 2003, 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 U.S. 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, 2004, 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 November 22, 2004, 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 revenues, expenses, and changes in net assets by activities 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.

*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, 2004 and 2003

<b>ASSETS</b>		
	<b>2004</b>	<b>2003</b>
<b><u>Current Assets</u></b>		
Cash	\$ 595,328	\$ 316,930
Restricted Cash	328,105	391,892
Accounts Receivable	564,333	727,043
Pledges Receivable	55,385	71,050
Prepaid Expenses	3,045	3,045
	<b>1,546,196</b>	<b>1,509,960</b>
<b><u>Property &amp; Equipment</u></b>		
Property and Equipment, net	<b>2,328,905</b>	<b>2,405,245</b>
<b><u>Other Assets</u></b>		
Pledges Receivable	83,096	104,924
Investments	350	610
	<b>83,446</b>	<b>105,534</b>
<b>Total Assets</b>	<b>\$ 3,958,547</b>	<b>\$ 4,020,739</b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 601,730	\$ 678,352
Accrued Vacation Payable	140,608	132,739
Payroll Tax Payable	58,774	52,718
Deferred Revenue	217,338	41,362
Current Portion of Long-Term Debt	23,288	21,025
	<b>1,041,738</b>	<b>926,196</b>
<b><u>Long-Term Liabilities</u></b>		
Notes and Mortgages Payable, net	<b>1,255,492</b>	<b>1,285,012</b>
	<b>2,297,230</b>	<b>2,211,208</b>
<b><u>Net Assets</u></b>		
Unrestricted Net Assets	415,497	420,564
Temporarily Restricted Net Assets	1,245,820	1,388,967
	<b>1,661,317</b>	<b>1,809,531</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,958,547</b>	<b>\$ 4,020,739</b>

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, 2004 with Comparative Totals for 2003**

<u>Support and Revenue</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2004 TOTAL</u>	<u>2003 TOTAL</u>
Grants & Contracts	\$ 12,605,085	\$ -	\$ 12,605,085	\$ 11,937,622
United Way	208,403	-	208,403	209,047
Contributions - Other	85,459	43,162	128,621	177,914
Contributions - Corp. & Foundations	64,110	240,384	304,494	216,388
In-Kind Revenue	843,682	-	843,682	746,874
Fees	126,833	-	126,833	117,501
Reimbursements	119,997	-	119,997	38,775
Nets Assets Released from Restrictions:				
Satisfaction of Time Restrictions	90,422	(90,422)	-	-
Satisfaction of Program Restrictions	336,271	(336,271)	-	-
<b>Total Support and Revenue</b>	<b><u>14,480,262</u></b>	<b><u>(143,147)</u></b>	<b><u>14,337,115</u></b>	<b><u>13,444,121</u></b>
<b>Expenses:</b>				
Program Services	12,665,047	-	12,665,047	12,041,198
Administration	1,463,522	-	1,463,522	1,203,265
Resource Development	356,760	-	356,760	293,782
<b>Total Expenses</b>	<b><u>14,485,329</u></b>	<b><u>-</u></b>	<b><u>14,485,329</u></b>	<b><u>13,538,245</u></b>
<b>Change in Net Assets</b>	<b>(5,067)</b>	<b>(143,147)</b>	<b>(148,214)</b>	<b>(94,124)</b>
Net Assets at Beginning of Year	420,564	1,388,967	1,809,531	1,903,655
<b>Net Assets at End of Year</b>	<b><u>\$ 415,497</u></b>	<b><u>\$ 1,245,820</u></b>	<b><u>\$ 1,661,317</u></b>	<b><u>\$ 1,809,531</u></b>

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, 2004 with Comparative Totals for 2003

	Early Childhood Development	Family & Community Resources	Community Partners	Total Program Services	Administration	Resource Development	2004 Total	2003 Total
<b>Support and Revenue</b>								
Grants:	\$ 6,520,159	\$ 5,704,766	\$ -	\$ 12,224,925	\$ 380,160	\$ -	\$ 12,605,085	\$ 11,937,622
Private Revenue:								
United Way	-	-	-	-	-	208,403	208,403	209,047
Contributions - Other	-	-	-	-	-	128,621	128,621	177,914
Contributions - Corp. & Foundations	-	-	-	-	-	304,494	304,494	216,388
	-	-	-	-	-	641,518	641,518	603,349
Income:								
Fees	83,411	43,422	-	126,833	-	-	126,833	117,501
Reimbursements	-	55,493	-	55,493	64,504	-	119,997	38,775
	83,411	98,915	-	182,326	64,504	-	246,830	156,276
In-Kind Revenue	425,778	53,322	303,582	782,682	44,632	16,368	843,682	746,874
Transfers Between Funds	28,862	380,309	-	409,171	-	(409,171)	-	-
<b>Total Support and Revenue</b>	<b>7,058,210</b>	<b>6,237,312</b>	<b>303,582</b>	<b>13,599,104</b>	<b>489,296</b>	<b>248,715</b>	<b>14,337,115</b>	<b>13,444,121</b>
<b>Expenses</b>								
Employee Costs	4,577,959	1,804,675	137	6,382,771	716,615	206,567	7,305,953	7,015,620
Professional Costs	21,066	10,921	725	32,712	174,825	10,668	218,205	152,901
Travel	59,467	35,509	-	94,976	19,083	5,902	119,961	110,544
Occupancy	283,138	103,080	7,320	393,538	73,154	8,155	474,847	399,769
Other Rent	153,191	41,279	-	194,470	51,651	-	246,121	230,562
Depreciation	-	-	-	-	76,340	-	76,340	76,827
Supplies	59,856	35,336	33	95,225	39,712	15,233	150,170	330,101
Communications	109,617	68,280	908	178,805	31,880	30,573	241,258	225,413
Marketing	8,741	5,413	-	14,154	336	15,020	29,510	20,371
Insurance	30,122	4,708	280	35,110	41,541	-	76,651	54,684
Repairs and Maintenance	30,283	848	-	31,131	1,740	525	33,396	53,973
Miscellaneous	65,566	48,270	-	113,836	37,149	5,187	156,172	162,599
Client Expenses	635,421	3,639,595	-	4,275,016	3,770	4,305	4,283,091	3,838,083
Bad Debt Expense	-	-	-	-	-	19,500	19,500	9,784
Capital Outlay	40,621	-	-	40,621	151,094	18,757	210,472	110,140
In-Kind Expenses	425,778	53,322	303,582	782,682	44,632	16,368	843,682	746,874
<b>Total Expenses</b>	<b>6,500,826</b>	<b>5,851,236</b>	<b>312,985</b>	<b>12,665,047</b>	<b>1,463,522</b>	<b>356,760</b>	<b>14,485,329</b>	<b>13,538,245</b>
Transfers from CSBG	(67,566)	(81,724)	-	(149,290)	309,238	(159,948)	-	-
Administration Allocation	609,353	512,063	-	1,121,416	(1,187,384)	65,968	-	-
Other Fund Sources & Transfers	10,004	(7,035)	(9,403)	(6,434)	253	6,181	-	-
<b>Total Other</b>	<b>551,791</b>	<b>423,304</b>	<b>(9,403)</b>	<b>965,692</b>	<b>(877,893)</b>	<b>(87,799)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>5,593</b>	<b>(37,228)</b>	<b>-</b>	<b>(31,635)</b>	<b>(96,333)</b>	<b>(20,246)</b>	<b>(148,214)</b>	<b>(94,124)</b>
Net Assets at Beginning of Year	81,490	639,872	(49)	721,313	770,977	317,241	1,809,531	1,903,655
<b>Net Assets at End of Year</b>	<b>\$ 87,083</b>	<b>\$ 602,644</b>	<b>\$ (49)</b>	<b>\$ 689,678</b>	<b>\$ 674,644</b>	<b>\$ 296,995</b>	<b>\$ 1,661,317</b>	<b>\$ 1,809,531</b>

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, 2004 with Comparative Totals for 2003

	2004	2003
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (148,214)	\$ (94,124)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	76,340	76,827
Realized Loss on Investments	260	-
(Increase) Decrease in Accounts Receivable	162,710	39,810
(Increase) Decrease in Pledges Receivable	37,493	5,812
Increase (Decrease) in Accounts Payable	(76,622)	153,326
Increase (Decrease) in Accrued Vacation Payable	7,869	27,006
Increase (Decrease) in Payroll Liabilities	6,056	(4,516)
Increase (Decrease) in Deferred Revenue	175,976	(98,353)
<b>Total Adjustments</b>	<b>390,082</b>	<b>199,912</b>
<b>Net Cash Provided by Operating Activities</b>	<b>241,868</b>	<b>105,788</b>
<b>Cash Flows from Investing Activities:</b>	-	-
<b>Cash Flows from Financing Activities:</b>		
Payments on Long-Term Debt	(27,257)	(17,961)
Payments on Line of Credit	-	(12,443)
<b>Net Cash Used by Financing Activities</b>	<b>(27,257)</b>	<b>(30,404)</b>
Net Increase in Cash & Cash Equivalents	214,611	75,384
Cash and Cash Equivalents at Beginning of Year	708,822	633,438
<b>Cash and Cash Equivalents at End of Year</b>	<b>923,433</b>	<b>708,822</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid During the Fiscal Year for Interest	\$ 105,102	\$ 114,473

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, 2004

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### 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) and is not classified as a private foundation. 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, 2004

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**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 2004 and 2003, there were bad debts of \$19,500 and \$9,784, respectively. As of June 30, 2004, management estimated that all accounts receivable were collectible.

**NOTE 3: EMPLOYEE BENEFITS**

CAO sponsors a 403(b) tax sheltered annuity benefit for qualifying employees. Beginning in the third year of employment, CAO contributes 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, 2004 and 2003, the pension expense was \$63,851 and \$59,032, respectively. The tax sheltered annuity was fully funded at June 30, 2004 and 2003.

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 payable to the employee in cash upon termination.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

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**NOTE 4: DEFERRED REVENUES**

Deferred revenue is recognized for program (grant) advances received by CAO that are 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, 2004 and 2003, the estimated fair value was \$173,093 and \$144,972, 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, 2004 and 2003, donated supplies were \$256,913 and \$178,983, respectively. During the fiscal years ended June 30, 2004 and 2003, donated rent was \$413,676 and \$422,919, respectively.

**NOTE 6: LEASE COMMITMENTS**

CAO leases various facilities and equipment. These operating leases expire at various times through 2008. Lease expense for facilities and equipment for the fiscal years ended June 30, 2004 and 2003, was \$246,121 and \$230,562, respectively.

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

<u>Year</u>	
2005	\$ 235,212
2006	176,488
2007	116,371
2008	83,855
2009	-
	<u>\$ 611,926</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 4.00%). At June 30, 2004 and 2003, the outstanding balance on the line of credit was \$0. The expiration date of the line of credit agreement is March 2005.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

**NOTE 8: LONG-TERM DEBT**

As of June 30, 2004 and 2003, long-term debt was as follows:

	<u>2004</u>	<u>2003</u>
Columbia Community Bank - payable \$11,030 per month including interest accrued at the Treasury Maturities Rate (currently at 8.6%) - Secured by Building	\$ 1,278,780	\$ 1,306,037
Less current maturities	<u>(23,288)</u>	<u>(21,025)</u>
	<u>\$ 1,255,492</u>	<u>\$ 1,285,012</u>

Maturity of debt due within 5 years:

2005	\$ 23,288
2006	25,373
2007	27,642
2008	30,115
2009	32,810
Thereafter	<u>1,139,552</u>
Total	<u>\$ 1,278,780</u>

**NOTE 9: SUPPLEMENTAL DISCLOSURES - STATEMENT OF CASH FLOWS**

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

**NOTE 10: CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2004 and 2003, 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.

**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, 2004 and 2003, the unexpended balance of this cash reserve and restricted donations was \$328,104 and \$391,892, respectively.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

**NOTE 12: PROPERTY AND EQUIPMENT**

At June 30, 2004 and 2003, property and equipment consists of the following:

	<u>2004</u>	<u>2003</u>
Land and Building	\$ 2,939,611	\$ 2,939,611
Furniture and Equipment	93,361	96,201
Vehicles	102,725	102,725
Accumulated Depreciation	<u>(806,792)</u>	<u>(733,292)</u>
	<u>\$ 2,328,905</u>	<u>\$ 2,405,245</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. PLEDGES RECEIVABLE**

As of June 30, 2004 and 2003, the CAO has pledges that will be received over the next five years. As of June 30, 2004, management estimated that all pledges receivable were collectible. The long-term pledges are adjusted to present value using a risk free rate of return. Long-term pledges due in the following years are as follows:

2006	\$ 44,595
2007	38,575
2008	3,790
2009	75
Present Value Adjustment	<u>(3,939)</u>
Net Long-Term Pledges Receivable	<u>\$ 83,096</u>

**NOTE 15. SUBSEQUENT EVENTS**

During the fiscal year ending June 30, 2005, the CAO will be doing repairs and maintenance on the main facility. The approximate cost will be \$825,000. The project is expected to be completed by November 30, 2004. To help pay for this project, the CAO obtained a loan in August 2004 for \$350,000 at 4.5%. The required monthly payments are interest only through August 31, 2006 at which time the loan is due. Management expects to obtain grants and contributions which will be applied to the loan, and to refinance any unpaid balance.

**COMMUNITY ACTION ORGANIZATION**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004**

**NOTE 16: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Property, net of loan and depreciation *	\$ 971,316	\$ 1,007,226
Head Start	2,519	1,629
Transitional Housing	-	78
Opening Doors	233,027	328,104
Shelter	21,531	26,985
Energy Assistance	-	4,750
Weatherization	17,427	20,195
	<u>\$ 1,245,820</u>	<u>\$ 1,388,967</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.

**NOTE 17. SUPPLEMENTAL SCHEDULE OF NON-FEDERAL AWARDS**

The CAO received certain non-federal awards through various departments of the state of Oregon, Washington county, and local government. These awards are summarized as follows:

<u>Program Titles</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>Local Government</b>		
Passed Through City of Beaverton:		
Child Care Resource and Referral	None	\$ 5,000
Transitional Housing-Beaverton	None	10,000
Information and Referral	None	4,000
City of Cornelius-Information & Referral	None	650
City of Forest Grove-A Kid's Domain	None	5,000
City of Forest Grove-Westco	None	3,700
City of Tigard-Emergency Needs	None	15,000
City of Hillsboro-Information & Referral	None	8,000
City of North Plains-Information & Referral	None	500
City of Gaston-Westco	None	500
City of Tualatin-Emergency Needs	None	1,792
		<u>54,142</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004

**NOTE 17. SUPPLEMENTAL SCHEDULE OF NON-FEDERAL AWARDS (CONT.)**

Program Titles	Contract Number	Expenditures
<b>Oregon Department of Education</b>		
HHS	2003-05	1,892,724
<b>Oregon Employment Department Child Care Division</b>		
Migrant & Seasonal Child Care Program	33017	70,946
<b>Oregon Department of Health and Human Services</b>		
Passed Through Commission on Children & Families:		
Commission on Children & Families-Opening Doors	1-0734	48,588
New Parent Network-Healthy Start	1-0667	261,630
		310,218
<b>Oregon Housing and Community Services Department</b>		
Emergency Housing Assistance	None	270,540
State Homeless Assistance Program	None	70,687
Low Income Rental Housing Fund	None	33,629
Echo Weatherization	None	788,826
Oregon Energy Assistance	None	1,576,617
Petroleum Violation Escrow	None	4,225
Williams Settlement	None	9,232
		2,753,756
<b>Washington County</b>		
General	None	10,000
Shelter Levy	None	145,760
Emergency Needs	None	15,000
		170,760
Total		\$ 5,252,546

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2004

<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 &amp; Human Services</u>			
Head Start	93.600	None	\$ 4,090,964
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	90315	353,010
Temporary Assistance For Needy Families	93.558	90315	32,897
Low Income Housing Energy Assistance Program	93.568	90315	1,106,985
Passed Through Child Care Development Services:			
AFS Childcare	93.575	None	39,373
Passed Through Hillsboro School District:			
Health Center Grants for Homeless Populations	93.151	None	54,000
Passed Through Washington County Dept. of Health & Humal Services:			
Childcare Resource & Referral	93.575	03-05RR17	177,473
Stabilization of Child Care Providers	93.575	03-0807	144,988
			<u>5,999,690</u>
<u>Department of Energy</u>			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	90315	48,091
Weatherization Assistance For Low Income Persons	81.042	90315	200,764
			<u>248,855</u>
<u>Department of Agriculture</u>			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	<u>236,506</u>

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

For the Fiscal Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>Federal Emergency Management Agency</u>			
Emergency Food & Shelter National Board Program	83.523	None	<u>315,026</u>
<u>Department of Housing and Urban Development</u>			
Supportive Housing Program	14.235	None	150,734
Passed Through Washington County Office of Community Development:			
CDBG-Self Help Weatherization	14.218	5502	25,000
CDBG-Comprehensive Weatherization	14.218	5501	20,000
CDBG-Homeless	14.218	3337	51,965
CDBG-Basic Needs	14.218	4338	50,989
CDBG-Shelter Improvements	14.218	5253	24,999
CDBG-Access Doors	14.218	5,255	11,912
Passed Through Oregon Housing & Community Services:			
Emergency Shelter Grant	14.231	90315	<u>75,650</u>
			<u>411,249</u>
Total Federal Awards			\$ <u><u>7,211,326</u></u>



**COMMUNITY ACTION ORGANIZATION**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Fiscal Year Ended June 30, 2004**

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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***

November 22, 2004

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, 2004, and have issued our report thereon dated November 22, 2004. 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of CAO in a separate letter dated November 22, 2004.

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**

November 22, 2004

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, 2004. 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, 2004.

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*

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, 2004

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**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>
93.568	Low Income Housing Energy Assistance Program
93.569	Community Services Block Grant
93.575	Childcare Resource & Referral
83.523	Emergency Food & Shelter National Board Program

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

**Auditee qualified as low-risk auditee: Yes**

**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 Revenues, Expenses and Changes in Net Assets by Activity  
For the Fiscal Year Ended June 30, 2014

	Early Childhood Development			Family & Community Resources							Administration				
	Total	Head Start	A-Kids Domestic	CCRR	Opening Doors	Shelter	Transitional Housing	Emergency Needs	Information Referral	Weatherization	Energy	Community Partners	Resource Development	CSBG	Administration
<b>Support and Revenue</b>															
<b>Government Revenue</b>															
Federal	\$ 4,553,898	\$ 4,090,964	\$ -	\$ -	\$ -	\$ -	\$ 150,734	\$ 312,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	7,147,810	2,353,249	70,946	216,845	-	353,735	65,284	-	-	1,339,479	2,395,262	-	-	353,010	-
Local	903,377	-	5,000	112,723	309,127	266,632	10,000	88,181	21,150	45,000	18,414	-	-	-	27,150
	<b>12,605,085</b>	<b>6,444,213</b>	<b>75,946</b>	<b>329,568</b>	<b>309,127</b>	<b>620,367</b>	<b>226,018</b>	<b>400,381</b>	<b>21,150</b>	<b>1,384,479</b>	<b>2,413,676</b>	<b>-</b>	<b>-</b>	<b>353,010</b>	<b>27,150</b>
<b>Private Revenue</b>															
United Way	208,403	-	-	-	-	-	-	-	-	-	-	-	208,403	-	-
Contributions	128,621	-	-	-	-	-	-	-	-	-	-	-	128,621	-	-
Corporations & Foundations	304,494	-	-	-	-	-	-	-	-	-	-	-	304,494	-	-
	<b>641,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>641,518</b>	<b>-</b>	<b>-</b>
<b>Income</b>															
Fees / Sales	126,833	32,911	50,500	42,782	-	-	-	-	640	-	-	-	-	-	-
Reimbursements	119,997	-	-	812	-	1,227	2,385	7,836	-	43,233	-	-	-	-	64,504
	<b>246,830</b>	<b>32,911</b>	<b>50,500</b>	<b>43,594</b>	<b>-</b>	<b>1,227</b>	<b>2,385</b>	<b>7,836</b>	<b>640</b>	<b>43,233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,504</b>
<b>Total Inkind Revenue</b>	<b>843,682</b>	<b>297,963</b>	<b>127,815</b>	<b>100</b>	<b>14,686</b>	<b>754</b>	<b>-</b>	<b>34,207</b>	<b>-</b>	<b>3,575</b>	<b>-</b>	<b>303,582</b>	<b>16,368</b>	<b>-</b>	<b>44,632</b>
<b>Total Revenue</b>	<b>14,337,115</b>	<b>6,775,087</b>	<b>254,261</b>	<b>373,262</b>	<b>323,813</b>	<b>622,348</b>	<b>228,403</b>	<b>442,424</b>	<b>21,790</b>	<b>1,431,287</b>	<b>2,413,676</b>	<b>303,582</b>	<b>657,886</b>	<b>353,010</b>	<b>136,286</b>
Transfers of Private Funds	-	3,548	25,314	36,958	178,352	12,989	88,912	37,591	25,507	-	-	-	(409,171)	-	-
<b>Total Combined Revenue</b>	<b>14,337,115</b>	<b>6,778,635</b>	<b>279,575</b>	<b>410,220</b>	<b>502,165</b>	<b>635,337</b>	<b>317,315</b>	<b>480,015</b>	<b>47,297</b>	<b>1,431,287</b>	<b>2,413,676</b>	<b>303,582</b>	<b>248,715</b>	<b>353,010</b>	<b>136,286</b>
<b>Expenses</b>															
Employee Costs	7,305,953	4,388,532	189,427	309,346	448,316	331,722	136,507	50,559	47,403	251,548	229,275	137	206,567	-	716,614
Supplies	150,170	56,771	3,085	5,490	7,695	3,157	507	141	1,119	13,683	3,544	33	15,233	-	39,712
Professional Costs	218,205	20,831	235	-	4,505	6,416	-	-	-	-	-	725	10,668	-	174,825
Communications	241,258	106,025	3,592	17,071	17,044	9,893	-	1,973	1,737	14,304	6,258	908	30,573	-	31,880
Transportation & Travel	119,961	59,157	309	6,723	16,713	1,803	3,493	516	1,623	3,202	1,436	-	5,902	188	18,896
Marketing	29,510	8,742	-	576	1,099	744	-	91	-	787	2,115	-	15,020	-	336
Occupancy	474,847	279,576	3,562	11,385	5,784	51,832	666	3,822	3,322	12,272	13,997	7,320	8,155	-	73,154
Other Rents	246,121	153,191	-	-	23,287	-	480	6,560	-	10,952	-	-	-	-	51,651
Insurance	76,651	29,806	316	-	925	940	-	109	-	2,734	-	280	-	-	41,541
Repair & Maintenance	33,396	30,283	-	-	-	144	-	704	-	-	-	-	525	-	1,740
Miscellaneous Expenses	156,172	64,571	995	28,799	6,993	6,786	-	809	629	3,979	275	-	5,187	-	37,149
Capital Outlay	210,472	40,621	-	-	-	-	-	-	-	-	-	-	18,757	-	151,094
Client Expenses	4,283,091	635,421	-	1,457	6,920	226,680	149,565	325,727	116	983,630	1,945,500	-	4,305	-	3,770
Inkind	843,682	297,963	127,815	100	14,686	754	-	34,207	-	3,575	-	303,582	16,368	-	44,632
Bad Debt Expense	19,500	-	-	-	-	-	-	-	-	-	-	-	19,500	-	-
Depreciation Expenses	76,340	-	-	-	-	-	-	-	-	-	-	-	-	-	76,340
Administrative Charges	-	595,043	14,310	30,032	42,951	59,732	26,776	24,869	3,412	113,015	211,276	-	65,968	14,616	(1,202,000)
<b>Total Expenditures</b>	<b>14,485,329</b>	<b>6,766,533</b>	<b>343,646</b>	<b>410,979</b>	<b>596,918</b>	<b>700,603</b>	<b>317,994</b>	<b>450,687</b>	<b>59,361</b>	<b>1,413,681</b>	<b>2,413,676</b>	<b>312,985</b>	<b>422,728</b>	<b>14,804</b>	<b>281,334</b>
Expense Transfers: CSBG	-	-	(67,566)	-	-	(59,211)	-	(9,423)	(13,090)	-	-	-	(159,948)	338,206	(28,968)
Expense Transfers: Other	-	9,584	420	(7,425)	325	(27,585)	-	27,585	(114)	179	-	(9,403)	6,181	-	253
<b>Adjusted Expenditures</b>	<b>14,485,329</b>	<b>6,776,117</b>	<b>276,500</b>	<b>403,554</b>	<b>597,243</b>	<b>613,807</b>	<b>317,994</b>	<b>468,249</b>	<b>46,157</b>	<b>1,413,860</b>	<b>2,413,676</b>	<b>303,582</b>	<b>268,961</b>	<b>353,010</b>	<b>232,619</b>
<b>Change in Net Assets</b>	<b>(148,214)</b>	<b>2,518</b>	<b>3,075</b>	<b>6,666</b>	<b>(95,078)</b>	<b>21,530</b>	<b>(679)</b>	<b>11,766</b>	<b>1,140</b>	<b>17,427</b>	<b>-</b>	<b>-</b>	<b>(20,246)</b>	<b>-</b>	<b>(96,333)</b>
Beginning of Year Net Assets	1,809,531	124,273	(42,783)	20,222	328,104	102,868	14,050	(40,767)	5,778	194,321	15,297	(50)	317,241	-	770,977
<b>End of Year Net Assets</b>	<b>\$ 1,661,317</b>	<b>\$ 126,791</b>	<b>\$ (39,708)</b>	<b>\$ 26,888</b>	<b>\$ 233,026</b>	<b>\$ 124,398</b>	<b>\$ 13,371</b>	<b>\$ (29,001)</b>	<b>\$ 6,918</b>	<b>\$ 211,748</b>	<b>\$ 15,297</b>	<b>\$ (50)</b>	<b>\$ 296,995</b>	<b>\$ -</b>	<b>\$ 674,644</b>

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