

**COMMUNITY ACTION
ORGANIZATION**

A Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2001

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

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CERTIFIED PUBLIC ACCOUNTANTS
AND MANAGEMENT CONSULTANTS

343 West Wishkah Street, Aberdeen, Washington 98520-6130
Telephone 360-533-3370 Fax 360-532-7123
Email: mail@aiken-sanders.com

INDEPENDENT AUDITOR'S REPORT

December 12, 2001

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, 2001; 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 financial statements of CAO as of June 30, 2000 were audited by other auditors whose report dated November 30, 2000 expressed an unqualified opinion on those 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, 2001, 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 12, 2001, 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 expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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, 2001 and 2000

ASSETS		
	2001	2000
Current Assets		
Cash	\$ 214,328	\$ -
Restricted Cash	358,000	209,088
Accounts Receivable	810,406	476,035
Prepaid Expenses	2,000	2,000
	1,384,734	687,123
Property & Equipment		
Property and Equipment, net	2,525,025	2,600,380
Other Assets		
Investments	610	610
Total Assets	\$ 3,910,369	\$ 3,288,113

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 708,190	\$ 406,020
Interest Payable	-	10,682
Employee Benefits Payable	43,743	20,516
Accrued Vacation Payable	75,005	76,249
Payroll Tax Payable	67,723	22,962
Voluntary Deductions Payable	805	-
Due to Other Agencies	-	97,577
Deferred Revenue	47,663	41,650
Current Portion of Capital Leases	-	4,775
Current Portion of Long-Term Debt	15,580	66,138
	958,709	746,569
Long-Term Liabilities		
Notes and Mortgages Payable, net	1,324,420	1,293,542
	2,283,129	2,040,111
Net Assets		
Unrestricted Net Assets	(192,004)	(686,405)
Temporarily Restricted Net Assets	1,819,244	1,934,407
	1,627,240	1,248,002
Total Liabilities and Net Assets	\$ 3,910,369	\$ 3,288,113

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, 2001 with Comparative Totals for 2000

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2001 TOTAL</u>	<u>2000 TOTAL</u>
Support and Revenue				
Grants & Contracts	\$ 7,970,471	\$ -	\$ 7,970,471	\$ 7,981,330
United Way	207,117	-	207,117	218,469
Contributions	108,749	344,387	453,136	412,642
In-Kind Revenue	959,920	-	959,920	699,433
Events	56,548	-	56,548	4,795
Fees	150,083	-	150,083	162,865
Reimbursements	42,088	-	42,088	22,060
Nets Assets Released from Restrictions:				
Satisfaction of Time Restrictions	63,165	(63,165)	-	-
Satisfaction of Program Restrictions	396,385	(396,385)	-	-
Total Support and Revenue	9,954,526	(115,163)	9,839,363	9,501,594
Expenses:				
Program Services	8,334,184	-	8,334,184	8,368,456
Administration	932,850	-	932,850	818,680
Resource Development	247,864	-	247,864	288,983
Total Expenses	9,514,898	-	9,514,898	9,476,119
Other Sources of Funding:	54,773	-	54,773	-
Change in Net Assets	494,401	(115,163)	379,238	25,475
Net Assets at Beginning of Year	(686,405)	1,934,407	1,248,002	1,222,527
Net Assets at End of Year	\$ (192,004)	\$ 1,819,244	\$ 1,627,240	\$ 1,248,002

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, 2001 with Comparative Totals for 2000

	Early Childhood Education	Child and Family Support	Community Collaboration	Total Program Services	Administration	Resource Development	2001 Total	2000 Total
Support and Revenue								
Grants:	\$ 4,619,849	\$ 2,881,475	\$ 204,064	\$ 7,705,388	\$ 265,083	\$ -	\$ 7,970,471	\$ 7,981,330
Private Revenue:								
United Way	-	2,450	-	2,450	-	204,667	207,117	218,469
Contributions	-	-	-	-	-	453,136	453,136	412,642
Events	-	-	-	-	-	56,548	56,548	4,795
	-	2,450	-	2,450	-	714,351	716,801	635,906
Income:								
Fees	129,732	16,134	-	145,866	4,217	-	150,083	162,865
Reimbursements	17,431	11,994	6,450	35,875	6,138	75	42,088	22,060
	147,163	28,128	6,450	181,741	10,355	75	192,171	184,925
In-Kind Revenue	549,201	208,270	165,656	923,127	31,134	5,659	959,920	699,433
Transfers Between Funds	57,500	348,599	2,000	408,099	25,328	(433,427)	-	-
Total Support and Revenue	5,373,713	3,468,922	378,170	9,220,805	331,900	286,658	9,839,363	9,501,594
Expenses								
Employee Costs	2,684,263	890,844	170,275	3,745,382	578,046	172,560	4,495,988	4,619,747
Professional Costs	112,161	35,570	-	147,731	107,876	3,766	259,373	177,361
Travel	66,772	23,499	4,947	95,218	8,924	1,577	105,719	88,246
Occupancy	239,194	43,424	14,162	296,780	1,881	6,565	305,226	276,816
Other Rent	55,629	7,799	-	63,428	21,689	-	85,117	29,588
Depreciation	-	-	-	-	75,648	-	75,648	110,165
Supplies	309,090	27,132	353	336,575	34,639	17,693	388,907	183,135
Communications	59,838	38,510	4,690	103,038	4,461	20,444	127,943	166,518
Marketing	10,134	6,532	-	16,666	2,119	9,985	28,770	13,959
Insurance	2,573	-	-	2,573	42,929	-	45,502	51,241
Repairs and Maintenance	47,430	1,446	-	48,876	9,138	-	58,014	48,063
Miscellaneous	73,240	21,390	1,562	96,192	13,705	9,615	119,512	87,214
Client Expenses	310,539	1,689,561	-	2,000,100	-	-	2,000,100	2,740,867
Bad Debt Expense	-	-	-	-	661	-	661	-
Capital Outlay	458,498	-	-	458,498	-	-	458,498	183,766
In-Kind Expenses	549,201	208,270	165,656	923,127	31,134	5,659	959,920	699,433
Total Expenses	4,978,562	2,993,977	361,645	8,334,184	932,850	247,864	9,514,898	9,476,119
Transfers from CSBG	(19,654)	(80,543)	-	(100,197)	166,415	(66,218)	-	-
Administration Allocation	372,755	277,028	16,726	666,509	(696,927)	30,418	-	-
Other Fund Sources	-	-	-	-	(54,773)	-	(54,773)	-
Other Transfers	-	(23,325)	-	(23,325)	21,311	2,014	-	-
Total Other	353,101	173,160	16,726	542,987	(563,974)	(33,786)	(54,773)	-
Change in Net Assets	42,050	301,785	(201)	343,634	(36,976)	72,580	379,238	25,475
Net Assets at Beginning of Year	20,203	136,569	(15,782)	140,990	1,006,796	100,216	1,248,002	1,222,527
Net Assets at End of Year	\$ 62,253	\$ 438,354	\$ (15,983)	\$ 484,624	\$ 969,820	\$ 172,796	\$ 1,627,240	\$ 1,248,002

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, 2001 with Comparative Totals for 2000

	2001	2000
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 379,238	\$ 25,475
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	75,648	110,165
(Increase) Decrease in Accounts Receivable	(334,371)	30,882
Increase (Decrease) in Accounts Payable	302,170	48,935
Increase (Decrease) in Interest Payable	(10,682)	(1,398)
Increase (Decrease) in Accrued Vacation Payable	(1,244)	7,968
Increase (Decrease) in Payroll Liabilities	68,793	(118,008)
Increase (Decrease) in Deferred Revenue	6,013	(97,249)
Increase (Decrease) in Due to Other Agencies	(97,577)	97,577
Total Adjustments	8,750	78,872
Net Cash Provided by Operating Activities	387,988	104,347
Cash Flows from Investing Activities:		
Capital Expenditures	-	(19,576)
Net Cash Used by Investing Activities	-	(19,576)
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(19,973)	(39,055)
Payments on Capital Leases	(4,775)	(6,584)
Net Cash Used by Financing Activities	(24,748)	(45,639)
Net Increase in Cash & Cash Equivalents	363,240	39,132
Cash and Cash Equivalents at Beginning of Year	209,088	169,956
Cash and Cash Equivalents at End of Year	572,328	209,088
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	\$ 103,467	\$ 114,398

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, 2001

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.

If the restrictions on grant funds are met in the same year that the funds are awarded, it is the CAO's policy 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, 2001

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	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 2001, there were bad debts of \$661. As of June 30, 2001, all grants and accounts receivable were deemed to be collectible.

NOTE 3: EMPLOYEE BENEFITS AND COMPENSATED ABSENCES

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, 2001 and 2000, the pension expense was \$49,312 and \$36,400, respectively. The tax sheltered annuity was fully funded at June 30, 2001 and 2000.

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, 2001

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, 2001 and 2000, the estimated fair value was \$308,632 and \$73,288, 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, 2001 and 2000, donated supplies were \$186,787 and \$154,438, respectively. During the fiscal years ended June 30, 2001 and 2000, donated rent was \$471,707 and \$471,707, respectively.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2006. Lease expense for facilities and equipment for the fiscal years ended June 30, 2001 and 2000, was \$65,217 and \$39,228, respectively.

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

<u>Year</u>		
2002	\$	54,420
2003		33,342
2004		20,238
2005		12,244
2006		<u>3,788</u>
	\$	<u><u>124,032</u></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 8.5%). At June 30, 2001 and 2000, the outstanding balance on the line of credit was \$0 and the line of credit had not been used during the fiscal year. The expiration date of the line of credit agreement is March 2002.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2001

NOTE 8: LONG-TERM DEBT

As of June 30, 2001 and 2000, long-term debt was as follows:

	2001	2000
US Bank - payable \$4,838 per month including interest accrued at 8.17% - Secured by building and equipment	\$ -	\$ 310,443
US Bank - payable \$4,941 per month just interest with principal payments optional at 7% - Secured by building and equipment	-	817,004
West Coast Bank - payable \$1,974 per month including interest accrued at prime (currently at 9.5%) - Secured by equipment	-	53,904
Western Bank - payable \$1,957 per month including interest accrued at 2.5% over the Treasury Maturities Rate (currently at 8.39%) - Secured by equipment	-	178,329
Columbia Community Bank - payable \$11,030 per month including interest accrued at the Treasury Maturities Rate (currently at 8.6%) - Secured by Building	1,340,000	-
	1,340,000	1,359,680
Less current maturities	(15,580)	(66,138)
	\$ 1,324,420	\$ 1,293,542

Maturity of debt due within 5 years:

2002	\$	15,580
2003		17,560
2004		18,837
2005		20,863
2006		22,757
Thereafter		1,244,403
Total	\$	1,340,000

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2001

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, 2001 and 2000, 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.

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, 2001 the unexpended balance of this cash reserve and restricted donations that were not spent by the end of the fiscal year was \$358,000.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2001 and 2000, property and equipment consists of the following:

	<u>2001</u>	<u>2000</u>
Land and Building	\$ 2,939,609	\$ 2,939,609
Furniture and Equipment	490,416	499,782
Vehicles	204,493	204,493
Accumulated Depreciation	<u>(1,109,493)</u>	<u>(1,043,504)</u>
	<u>\$ 2,525,025</u>	<u>\$ 2,600,380</u>

NOTE 13: FINANCIAL STATEMENT PRESENTATION

The audited financial statements for the fiscal year ended June 30, 2000, were presented on the generally accepted accounting principles basis of accounting. As disclosed in Note 1, the financial statements for the fiscal year ended June 30, 2001 are presented on the grant basis of accounting. Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation. In making this change in basis of accounting, net property and equipment and net assets for the fiscal year ended June 30, 2000, were decreased by \$69,058.

NOTE 14: 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*.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

NOTE 14: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2001 and 2000:

	2001	2000
Property, net of loan and depreciation *	\$ 1,099,591	\$ 1,375,309
Head Start	139,585	103,490
Child Care	5,000	8,226
Transitional Housing	-	24,101
Opening Doors	414,613	358,457
Shelter	8,223	-
FEMA	2,798	-
Energy Assistance	10,697	-
Weatherization	138,737	64,824
	<u>\$ 1,819,244</u>	<u>\$ 1,934,407</u>

*= The property is restricted for use as a community action organization until October 4, 2025.

NOTE 16: OTHER SOURCES OF FUNDING

Under the grant basis of accounting, the principal payments on long-term debt are an allowable expense under the appropriate grant. When each loan payment is made, the corresponding liability is reduced by the principal amount. Grant revenue is recorded in the financial records for the amount to be reimbursed. The principal amount is charged as a cost to the grants with an offsetting entry to other sources of funding. For the fiscal year ended June 30, 2001, the amount was \$33,462.

Also during the fiscal year ended June 30, 2001, there were \$21,311 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.

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2001

<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	\$ 2,667,100
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	90243	261,750
Temporary Assistance For Needy Families	93.558	90243	37,059
Low Income Housing Energy Assistance Program	93.568	90243	948,460
Passed Through Child Care Support Services, Inc.:			
Childcare Resource & Referral	93.575	None	65,822
AFS Childcare	93.575	None	24,709
Passed Through Washington County Commission on Children:			
Stabilization of Child Care Providers	93.575	BCC 00-689	53,797
Passed Through Oregon Adult & Family Services:			
Evenstart	93.575	90319	30,503
			<u>4,089,200</u>
<u>Department of Energy</u>			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.X16	90243	34,164
Weatherization Assistance For Low Income Persons	81.042	90243	98,586
Petroleum Violation Escrow	81.042	90243	3,994
			<u>136,744</u>
<u>Department of Agriculture</u>			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	<u>176,425</u>

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

For the Fiscal Year Ended June 30, 2001

<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>
Federal Emergency Management Agency Emergency Food & Shelter National Board Program	83.523	None	<u>106,035</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	None	123,636
Passed Through Washington County Office of Community Development:			
CDBG-Self Help Weatherization	14.218	2502	25,000
CDBG-Comprehensive Weatherization	14.218	2501	23,673
CDBG-Opening Doors	14.218	BCC 00-689	62,097
Passed Through Washington County Dept. of Housing Services:			
Emergency Shelter Grant	14.231	BCC 01-084	<u>20,000</u>
			<u>254,406</u>
Total Federal Awards			\$ <u><u>4,762,810</u></u>



343 West Wishkah Street, Aberdeen, Washington 98520-6130
Telephone 360-533-3370 Fax 360-532-7123
Email: mail@aiken-sanders.com

**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 12, 2001

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, 2001, and have issued our report thereon dated December 12, 2001. 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of CAO in a separate letter dated December 12, 2001.

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 that we have reported to management of CAO in a separate letter dated December 12, 2001.

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



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Email: mail@aiken-sanders.com

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

December 12, 2001

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, 2001. 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, 2001.

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, 2001

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: Yes

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
93.600	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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2001

CFDA: 93.600

U.S. Department of Health and Human Services

Program: - Head Start

Finding: 00-1

Condition: Internal controls over Head Start eligibility do not ensure verification of income of all applicants. 4 out of 25 eligibility applications that were tested did not contain signatures of Head Start employees verifying family income and stating that the child was eligible.

Recommendation: Develop and implement procedures to assure that eligibility applications contain Head Start employee signatures verifying family income and stating that the child is eligible.

Current Status: Community Action Organization made a concentrated effort to educate staff as to proper methods for documenting client eligibility. Current year testing of client applications revealed no Head Start eligibility applications that lacked either employee signatures verifying family income or a statement that the child was eligible.