
**COMMUNITY ACTION
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2007

Aiken & Sanders, Inc PS

**Certified Public Accountants
& Management Consultants**

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343 West Wishkah Street, Aberdeen, Washington 98520-6130

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

Telephone (360) 533-3370

Fax (360) 532-7123

Email: administrator@aiken-sanders.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Community Action Organization (CAO) as of June 30, 2007; the related statements of activities and changes in net assets; functional revenues, expenses, 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 2006 financial statements and, in our report dated December 4, 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAO as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2008 on our consideration of CAO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 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.

As discussed in Note 19 to the financial statements, the CAO's fiscal year ended June 30, 2007 financial statements were reported under the grant basis of accounting and should have been reported under the accounting principles generally accepted in the United States of America. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect this correction.

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

February 25, 2008, except for Note 19, as to which the date is August 15, 2008

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FINANCIAL POSITION

<u>June 30, 2007 (With Comparative Totals for 2006)</u>	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash	\$ 208,923	\$ 370,849
Restricted Cash	811,230	515,587
Accounts Receivable	684,381	477,167
Pledges Receivable	32,119	65,380
Prepaid Expenses	3,045	3,045
	<u>1,739,698</u>	<u>1,432,028</u>
Property & Equipment		
Property and Equipment, net	<u>2,230,294</u>	<u>2,266,107</u>
Other Assets		
Long-Term Pledges Receivable	10,279	15,976
Loan Costs, net	12,282	13,741
Investments	350	350
	<u>22,911</u>	<u>30,067</u>
Total Assets	\$ <u>3,992,903</u>	\$ <u>3,728,202</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 561,845	\$ 391,756
Accrued Vacation Payable	142,255	141,693
Payroll Tax Payable	43,423	45,324
Deferred Revenue	46,645	311,880
Current Portion of Long-Term Debt	31,007	24,747
	<u>825,175</u>	<u>915,400</u>
Long-Term Liabilities		
Notes and Mortgages Payable, net	<u>1,408,004</u>	<u>1,484,988</u>
	<u>2,233,179</u>	<u>2,400,388</u>
Net Assets		
Unrestricted Net Assets	875,268	637,109
Board Designated Net Assets	60,000	60,000
	935,268	697,109
Temporarily Restricted Net Assets	824,456	630,705
	<u>1,759,724</u>	<u>1,327,814</u>
Total Liabilities and Net Assets	\$ <u>3,992,903</u>	\$ <u>3,728,202</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Fiscal Year Ended June 30, 2007 (With Comparative Totals for 2006)	2007	2006		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support and Revenue				
Grants & Contracts	\$ 13,712,870	\$ -	\$ 13,712,870	\$ 12,939,069
United Way	16,044	-	16,044	79,477
Contributions - Other	79,027	33,699	112,726	228,191
Contributions - Corp. & Foundations	85,242	407,145	492,387	456,862
In-Kind Revenue	306,951	-	306,951	397,247
Fees	152,805	-	152,805	107,527
Reimbursements	176,814	-	176,814	225,545
Nets Assets Released from Restrictions:				
Satisfaction of Program Restrictions	247,093	(247,093)	-	-
Total Support and Revenue	14,776,846	193,751	14,970,597	14,433,918
Expenses:				
Program Services	12,624,379	-	12,624,379	12,521,860
Administration	1,609,150	-	1,609,150	1,445,811
Resource Development	305,158	-	305,158	334,341
Total Expenses	14,538,687	-	14,538,687	14,302,012
Change in Net Assets	238,159	193,751	431,910	131,906
Net Assets at Beginning of Year	697,109	630,705	1,327,814	1,195,908
Net Assets at End of Year	\$ 935,268	\$ 824,456	\$ 1,759,724	\$ 1,327,814

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FUNCTIONAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS

<u>Fiscal Year Ended June 30, 2007 (With Comparative Totals for 2006)</u>						2007	2006
	<u>Early Childhood Development</u>	<u>Family & Community Resources</u>	<u>Total Program Services</u>	<u>Administration</u>	<u>Resource Development</u>	<u>Total</u>	<u>Total</u>
Support and Revenue							
Grants:	\$ 6,759,004	\$ 6,374,752	\$ 13,133,756	\$ 579,114	\$ -	\$ 13,712,870	\$ 12,939,069
Private Revenue:							
United Way	-	-	-	-	16,044	16,044	79,477
Contributions - Other	1,865	31,809	33,674	25	79,027	112,726	228,191
Contributions - Corp. & Foundations	16,368	390,777	407,145	-	85,242	492,387	456,862
	<u>18,233</u>	<u>422,586</u>	<u>440,819</u>	<u>25</u>	<u>180,313</u>	<u>621,157</u>	<u>764,530</u>
Income:							
Fees	82,927	69,628	152,555	-	250	152,805	107,527
Reimbursements	-	173,690	173,690	3,124	-	176,814	225,545
	<u>82,927</u>	<u>243,318</u>	<u>326,245</u>	<u>3,124</u>	<u>250</u>	<u>329,619</u>	<u>333,072</u>
In-Kind Revenue	241,971	37,697	279,668	-	27,283	306,951	397,247
Total Support and Revenue	<u>7,102,135</u>	<u>7,078,353</u>	<u>14,180,488</u>	<u>582,263</u>	<u>207,846</u>	<u>14,970,597</u>	<u>14,433,918</u>
Expenses							
Employee Costs	4,491,773	2,148,091	6,639,864	845,462	183,872	7,669,198	7,830,975
Professional Costs	-	28,014	28,014	299,274	7,936	335,224	165,296
Travel	61,324	47,955	109,279	13,155	2,948	125,382	118,385
Occupancy	369,119	92,107	461,226	3,176	11,628	476,030	406,978
Other Rent	121,700	42,728	164,428	45,973	-	210,401	229,822
Depreciation & Amortization	-	-	-	87,215	-	87,215	94,336
Supplies	166,408	41,391	207,799	74,869	26,513	309,181	179,563
Communications	85,547	90,826	176,373	37,953	32,368	246,694	246,410
Marketing	11,048	9,041	20,089	987	8,709	29,785	19,768
Insurance	25,670	9,053	34,723	50,419	-	85,142	79,540
Repairs and Maintenance	66,369	609	66,978	111,116	-	178,094	59,876
Miscellaneous	82,113	49,162	131,275	55,929	3,851	191,055	154,928
Client Expenses	528,735	3,713,246	4,241,981	850	50	4,242,881	4,257,568
Bad Debt Expense	-	-	-	-	-	-	16,707
Capital Outlay	45,454	-	45,454	-	-	45,454	44,613
In-Kind Expenses	241,971	37,697	279,668	-	27,283	306,951	397,247
Total Expenses	<u>6,297,231</u>	<u>6,309,920</u>	<u>12,607,151</u>	<u>1,626,378</u>	<u>305,158</u>	<u>14,538,687</u>	<u>14,302,012</u>
Change in Net Assets before Other Revenue & Expenses	<u>804,904</u>	<u>768,433</u>	<u>1,573,337</u>	<u>(1,044,115)</u>	<u>(97,312)</u>	<u>431,910</u>	<u>131,906</u>
Transfers from CSBG	(5,924)	(123,080)	(129,004)	228,513	(99,509)	-	-
Administration Allocation	670,982	711,678	1,382,660	(1,406,132)	23,472	-	-
Other Fund Sources & Transfers	5,330	(5,330)	-	-	-	-	-
Total Other	<u>670,388</u>	<u>583,268</u>	<u>1,253,656</u>	<u>(1,177,619)</u>	<u>(76,037)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>134,516</u>	<u>185,165</u>	<u>319,681</u>	<u>133,504</u>	<u>(21,275)</u>	<u>431,910</u>	<u>131,906</u>
Net Assets at Beginning of Year	125,725	797,094	922,819	242,007	162,988	1,327,814	1,195,908
Fund Transfer	(71)	-	(71)	60,071	(60,000)	-	-
Net Assets at End of Year	<u>\$ 260,170</u>	<u>\$ 982,259</u>	<u>\$ 1,242,429</u>	<u>\$ 435,582</u>	<u>\$ 81,713</u>	<u>\$ 1,759,724</u>	<u>\$ 1,327,814</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2007 (With Comparative Totals for 2006)	2007	2006
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 431,910	\$ 131,906
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	87,215	94,336
(Increase) Decrease in Accounts Receivable	(207,214)	65,320
(Increase) Decrease in Pledges Receivable	38,958	31,798
Increase (Decrease) in Accounts Payable	170,089	(398,498)
Increase (Decrease) in Accrued Vacation Payable	562	(25,182)
Increase (Decrease) in Payroll Liabilities	(1,901)	(16,339)
Increase (Decrease) in Deferred Revenue	(265,235)	173,668
Total Adjustments	<u>(177,526)</u>	<u>(74,897)</u>
Net Cash Provided by Operating Activities	<u>254,384</u>	<u>57,009</u>
Cash Flows from Investing Activities:		
Purchase of Equipment	<u>(49,943)</u>	<u>(17,144)</u>
Net Cash Used by Investing Activities	<u>(49,943)</u>	<u>(17,144)</u>
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(70,724)	(21,426)
Proceeds on Long-Term Debt	-	85,345
Proceeds (Payments) on Line of Credit	<u>-</u>	<u>(250,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(70,724)</u>	<u>(186,081)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	133,717	(146,216)
Cash and Cash Equivalents at Beginning of Year	<u>886,436</u>	<u>1,032,652</u>
Cash and Cash Equivalents at End of Year	<u><u>1,020,153</u></u>	<u><u>886,436</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	<u>\$ 102,986</u>	<u>\$ 118,327</u>

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

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

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 maintains its financial records on the accrual 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.

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.

Property and Equipment

Property and equipment purchased by CAO 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, 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.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

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

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 2007 and 2006, there were bad debts of \$0 and \$770, respectively. As of June 30, 2007, 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, 2007 and 2006, the pension expense was \$93,293 and \$74,544, respectively.

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.

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.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 5: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by CAO. Donated services are not recorded in the financial statements because they do not meet the requirements set out in SFAS 116. During the fiscal years ended June 30, 2007 and 2006, the estimated fair value was \$231,545 and \$246,163, 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, 2007 and 2006, donated supplies were \$48,169 and \$138,172, respectively. During the fiscal years ended June 30, 2007 and 2006, donated rent was \$258,782 and \$259,075, respectively.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2011. Lease expense for facilities and equipment for the fiscal years ended June 30, 2007 and 2006, was \$210,401 and \$229,822, respectively.

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

<u>Year</u>		
2008	\$	196,277
2009		177,531
2010		55,836
2011		24,776
2012		<u>-</u>
	\$	<u><u>454,420</u></u>

NOTE 7: LINE-OF-CREDIT

CAO has available a line of credit with Columbia Community Bank in the amount of \$400,000. The interest rate on the line of credit is Prime (currently 8.25%). At June 30, 2007 and 2006, the outstanding balance on the line of credit was \$0. The expiration date of the line of credit agreement was January 2008 and was renewed.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 8: LONG-TERM DEBT

As of June 30, 2007 and 2006, long-term debt was as follows:

	2007	2006
Columbia Community Bank - payable \$10,778 per month including interest accrued at the Treasury Maturities Rate plus 2.65 points (currently at 6.9%) - Secured by Building.	\$ 1,439,011	\$ 1,509,735
Less current maturities	(31,007)	(24,747)
	\$ 1,408,004	\$ 1,484,988

Maturity of debt due within 5 years:

2008	\$	31,007
2009		33,215
2010		35,581
2011		38,115
2012		40,830
Thereafter		1,260,263
Total	\$	1,439,011

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, 2007 and 2006, 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

The Opening Doors program has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2007 and 2006, the unexpended balance of this cash reserve was \$241,743 and \$242,322, respectively.

The Weatherization program also has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2007 and 2006, the unexpended balance of this cash reserve was \$356,779 and \$273,265, respectively.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 11: RESTRICTED CASH (CONT.)

The Head Start program also has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2007 and 2006, the unexpended balance of this cash reserve was \$212,708 and \$0, respectively.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2007 and 2006, property and equipment consists of the following:

	<u>2007</u>	<u>2006</u>
Land and Building	\$ 2,939,611	\$ 2,939,611
Furniture and Equipment	205,702	180,758
Vehicles	187,853	162,854
Accumulated Depreciation	<u>(1,102,872)</u>	<u>(1,017,116)</u>
	<u>\$ 2,230,294</u>	<u>\$ 2,266,107</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 accrual 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: LONG-TERM PLEDGES RECEIVABLE

As of June 30, 2007 and 2006, the CAO has pledges that will be received over the next several years. 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 2007 and 2006, there were bad debts of \$0 and \$15,937, respectively. As of June 30, 2007, 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:

2009	\$ 5,289
2010	3,895
2011	1,620
2012	1,300
2013	100
Present Value Adjustment	<u>(1,925)</u>
Net Long-Term Pledges Receivable	<u>\$ 10,279</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Head Start	\$ 212,708	\$ 104,035
Opening Doors	241,743	242,322
Energy Assistance	13,226	11,083
Weatherization	356,779	273,265
	<u>\$ 824,456</u>	<u>\$ 630,705</u>

NOTE 16: 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>
Local Government		
Passed Through City of Beaverton:		
Child Care Resource and Referral	None	\$ 5,000
Transitional Housing-Beaverton	None	10,000
Passed Through Other Cities:		
City of Gaston	None	500
City of Forest Grove-Westco	None	3,700
City of Banks	None	500
City of Hillsboro-Information & Referral	None	8,000
City of North Plains-Information & Referral	None	1,000
City of Tualatin-Emergency Needs	None	2,000
		<u>30,700</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 16: SUPPLEMENTAL SCHEDULE OF NON-FEDERAL AWARDS (CON'T.)

<u>Program Titles</u>	<u>Contract Number</u>	<u>Expenditures</u>
Oregon Department of Education		
Oregon Head Start	2001-30	1,983,181
Oregon Department of Health and Human Services		
Oregon Mother's Care	None	12,402
Oregon Housing and Community Services Department		
Emergency Housing Assistance	None	257,620
State Homeless Assistance Program	None	102,800
Low Income Rental Housing Fund	None	56,908
Echo Weatherization	None	775,045
Oregon Energy Assistance	None	1,047,107
Williams Weatherization	None	15,550
		<u>2,255,030</u>
Washington County		
Opening Doors	None	47,732
Shelter Levy	None	136,234
Emergency Needs	None	13,782
General	None	30,000
		<u>227,748</u>
Private		
Various Private Grants	None	157,895
Total		<u>\$ 5,042,792</u>

NOTE 17: CONTINGENCIES

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of CAO if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2007

NOTE 18: BOARD DESIGNATED NET ASSETS

During the fiscal year ended June 30, 2006, the CAO entered into a contractual agreement with Washington County which will provide funds for discretionary spending, capital improvement reserves and financial stability. CAO will annually receive \$25,000 for a capital reserve fund, \$30,000 for discretionary needs and \$60,000 annually, up to five years or \$300,000 maximum for financial stability. Per the contractual agreement, CAO must provide a \$60,000 match to release the \$60,000 contribution from Washington County for financial stability. During the fiscal years ended June 30, 2007 and 2006, CAO designated \$60,000 each year in unrestricted funds to be used to match the financial stability funds to be received in the following fiscal years.

NOTE 19: RESTATED FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2007, CAO reported the financial statements under the grant basis of accounting. Subsequent to the issuance of the financial statements, it was discovered that the financial statements should have been reported under the accounting principles generally accepted in the United States of America. For comparative purposes, the 2006 year is also shown under the generally accepted accounting principles method. Net assets as of July 1, 2006, was increased by \$85,736 for equipment purchases previously expensed and now are capitalized less additional depreciation. For the fiscal year ended June 30, 2007, additional equipment was capitalized for \$49,943 that was previously expensed, and additional depreciation was \$19,238.

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Health & Human Services			
Head Start	93.600	None	\$ 4,159,853
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	533	270,931
Temporary Assistance For Needy Families	93.558	533	50,906
Low Income Housing Energy Assistance Program	93.568	533	1,359,454
Passed Through Hillsboro School District:			
Home Center Grants for Homeless Populations	93.151	None	55,824
Passed Through Employment Department:			
Migrant & Seasonal Childcare	93.575	07-082	29,040
Passed Through Childcare Resource & Network DHS:			
Childcare Resource & Referral	93.575	None	230,569
Passed Through Washington County Dept. DHS:			
Medical Assistance Program	93.778	06-0834	150,646
Childcare & Development Block Grant	93.575	117563	12,402
Stabilization of Child Care Providers	93.575	None	123,760
			6,443,385
Department of Energy			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	533	28,947
Weatherization Assistance For Low Income Persons	81.042	533	278,364
			307,311
Department of Agriculture			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	264,335

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Homeland Security			
Emergency Food & Shelter National Board Program	97.024	None	<u>271,681</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	None	132,474
Passed Through Washington County Office of Community Development:			
CDBG-Self Help Weatherization	14.218	8502	25,000
CDBG-Comprehensive Weatherization	14.218	8501	20,000
CDBG-Shelter Waitlist	14.218	8305	13,217
CDBG-Homeless Children	14.218	7324	58,416
CDBG-Basic Needs	14.218	8306	25,000
CDBG-Housing Locator	14.218	6324	31,605
CDBG-Information & Referral	14.218	6323	3,711
Emergency Shelter Grant	14.231	533	<u>103,901</u>
			<u>413,324</u>
Total Federal Awards			\$ <u>7,700,036</u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended June 30, 2007

Finding #2006-01 and #2006-02:

Background:

The objective of internal controls over financial reporting is to be able to record, process, summarize and report financial data that accurately reflects the operations of the organization in a timely matter. Journal entries were made at fiscal year end to move salaries and related costs to the correct program.

Status:

The corrective action plan was taken and has been resolved.

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

February 25, 2008

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

We have audited the financial statements of the Community Action Organization (CAO) as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated February 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAO's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

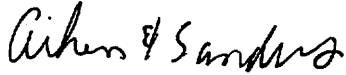
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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
& Management Consultants

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

February 25, 2008

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

Compliance

We have audited the compliance of the 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, 2007. 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 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, 2007.

Internal Control Over Compliance

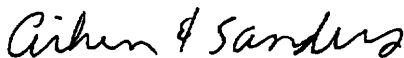
The management of CAO is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CAO's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CAO's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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
& Management Consultants

COMMUNITY ACTION ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2007

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>
93.569	Community Services Block Grant
93.600	Head Start
93.568	Low Income Housing Energy Assistance Program
93.575	Child Care & Development Block Grant

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 Revenues, Expenses and Changes in Net Assets by Activity

For the Fiscal Year Ended June 30, 2007

	Early Childhood Development			Family & Community Resources							Resource Development	Administration		
	Total	Head Start	A-Kids Domain	CCRR	Opening Doors	Shelter	Transitional Housing	Emergency Needs	Information Referral	Weatherization		Energy	CSBG	Administration
Support and Revenue														
Government Revenue														
Federal	\$ 4,576,410	\$ 4,159,853	\$ -	\$ -	\$ 12,402	\$ -	\$ 132,474	\$ 271,681	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	7,821,080	2,568,821	29,040	230,570	10,000	360,563	107,033	-	-	1,518,401	2,725,721	-	270,931	-
Local	1,315,380	1,290	-	128,760	345,409	357,695	41,606	48,358	12,711	45,000	26,368	-	-	308,183
	<u>13,712,870</u>	<u>6,729,964</u>	<u>29,040</u>	<u>359,330</u>	<u>367,811</u>	<u>718,258</u>	<u>281,113</u>	<u>320,039</u>	<u>12,711</u>	<u>1,563,401</u>	<u>2,752,089</u>	<u>-</u>	<u>270,931</u>	<u>308,183</u>
Private Revenue														
United Way	16,044	-	-	-	-	-	-	-	-	-	-	16,044	-	-
Contributions	112,726	1,865	-	-	597	5,589	-	25,548	75	-	-	79,027	-	25
Corporations & Foundations	492,387	16,368	-	127,353	106,182	21,113	97,229	2,500	36,400	-	-	85,242	-	-
	<u>621,157</u>	<u>18,233</u>	<u>-</u>	<u>127,353</u>	<u>106,779</u>	<u>26,702</u>	<u>97,229</u>	<u>28,048</u>	<u>36,475</u>	<u>-</u>	<u>-</u>	<u>180,313</u>	<u>-</u>	<u>25</u>
Income														
Fees / Sales	152,806	81,858	1,069	65,635	-	-	-	-	3,994	-	-	250	-	-
Reimbursements	176,813	-	-	-	-	-	3,820	23,445	-	146,424	-	-	-	3,124
	<u>329,619</u>	<u>81,858</u>	<u>1,069</u>	<u>65,635</u>	<u>-</u>	<u>-</u>	<u>3,820</u>	<u>23,445</u>	<u>3,994</u>	<u>146,424</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>3,124</u>
Total Inkind Revenue	<u>306,951</u>	<u>241,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,398</u>	<u>-</u>	<u>27,283</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>14,970,597</u>	<u>7,072,026</u>	<u>30,109</u>	<u>552,318</u>	<u>474,590</u>	<u>772,259</u>	<u>382,162</u>	<u>371,532</u>	<u>53,180</u>	<u>1,720,223</u>	<u>2,752,089</u>	<u>207,846</u>	<u>270,931</u>	<u>311,332</u>
Expenses														
Employee Costs	7,669,198	4,466,777	24,996	352,763	426,592	369,307	138,742	9,420	75,885	401,806	373,576	183,872	-	845,462
Supplies	309,181	166,362	46	5,702	5,669	420	5,964	56	402	13,080	10,098	26,513	-	74,869
Professional Costs	335,224	-	-	-	24,667	-	3,347	-	-	-	-	7,936	-	299,274
Communications	246,694	85,514	33	24,037	19,100	6,044	3,913	3,002	6,509	16,195	12,026	32,368	-	37,953
Transportation & Travel	125,382	61,324	-	7,693	16,460	1,335	6,639	-	2,461	7,901	6,366	2,948	-	13,155
Marketing	29,785	11,048	-	2,470	1,066	1,063	-	97	-	3,285	1,060	8,709	-	987
Occupancy	476,030	369,119	-	19,752	2,320	16,906	927	4,436	7,488	20,305	19,973	11,628	-	3,176
Other Rents	210,401	121,700	-	-	3,273	-	980	-	-	8,400	30,075	-	-	45,973
Insurance	85,142	25,670	-	-	424	948	-	-	-	7,681	-	-	-	50,419
Repair & Maintenance	178,094	66,369	-	-	-	-	-	-	-	609	-	-	-	111,116
Miscellaneous Expenses	191,055	82,053	60	36,844	1,848	1,921	4,503	274	937	4,352	(1,517)	3,851	-	55,929
Capital Outlay	45,454	45,454	-	-	-	-	-	-	-	-	-	-	-	-
Client Expenses	4,242,881	528,415	320	32,088	1,575	274,966	175,117	256,736	133	930,467	2,042,164	50	-	850
Inkind	306,951	241,971	-	-	-	27,299	-	-	-	10,398	-	27,283	-	-
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expenses	87,215	-	-	-	-	-	-	-	-	-	-	-	-	87,215
Administrative Charges	-	667,152	3,830	61,344	48,510	91,485	23,967	37,146	5,028	188,073	256,125	23,472	42,418	(1,448,550)
Total Expenditures	<u>14,538,687</u>	<u>6,938,928</u>	<u>29,285</u>	<u>542,693</u>	<u>551,504</u>	<u>791,694</u>	<u>364,099</u>	<u>311,167</u>	<u>98,843</u>	<u>1,611,652</u>	<u>2,749,946</u>	<u>328,630</u>	<u>42,418</u>	<u>177,828</u>
Change in Net Assets before Other Revenue & Expenses	<u>431,910</u>	<u>133,098</u>	<u>824</u>	<u>9,625</u>	<u>(76,914)</u>	<u>(19,435)</u>	<u>18,063</u>	<u>60,365</u>	<u>(45,663)</u>	<u>108,571</u>	<u>2,143</u>	<u>(120,784)</u>	<u>228,513</u>	<u>133,504</u>
Other Revenue & Expenses														
Revenue for Funding of Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses for Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Revenue & Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Expenditures														
Expense Transfers: CSBG	-	(5,924)	-	-	(76,520)	-	-	(1,302)	(45,258)	-	-	(99,509)	228,513	-
Expense Transfers: Other	-	5,330	-	(5,231)	185	(37,594)	45	37,639	(434)	60	-	-	-	-
Adjusted Expenditures	<u>-</u>	<u>(594)</u>	<u>-</u>	<u>(5,231)</u>	<u>(76,335)</u>	<u>(37,594)</u>	<u>45</u>	<u>36,337</u>	<u>(45,692)</u>	<u>60</u>	<u>-</u>	<u>(99,509)</u>	<u>228,513</u>	<u>-</u>
Change in Net Assets	<u>431,910</u>	<u>133,692</u>	<u>824</u>	<u>14,856</u>	<u>(579)</u>	<u>18,159</u>	<u>18,018</u>	<u>24,028</u>	<u>29</u>	<u>108,511</u>	<u>2,143</u>	<u>(21,275)</u>	<u>-</u>	<u>133,504</u>
Beginning of Year Net Assets	1,327,814	116,690	9,035	47,460	242,322	153,150	(5,130)	658	20,086	327,469	11,079	162,988	-	242,007
Fund Transfer	-	(71)	-	-	-	-	-	-	-	-	-	(60,000)	-	60,071
End of Year Net Assets	<u>\$ 1,759,724</u>	<u>\$ 250,311</u>	<u>\$ 9,859</u>	<u>\$ 62,316</u>	<u>\$ 241,743</u>	<u>\$ 171,309</u>	<u>\$ 12,888</u>	<u>\$ 24,686</u>	<u>\$ 20,115</u>	<u>\$ 435,980</u>	<u>\$ 13,222</u>	<u>\$ 81,713</u>	<u>\$ -</u>	<u>\$ 435,582</u>

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