
**COMMUNITY ACTION
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2008

Aiken & Sanders, Inc PS

**Certified Public Accountants
& Management Consultants**

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INDEPENDENT AUDITOR'S REPORT

December 1, 2008

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, 2008; the related statements of activities 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 2007 financial statements and, in our report dated February 25, 2008, 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, 2008, and the changes in its net assets and its cash flows for the fiscal 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 December 1, 2008, 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 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 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, Inc., PS
Certified Public Accountants and
Management Consultants

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FINANCIAL POSITION

June 30, 2008 (With Comparative Totals for 2007)	2008	2007
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ASSETS

Current Assets

Cash	\$ 1,178,253	\$ 208,923
Restricted Cash	1,148,584	811,230
Accounts Receivable	652,148	684,381
Pledges Receivable	19,933	32,119
Prepaid Expenses	3,045	3,045
	3,001,963	1,739,698

Property & Equipment

Property and Equipment, net	2,239,646	2,230,294
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Other Assets

Long-Term Pledges Receivable	10,640	10,279
Loan Costs, net	10,822	12,282
Investments	350	350
	21,812	22,911

Total Assets	\$ 5,263,421	\$ 3,992,903
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 561,260	\$ 561,845
Wages Payable	187,021	-
Accrued Vacation Payable	117,006	142,255
Payroll Tax & Benefits Payable	104,875	43,423
Deferred Revenue	566,465	46,645
Current Portion of Long-Term Debt	33,130	31,007
	1,569,757	825,175

Long-Term Liabilities

Notes and Mortgages Payable, net	1,376,074	1,408,004
	2,945,831	2,233,179

Net Assets

Unrestricted Net Assets	1,073,245	875,268
Board Designated Net Assets	60,000	60,000
	1,133,245	935,268
Temporarily Restricted Net Assets	1,184,345	824,456
	2,317,590	1,759,724

Total Liabilities and Net Assets	\$ 5,263,421	\$ 3,992,903
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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, 2008 (With Comparative Totals for 2007)			2008	2007
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
<u>Support and Revenue</u>				
Grants & Contracts	\$ 15,455,212	\$ -	\$ 15,455,212	\$ 13,712,870
United Way	11,017	-	11,017	16,044
Contributions - Other	111,748	33,561	145,309	112,726
Contributions - Corp. & Foundations	108,060	611,642	719,702	492,387
In-Kind Revenue	317,990	-	317,990	306,951
Fees	158,783	-	158,783	152,805
Reimbursements	260,079	-	260,079	176,814
Nets Assets Released from Restrictions: Satisfaction of Program Restrictions	<u>285,314</u>	<u>(285,314)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>16,708,203</u>	<u>359,889</u>	<u>17,068,092</u>	<u>14,970,597</u>
<u>Expenses</u>				
Program Services	14,772,161	-	14,772,161	12,624,379
Administration	1,816,151	-	1,816,151	1,609,150
Resource Development	<u>323,026</u>	<u>-</u>	<u>323,026</u>	<u>305,158</u>
Total Expenses	<u>16,911,338</u>	<u>-</u>	<u>16,911,338</u>	<u>14,538,687</u>
<u>Other Revenue & Expenses</u>				
Lawsuit Proceeds	<u>395,542</u>	<u>-</u>	<u>395,542</u>	<u>-</u>
Change in Net Assets	192,407	359,889	552,296	431,910
Net Assets at Beginning of Year	935,268	824,456	1,759,724	1,327,814
Prior Period Adjustments	<u>5,570</u>	<u>-</u>	<u>5,570</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 1,133,245</u>	<u>\$ 1,184,345</u>	<u>\$ 2,317,590</u>	<u>\$ 1,759,724</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FUNCTIONAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Fiscal Year Ended June 30, 2008 (With Comparative Totals for 2007)						2008	2007
	Early Childhood Development	Family & Community Resources	Total Program Services	Administration	Resource Development	Total	Total
Support and Revenue							
Grants:	\$ 8,083,555	\$ 6,906,266	\$ 14,989,821	\$ 465,391	\$ -	\$ 15,455,212	\$ 13,712,870
Private Revenue:							
United Way	-	208	208	-	10,809	11,017	16,044
Contributions - Other	7,238	27,608	34,846	-	110,463	145,309	112,726
Contributions - Corp. & Foundations	13,337	598,305	611,642	-	108,060	719,702	492,387
	<u>20,575</u>	<u>626,121</u>	<u>646,696</u>	<u>-</u>	<u>229,332</u>	<u>876,028</u>	<u>621,157</u>
Income:							
Fees	66,235	92,454	158,689	-	94	158,783	152,805
Reimbursements	-	248,020	248,020	12,059	-	260,079	176,814
	<u>66,235</u>	<u>340,474</u>	<u>406,709</u>	<u>12,059</u>	<u>94</u>	<u>418,862</u>	<u>329,619</u>
In-Kind Revenue	236,867	51,484	288,351	27,324	2,315	317,990	306,951
Total Support and Revenue	<u>8,407,232</u>	<u>7,924,345</u>	<u>16,331,577</u>	<u>504,774</u>	<u>231,741</u>	<u>17,068,092</u>	<u>14,970,597</u>
Expenses							
Employee Costs	5,461,605	2,527,192	7,988,797	962,833	217,911	9,169,541	7,669,198
Professional Costs	46,673	-	46,673	367,573	-	414,246	335,224
Travel	78,778	52,883	131,661	31,722	3,615	166,998	125,382
Occupancy	355,121	101,176	456,297	-	13,116	469,413	476,030
Other Rent	97,200	25,110	122,310	97,719	-	220,029	210,401
Depreciation & Amortization	4,832	15,101	19,933	73,286	-	93,219	87,215
Supplies	156,324	54,998	211,322	55,949	35,407	302,678	309,181
Communications	114,132	93,334	207,466	44,697	30,560	282,723	246,694
Marketing	12,871	2,626	15,497	4,772	3,189	23,458	29,785
Insurance	24,304	6,497	30,801	61,418	-	92,219	85,142
Repairs and Maintenance	94,526	3,146	97,672	1,082	-	98,754	178,094
Miscellaneous	116,222	72,766	188,988	58,962	5,105	253,055	191,055
Client Expenses	613,081	4,306,743	4,919,824	28,814	11,808	4,960,446	4,242,881
Capital Outlay	46,569	-	46,569	-	-	46,569	45,454
In-Kind Expenses	236,867	51,484	288,351	27,324	2,315	317,990	306,951
Total Expenses	<u>7,459,105</u>	<u>7,313,056</u>	<u>14,772,161</u>	<u>1,816,151</u>	<u>323,026</u>	<u>16,911,338</u>	<u>14,538,687</u>
Change in Net Assets before Other Revenue & Expenses	<u>948,127</u>	<u>611,289</u>	<u>1,559,416</u>	<u>(1,311,377)</u>	<u>(91,285)</u>	<u>156,754</u>	<u>431,910</u>
Transfers from CSBG	-	(131,314)	(131,314)	236,688	(105,374)	-	-
Lawsuit Proceeds	-	-	-	(395,542)	-	(395,542)	-
Administration Allocation	792,000	697,340	1,489,340	(1,515,224)	25,884	-	-
Other Fund Sources & Transfers	10,295	(10,340)	(45)	45	-	-	-
Total Other	<u>802,295</u>	<u>555,686</u>	<u>1,357,981</u>	<u>(1,674,033)</u>	<u>(79,490)</u>	<u>(395,542)</u>	<u>-</u>
Change in Net Assets	145,832	55,603	201,435	362,656	(11,795)	552,296	431,910
Net Assets at Beginning of Year	260,170	982,259	1,242,429	435,582	81,713	1,759,724	1,327,814
Prior Period Adjustments	12,691	-	12,691	(7,121)	-	5,570	-
Net Assets at End of Year	<u>\$ 418,693</u>	<u>\$ 1,037,862</u>	<u>\$ 1,456,555</u>	<u>\$ 791,117</u>	<u>\$ 69,918</u>	<u>\$ 2,317,590</u>	<u>\$ 1,759,724</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2008 (With Comparative Totals for 2007)	2008	2007
Cash Flows from Operating Activities		
Change in Net Assets	\$ 552,296	\$ 431,910
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	93,219	87,215
(Increase) Decrease in Accounts Receivable	32,233	(207,214)
(Increase) Decrease in Pledges Receivable	11,825	38,958
Increase (Decrease) in Accounts Payable	(585)	170,089
Increase (Decrease) in Wages Payable	187,021	-
Increase (Decrease) in Accrued Vacation Payable	(25,249)	562
Increase (Decrease) in Payroll Tax & Benefits Payable	74,143	(1,901)
Increase (Decrease) in Deferred Revenue	519,820	(265,235)
Total Adjustments	<u>892,427</u>	<u>(177,526)</u>
Net Cash Provided by Operating Activities	<u>1,444,723</u>	<u>254,384</u>
Cash Flows from Investing Activities		
Purchase of Equipment	(108,232)	(49,943)
Net Cash Used by Investing Activities	<u>(108,232)</u>	<u>(49,943)</u>
Cash Flows from Financing Activities		
Payments on Long-Term Debt	(29,807)	(70,724)
Net Cash Provided (Used) by Financing Activities	<u>(29,807)</u>	<u>(70,724)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	1,306,684	133,717
Cash and Cash Equivalents at Beginning of Year	1,020,153	886,436
Cash and Cash Equivalents at End of Year	<u>2,326,837</u>	<u>1,020,153</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	\$ <u>99,523</u>	\$ <u>102,986</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, 2008

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 purchased, 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, 2008

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 generally accepted accounting principles 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 2008 and 2007, there were bad debts of \$0 and \$0, respectively. As of June 30, 2008, 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, 2008 and 2007, the pension expense was \$76,448 and \$93,293, 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, 2008

NOTE 5: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by CAO. The contributed services that do not meet the requirements set out in SFAS 116 are not recorded in the financial statements. During the fiscal years ended June 30, 2008 and 2007, the estimated fair value of contributed services received but not recorded on the books was \$150,097 and \$231,545, respectively. The contributed services that meet the requirements set out in SFAS 116 are recorded in the financial statements. During the fiscal years ended June 30, 2008 and 2007, the estimated fair value for these contributed services was \$33,352 and \$0, 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, 2008 and 2007, donated supplies were \$56,499 and \$48,169, respectively. During the fiscal years ended June 30, 2008 and 2007, donated rent was \$228,139 and \$258,782, respectively.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2013. Lease expense for facilities and equipment for the fiscal years ended June 30, 2008 and 2007, was \$220,029 and \$210,401, respectively.

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

<u>Year</u>	
2009	\$ 304,475
2010	155,003
2011	85,017
2012	49,028
2013	<u>17,265</u>
	<u>\$ 610,788</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 6%). At June 30, 2008 and 2007, the outstanding balance on the line of credit was \$0. The line of credit matures March 2009.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2008

NOTE 8: LONG-TERM DEBT

As of June 30, 2008 and 2007, long-term debt was as follows:

	2008	2007
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.	\$ 1,409,204	\$ 1,439,011
Less current maturities	(33,130)	(31,007)
	\$ 1,376,074	\$ 1,408,004

Maturity of debt due within 5 years:

2009	\$	33,130
2010		35,490
2011		38,017
2012		40,725
2013		43,626
Thereafter		1,218,216
Total	\$	1,409,204

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, 2008 and 2007, 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, 2008 and 2007, the unexpended balance of this cash reserve was \$254,969 and \$241,743, respectively.

The Weatherization program also has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2008 and 2007, the unexpended balance of this cash reserve was \$484,782 and \$356,779, respectively.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2008

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, 2008 and 2007, the unexpended balance of this cash reserve was \$408,833 and \$212,708, respectively.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2008 and 2007, property and equipment consists of the following:

	<u>2008</u>	<u>2007</u>
Land and Building	\$ 2,945,960	\$ 2,939,611
Furniture and Equipment	191,011	205,702
Vehicles	257,614	187,853
Accumulated Depreciation	<u>(1,154,939)</u>	<u>(1,102,872)</u>
	<u>\$ 2,239,646</u>	<u>\$ 2,230,294</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, 2008 and 2007, 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 2008 and 2007, there were bad debts of \$0 and \$0, respectively. As of June 30, 2008, 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:

2010	\$ 8,285
2011	1,840
2012	1,400
2013	100
2014	100
Thereafter	200
Present Value Adjustment	<u>(1,285)</u>
Net Long-Term Pledges Receivable	<u>\$ 10,640</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2008

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Head Start	\$ 408,833	\$ 212,708
Opening Doors	254,969	241,743
Energy Assistance	24,022	13,226
Transitional Housing	11,739	-
Weatherization	484,782	356,779
	<u>\$ 1,184,345</u>	<u>\$ 824,456</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 Cities:		
City of Beaverton-Transitional Housing	None	\$ 5,000
City of Forest Grove-Westco	None	2,000
City of Banks	None	500
City of Hillsboro-Information & Referral	None	7,500
City of North Plains-Information & Referral	None	1,000
City of Tualatin-Emergency Needs	None	<u>2,000</u>
		<u>18,000</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2008

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	3,000,828
Oregon Department of Health and Human Services		
Oregon Mother's Care	None	13,266
Oregon Housing and Community Services Department		
Emergency Housing Assistance	None	267,413
State Homeless Assistance Program	None	113,398
Low Income Rental Housing Fund	None	53,706
Echo Weatherization	None	958,363
Oregon Energy Assistance	None	1,991,823
Williams Weatherization	None	35,416
		<u>3,420,119</u>
Washington County		
Opening Doors	None	36,484
Shelter Levy	None	157,423
Emergency Needs	None	16,658
		<u>210,565</u>
Private		
Various Private Grants	None	682,095
Total		<u>\$ 7,344,873</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, 2008

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, 2008 and 2007, 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: PRIOR PERIOD ADJUSTMENTS

During the audit for the fiscal year ended June 30, 2008, it was discovered that property and equipment and payroll liabilities were overstated by \$7,121 and \$12,691, respectively, for the fiscal year ended June 30, 2007. Property and equipment was reduced by \$7,121 with a corresponding entry to net assets in the financial records. Payroll liabilities were reduced by \$12,691 with a corresponding entry to net assets in the financial records.

NOTE 20: LAWSUIT PROCEEDS

CAO, in previous years, had to make substantial repairs to its main facility. These repairs were required due, in the opinion of CAO, to substandard work performed during the initial construction of the facility. These repairs restored the facility to its original state, but did not extend the useful life nor increase the value of the facility. CAO initiated legal proceedings against the contractor who performed the original construction. CAO prevailed in the lawsuit against the contractor. During the fiscal year ended June 30, 2008, CAO received a final settlement of \$395,542, which is presented on the statement of activities and changes in net assets as other revenue.

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2008

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	\$ 4,187,770
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	533	282,458
Temporary Assistance For Needy Families	93.558	533	56,349
Low Income Housing Energy Assistance Program	93.568	533	1,355,002
Passed Through Hillsboro School District:			
Home Center Grants for Homeless Populations	93.151	None	46,486
Passed Through Childcare Resource & Network DHS:			
Childcare Resource & Referral	93.575	None	278,441
Passed Through Washington County Dept. DHS:			
Medical Assistance Program	93.778	07-0994	969
Childcare & Development Block Grant	93.575	117563	13,266
Stabilization of Child Care Providers	93.575	07-0994	118,922
			6,339,663
Department of Energy			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	533	22,428
Weatherization Assistance For Low Income Persons	81.042	533	167,561
			189,989
Department of Agriculture			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	339,828

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

Fiscal Year Ended June 30, 2008

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>218,516</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	None	162,680
Passed Through Washington County Office of Community Development:			
CDBG-Self Help Weatherization	14.218	9502	25,000
CDBG-Comprehensive Weatherization	14.218	9501	20,000
CDBG-Shelter Waitlist	14.218	8305	14,161
CDBG-Basic Needs	14.218	9303	25,000
Emergency Shelter Grant	14.231	533	<u>88,685</u>
			<u>335,526</u>
Total Federal Awards			\$ <u><u>7,423,522</u></u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended June 30, 2008

No prior year findings.

**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***

December 1, 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, 2008, and have issued our report thereon dated December 1, 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.

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

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**

December 1, 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, 2008. 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, 2008.

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, 2008

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

Significant deficiencies 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

Significant deficiencies 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:

CFDA Numbers	Name of Federal Program
93.569	Community Services Block Grant
93.600	Head Start
97.024	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: 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, 2008

	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	\$ 4,582,232	\$ 4,187,770	\$ -	\$ -	\$ 13,266	\$ -	\$ 162,680	\$ 218,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	9,766,283	3,895,285	-	278,441	-	380,811	110,055	-	39,809	1,805,413	2,974,011	-	282,458	-
Local	1,106,697	500	-	118,922	357,088	306,755	5,000	46,717	21,842	45,000	21,940	-	-	182,933
	15,455,212	8,083,555	-	397,363	370,354	687,566	277,735	265,233	61,651	1,850,413	2,995,951	-	282,458	182,933
Private Revenue														
United Way	11,017	-	-	-	-	50	-	158	-	-	-	10,809	-	-
Contributions	145,309	7,238	-	-	-	4,262	-	23,346	-	-	-	-	-	-
Corporations & Foundations	719,702	13,337	-	129,060	124,935	33,666	274,244	-	-	36,400	-	-	108,060	-
	876,028	20,575	-	129,060	124,935	37,978	274,244	23,504	36,400	-	-	229,332	-	-
Income														
Fees / Sales	158,784	66,235	-	86,800	-	-	-	-	5,655	-	-	94	-	-
Reimbursements	260,078	-	-	-	-	6,849	3,400	4,943	-	232,827	-	-	-	12,059
	418,862	66,235	-	86,800	-	6,849	3,400	4,943	5,655	232,827	-	94	-	12,059
Total Inkind Revenue	317,990	236,867	-	646	14,886	35,203	-	-	-	749	-	2,315	-	27,324
Total Revenue	17,068,092	8,407,232	-	613,869	510,175	767,596	555,379	293,680	103,706	2,083,989	2,995,951	231,741	282,458	222,316
Expenses														
Employee Costs	9,169,541	5,461,605	-	400,535	451,285	348,005	202,845	9,350	128,796	539,176	447,200	217,911	-	962,833
Supplies	302,678	156,324	-	7,983	5,721	4,797	2,344	-	5,472	24,700	3,981	35,407	-	55,949
Professional Costs	414,246	46,673	-	-	-	-	-	-	-	-	-	-	-	367,573
Communications	282,723	114,132	-	24,792	13,475	8,874	132	-	7,304	17,609	21,148	30,560	-	44,697
Transportation & Travel	166,998	78,778	-	16,708	16,708	3,751	8,792	-	2,034	9,317	4,227	3,615	4,082	27,640
Marketing	23,458	12,871	-	-	803	164	-	-	-	1,429	230	3,189	-	4,772
Occupancy	469,413	355,121	-	16,692	2,855	27,071	809	-	4,688	29,310	19,751	13,116	-	-
Other Rents	220,029	97,200	-	-	1,800	-	2,051	-	-	8,400	12,859	-	-	97,719
Insurance	92,219	24,304	-	-	411	1,307	149	217	-	4,413	-	-	-	61,418
Repair & Maintenance	98,754	94,526	-	-	-	1,529	-	-	-	1,617	-	-	-	1,082
Miscellaneous Expenses	253,055	116,222	-	36,117	6,224	4,245	3,119	232	1,208	20,020	1,601	5,105	-	58,962
Capital Outlay	46,569	-	-	-	-	-	-	-	-	-	-	-	-	-
Client Expenses	4,960,446	613,081	-	34,088	211	259,656	293,015	295,464	343	1,191,577	2,232,389	11,808	-	28,814
Inkind	317,990	236,867	-	646	14,886	35,203	-	-	-	749	-	2,315	-	27,324
Depreciation Expenses	93,219	4,832	-	-	-	2,450	-	-	-	12,651	-	-	-	73,286
Administrative Charges	-	792,000	-	59,674	46,417	74,451	43,271	43,659	13,806	174,219	241,843	25,884	41,688	(1,556,912)
Total Expenditures	16,911,338	8,251,105	-	588,581	560,796	771,503	556,527	348,922	163,651	2,035,187	2,985,229	348,910	45,770	285,157
Change in Net Assets before Other Revenue & Expenses	156,754	156,127	-	25,288	(50,621)	(3,907)	(1,148)	(55,242)	(59,945)	48,802	10,722	(117,169)	236,688	(32,841)
Other Revenue & Expenses														
Lawsuit Proceeds	395,542	-	-	-	-	-	-	-	-	-	-	-	-	395,542
Expenses for Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Revenue & Expenses	395,542	-	-	-	-	-	-	-	-	-	-	-	-	395,542
Expense Transfers: CSBG	-	-	-	-	(64,469)	-	-	(8,682)	(58,163)	-	-	(105,374)	236,688	-
Expense Transfers: Other	-	10,295	-	(10,195)	623	(23,340)	-	23,408	(836)	-	-	-	-	45
Adjusted Expenditures	-	10,295	-	(10,195)	(63,846)	(23,340)	-	14,726	(58,999)	-	-	(105,374)	236,688	45
Change in Net Assets	552,296	145,832	-	35,483	13,225	19,433	(1,148)	(69,968)	(946)	48,802	10,722	(11,795)	-	362,656
Beginning of Year Net Assets	1,759,724	250,311	9,859	62,316	241,743	171,309	12,888	24,686	20,113	435,982	13,222	81,713	-	435,582
Prior Period Adjustments	5,570	12,691	-	-	-	-	-	-	-	-	-	-	-	(7,121)
End of Year Net Assets	\$ 2,317,590	\$ 408,834	\$ 9,859	\$ 97,799	\$ 254,968	\$ 190,742	\$ 11,740	\$ (45,282)	\$ 19,167	\$ 484,784	\$ 23,944	\$ 69,918	\$ -	\$ 791,117

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