

**COMMUNITY ACTION
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2003

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

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INDEPENDENT AUDITOR'S REPORT

November 24, 2003

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, 2003; the related statements of revenues, expenses, and changes in net assets; functional revenues, expenses, and changes in net assets; and cash flows for the fiscal year then ended. These financial statements are the responsibility of CAO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CAO's 2002 financial statements and, in our report dated December 16, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of CAO as of June 30, 2003, and its revenues, expenses and cash flows for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003, on our consideration of CAO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

As of June 30, 2003 and 2002

	ASSETS	
	<u>2003</u>	<u>2002</u>
Current Assets		
Cash	\$ 316,930	\$ 218,825
Restricted Cash	391,892	414,613
Accounts Receivable	727,043	766,853
Pledges Receivable	71,050	62,825
Prepaid Expenses	3,045	3,045
	<u>1,509,960</u>	<u>1,466,161</u>
Property & Equipment		
Property and Equipment, net	<u>2,405,245</u>	<u>2,482,073</u>
Other Assets		
Pledges Receivable	104,924	118,961
Investments	610	610
	<u>105,534</u>	<u>119,571</u>
Total Assets	\$ <u>4,020,739</u>	\$ <u>4,067,805</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 678,352	\$ 525,027
Employee Benefits Payable	-	13,229
Accrued Vacation Payable	132,739	105,733
Payroll Tax Payable	52,718	43,731
Voluntary Deductions Payable	-	274
Deferred Revenue	41,362	139,715
Line of Credit	-	12,443
Current Portion of Long-Term Debt	21,025	19,299
	<u>926,196</u>	<u>859,451</u>
Long-Term Liabilities		
Notes and Mortgages Payable, net	<u>1,285,012</u>	<u>1,304,699</u>
	<u>2,211,208</u>	<u>2,164,150</u>
Net Assets		
Unrestricted Net Assets	420,564	279,561
Temporarily Restricted Net Assets	<u>1,388,967</u>	<u>1,624,094</u>
	<u>1,809,531</u>	<u>1,903,655</u>
Total Liabilities and Net Assets	\$ <u>4,020,739</u>	\$ <u>4,067,805</u>

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, 2003 with Comparative Totals for 2002**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2003 TOTAL</u>	<u>2002 TOTAL</u>
<u>Support and Revenue</u>				
Grants & Contracts	\$ 11,937,622	\$ -	\$ 11,937,622	\$ 9,548,587
United Way	209,047	-	209,047	186,790
Contributions - Other	109,777	68,137	177,914	448,040
Contributions - Corp. & Foundations	70,142	146,246	216,388	224,848
In-Kind Revenue	746,874	-	746,874	815,084
Fees	117,501	-	117,501	150,130
Reimbursements	38,775	-	38,775	103,997
Nets Assets Released from Restrictions:				
Satisfaction of Time Restrictions	81,126	(81,126)	-	-
Satisfaction of Program Restrictions	368,384	(368,384)	-	-
Total Support and Revenue	<u>13,679,248</u>	<u>(235,127)</u>	<u>13,444,121</u>	<u>11,477,476</u>
Expenses:				
Program Services	12,041,198	-	12,041,198	9,894,499
Administration	1,203,265	-	1,203,265	1,044,676
Resource Development	293,782	-	293,782	264,218
Total Expenses	<u>13,538,245</u>	<u>-</u>	<u>13,538,245</u>	<u>11,203,393</u>
Other Sources of Funding:	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,332</u>
Change in Net Assets	141,003	(235,127)	(94,124)	276,415
Net Assets at Beginning of Year	<u>279,561</u>	<u>1,624,094</u>	<u>1,903,655</u>	<u>1,627,240</u>
Net Assets at End of Year	<u>\$ 420,564</u>	<u>\$ 1,388,967</u>	<u>\$ 1,809,531</u>	<u>\$ 1,903,655</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FUNCTIONAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2003 with Comparative Totals for 2002

	Early Childhood Development	Family & Community Resources	Community Partners	Total Program Services	Administration	Resource Development	2003 Total	2002 Total
Support and Revenue								
Grants:	\$ 6,770,761	\$ 4,856,782	\$ 3,405	\$ 11,630,948	\$ 306,674	\$ -	\$ 11,937,622	\$ 9,548,587
Private Revenue:								
United Way	-	-	-	-	-	209,047	209,047	186,790
Contributions - Other	-	-	-	-	-	177,914	177,914	448,040
Contributions - Corp. & Foundations	-	-	-	-	-	216,388	216,388	224,848
	-	-	-	-	-	603,349	603,349	859,678
Income:								
Fees	99,840	17,655	-	117,495	3	3	117,501	150,130
Reimbursements	1,046	29,270	450	30,766	8,009	-	38,775	103,997
	100,886	46,925	450	148,261	8,012	3	156,276	254,127
In-Kind Revenue	403,134	36,930	218,353	658,417	57,386	31,071	746,874	815,084
Transfers Between Funds	35,333	303,061	2,688	341,082	7,500	(348,582)	-	-
Total Support and Revenue	7,310,114	5,243,698	224,896	12,778,708	379,572	285,841	13,444,121	11,477,476
Expenses								
Employee Costs	4,591,780	1,447,091	3,909	6,042,780	789,297	183,543	7,015,620	5,682,774
Professional Costs	8,600	56,519	-	65,119	80,544	7,238	152,901	126,335
Travel	63,988	34,075	-	98,063	10,659	1,822	110,544	98,146
Occupancy	312,342	67,959	7,651	387,952	4,639	7,178	399,769	332,811
Other Rent	158,837	25,278	-	184,115	46,447	-	230,562	58,338
Depreciation	-	-	-	-	76,827	-	76,827	70,057
Supplies	212,807	58,058	-	270,865	40,268	18,968	330,101	363,276
Communications	124,589	60,587	2,220	187,396	17,303	20,714	225,413	158,351
Marketing	2,439	7,808	-	10,247	1,291	8,833	20,371	12,529
Insurance	28,964	3,992	171	33,127	21,557	-	54,684	52,764
Repairs and Maintenance	31,717	6,809	-	38,526	11,822	3,625	53,973	54,271
Miscellaneous	87,190	47,493	-	134,683	22,451	5,465	162,599	181,516
Client Expenses	721,422	3,113,239	-	3,834,661	3,422	-	3,838,083	3,093,850
Bad Debt Expense	-	-	-	-	4,459	5,325	9,784	500
Capital Outlay	47,336	47,911	-	95,247	14,893	-	110,140	118,034
In-Kind Expenses	403,134	36,930	218,353	658,417	57,386	31,071	746,874	799,841
Total Expenses	6,795,145	5,013,749	232,304	12,041,198	1,203,265	293,782	13,538,245	11,203,393
Transfers from CSBG	(30,862)	(67,560)	-	(98,422)	179,083	(80,661)	-	-
Administration Allocation	521,739	384,165	-	905,904	(940,616)	34,712	-	-
Other Fund Sources & Transfers	20,836	(131,713)	(24,373)	(135,250)	32,476	102,774	-	(2,332)
Total Other	511,713	184,892	(24,373)	672,232	(729,057)	56,825	-	(2,332)
Change in Net Assets	3,256	45,057	16,965	65,278	(94,636)	(64,766)	(94,124)	276,415
Net Assets at Beginning of Year	78,234	594,815	(17,014)	656,035	865,613	382,007	1,903,655	1,627,240
Net Assets at End of Year	\$ 81,490	\$ 639,872	\$ (49)	\$ 721,313	\$ 770,977	\$ 317,241	\$ 1,809,531	\$ 1,903,655

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, 2003 with Comparative Totals for 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (94,124)	\$ 276,415
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	76,827	70,057
Donated Equipment	-	(15,242)
(Increase) Decrease in Accounts Receivable	39,810	43,553
(Increase) Decrease in Pledges Receivable	5,812	(181,786)
(Increase) Decrease in Prepaid Expenses	-	(1,045)
Increase (Decrease) in Accounts Payable	153,326	(183,163)
Increase (Decrease) in Accrued Vacation Payable	27,006	30,728
Increase (Decrease) in Payroll Liabilities	(4,516)	(55,037)
Increase (Decrease) in Deferred Revenue	(98,353)	92,052
Total Adjustments	<u>199,912</u>	<u>(199,883)</u>
Net Cash Provided by Operating Activities	<u>105,788</u>	<u>76,532</u>
Cash Flows from Investing Activities:		
Capital Expenditures	-	(11,863)
Net Cash Used by Investing Activities	<u>-</u>	<u>(11,863)</u>
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(17,961)	(16,002)
Payments on Line of Credit	(12,443)	-
Proceeds from Line of Credit	-	12,443
Net Cash Used by Financing Activities	<u>(30,404)</u>	<u>(3,559)</u>
Net Increase in Cash & Cash Equivalents	75,384	61,110
Cash and Cash Equivalents at Beginning of Year	<u>633,438</u>	<u>572,328</u>
Cash and Cash Equivalents at End of Year	<u>708,822</u>	<u>633,438</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	<u>\$ 114,473</u>	<u>\$ 116,490</u>

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, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community Action Organization (CAO) is a non-profit entity exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. CAO operates primarily as the sponsoring agency of various federal, state and locally funded programs aimed at providing various services to assist low-income residents of Washington county, state of Oregon. The programs include Head Start preschool, USDA childcare food program, shelter and housing, child care, pregnancy support, energy and other individual assistance programs.

Support and Revenues

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

Accounting Basis

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

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

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

Recognition of Contribution Revenue

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

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

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

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

Property and Equipment

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

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

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

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

Use of Estimates

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

Advertising Costs

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

NOTE 2: ACCOUNTS RECEIVABLE

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

Historically, bad debts have been immaterial. CAO uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2003 and 2002, there were bad debts of \$9,784 and \$500, respectively. As of June 30, 2003, management estimated that all accounts receivable were collectible.

NOTE 3: EMPLOYEE BENEFITS

CAO provides a 403(b) tax sheltered annuity. Beginning in the third year of employment, CAO contributes between \$25 and \$100 per month to each qualified employee's tax sheltered annuity, based on each employee's number of years of service. For the fiscal years ended June 30, 2003 and 2002, the pension expense was \$59,032 and \$59,011, respectively. The tax sheltered annuity was fully funded at June 30, 2003 and 2002.

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. Accrued and unused annual leave is payable to the employee in cash upon termination.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2003

NOTE 4: DEFERRED REVENUES

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

NOTE 5: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by CAO. Donated services are recorded as in-kind revenue at estimated fair market value with an offsetting entry to in-kind expense. During the fiscal years ended June 30, 2003 and 2002, the estimated fair value was \$144,972 and \$174,739, 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, 2003 and 2002, donated supplies were \$178,983 and \$193,346, respectively. During the fiscal years ended June 30, 2003 and 2002, donated rent was \$422,919 and \$431,757, respectively.

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

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2008. Lease expense for facilities and equipment for the fiscal years ended June 30, 2003 and 2002, was \$230,562 and \$58,338, respectively.

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

<u>Year</u>		
2004	\$	225,531
2005		199,487
2006		167,502
2007		122,322
2008		<u>99,854</u>
	\$	<u>814,696</u>

NOTE 7: LINE-OF-CREDIT

CAO has available a line of credit with Columbia Community Bank in the amount of \$250,000. The interest rate on the line of credit is Prime (currently 4.25%). At June 30, 2003 and 2002, the outstanding balance on the line of credit was \$0 and \$12,443, respectively. The expiration date of the line of credit agreement is March 2004.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2003

NOTE 8: LONG-TERM DEBT

As of June 30, 2003 and 2002, long-term debt was as follows:

	<u>2003</u>	<u>2002</u>
Columbia Community Bank - payable \$11,030 per month including interest accrued at the Treasury Maturities Rate (currently at 8.6%) - Secured by Building	1,306,037	1,323,998
Less current maturities	<u>(21,025)</u>	<u>(19,299)</u>
	<u>\$ 1,285,012</u>	<u>\$ 1,304,699</u>

Maturity of debt due within 5 years:

2004	\$ 21,025
2005	22,715
2006	24,747
2007	26,962
2008	29,374
Thereafter	<u>1,181,214</u>
Total	<u>\$ 1,306,037</u>

NOTE 9: SUPPLEMENTAL DISCLOSURES - STATEMENT OF CASH FLOWS

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

NOTE 10: CONCENTRATIONS OF CREDIT RISK

As of June 30, 2003 and 2002, CAO had cash accounts with Columbia Community Bank that exceeded the \$100,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). Columbia Community Bank has collateralized the amounts that are in excess of the amount insured by FDIC.

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

NOTE 11: RESTRICTED CASH

Opening Doors, a program of Healthy Start, Inc. another nonprofit organization, joined CAO in 1998 with a cash reserve of \$257,000. The cash reserve came with donor imposed restrictions. The cash reserve is restricted for use on expenditures of the Opening Doors program. As of June 30, 2003 and 2002, the unexpended balance of this cash reserve and restricted donations that were not spent by the end of the fiscal years was \$391,892 and \$414,613, respectively.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2003 and 2002, property and equipment consists of the following:

	<u>2003</u>	<u>2002</u>
Land and Building	\$ 2,939,611	\$ 2,939,611
Furniture and Equipment	96,201	516,138
Vehicles	102,725	102,725
Accumulated Depreciation	<u>(733,292)</u>	<u>(1,076,401)</u>
	<u>\$ 2,405,245</u>	<u>\$ 2,482,073</u>

NOTE 13: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NOTE 14: OTHER SOURCES OF FUNDING

During the fiscal years ended June 30, 2003 and 2002, there were \$0 and \$2,332, respectively, of expenditures incurred in various departments that were allowable expenditures in other grants. The allowable expenditures were recorded in the appropriate grant with an offsetting entry to other sources of funding.

NOTE 15. PLEDGES RECEIVABLE

As of June 30, 2003 and 2002, the CAO had pledges receivable that will be received over the next five years. As of June 30, 2003, management estimated that all pledges receivable were collectible. The long-term pledges are adjusted to present value using a risk free rate of return of .94%. Long-term pledges due in the following years are as follows:

2005	\$ 45,425
2006	44,325
2007	15,725
2008	1,650
2009	500
Present Value Adjustment	<u>(2,701)</u>
Net Long-Term Pledges Receivable	<u>\$104,924</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2003

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:

Program Titles	Contract Number	Expenditures
Department of Education		
HHS	2001-30	\$ <u>2,147,299</u>
Employment Department Child Care Division		
Migrant & Seasonal Child Care Program	23017	165,418
Passed Through Gaston Public School District 511J:		
Gaston Child Care Program	25071	<u>27,408</u>
		<u>192,826</u>
Department of Health and Human Services		
Passed Through Commission on Children & Families:		
Commission on Children & Families-Opening Doors	1-0734	53,067
New Parent Network-Healthy Start	1-0667	<u>130,891</u>
		<u>183,958</u>
Housing and Community Services Department		
Emergency Housing Assistance	None	275,328
State Homeless Assistance Program	None	59,769
Low Income Rental Housing Fund	None	17,906
Echo Weatherization	None	319,374
Oregon Energy Assistance	None	<u>1,444,204</u>
		<u>2,116,581</u>
Washington County		
Shelter General	None	10,000
Shelter Levy	None	<u>145,760</u>
		<u>155,760</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2003

NOTE 16. SUPPLEMENTAL SCHEDULE OF NON-FEDERAL AWARDS (CONT.)

<u>Program Titles</u>	<u>Contract Number</u>	<u>Expenditures</u>
Local Government		
Passed Through City of Beaverton:		
Child Care Resource and Referral	None	4,000
Transitional Housing-Beaverton	None	10,000
Information and Referral	None	4,000
City of Cornelius-Information & Referral	None	500
City of Forest Grove-A Kid's Domain	None	2,000
City of Forest Grove-Westco	None	3,700
City of Tigard-Emergency Needs	None	15,000
City of Tualatin-Emergency Needs	None	2,000
		<u>41,200</u>
Total		<u>\$ 4,837,624</u>

NOTE 17: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Property, net of loan and depreciation *	\$ 1,007,226	\$ 1,052,427
Head Start	1,629	444
Child Care	-	30,036
Transitional Housing	78	8,474
Opening Doors	328,104	425,373
Shelter	26,985	64,226
Energy Assistance	4,750	7,727
Weatherization	20,195	35,387
	<u>\$ 1,388,967</u>	<u>\$ 1,624,094</u>

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

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2003

<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	\$ 4,082,545
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	90243	305,198
Temporary Assistance For Needy Families	93.558	90243	10,420
Low Income Housing Energy Assistance Program	93.568	90243	1,294,085
Passed Through Child Care Development Services:			
AFS Childcare	93.575	None	49,147
Passed Through Washington County Dept. of Health & Humal Services:			
Childcare Resource & Referral	93.575	100599	106,462
Stabilization of Child Care Providers	93.575	03-0183	122,350
			<u>5,970,207</u>
<u>Department of Energy</u>			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	90243	11,630
Weatherization Assistance For Low Income Persons	81.042	90243	131,536
			<u>143,166</u>
<u>Department of Agriculture</u>			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	<u>211,538</u>

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

For the Fiscal Year Ended June 30, 2003

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Federal Emergency Management Agency</u>			
Emergency Food & Shelter National Board Program	83.523	None	<u>178,315</u>
<u>Department of Housing and Urban Development</u>			
Supportive Housing Program	14.235	None	134,111
<u>Passed Through Washington County Office of Community Development:</u>			
CDBG-Self Help Weatherization	14.218	4502	25,000
CDBG-Comprehensive Weatherization	14.218	4501	20,000
CDBG-Homeless	14.218	3337	44,318
CDBG-Basic Needs	14.218	4338	51,388
CDBG-Opening Doors	14.218	02-1162	47,909
<u>Passed Through Oregon Housing & Community Services:</u>			
Emergency Shelter Grant	14.231	90243	<u>57,815</u>
			<u>380,541</u>
Total Federal Awards			<u>\$ 6,883,767</u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2003

No matters are reportable.



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

November 24, 2003

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, 2003, and have issued our report thereon dated November 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CAO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aiken & Sanders

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



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

November 23, 2003

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, 2003. 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.

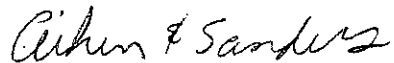
In our opinion, CAO complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003.

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, 2003

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Reportable conditions identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Reportable conditions identified not considered to be material weaknesses: No

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.568	Low Income Housing Energy Assistance Program
93.600	Head Start
81.042	Weatherization Assistance for Low Income Persons

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

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.

Community Action Organization

Supplementary Schedule of Programs
For the Fiscal Year Ended June 30, 2003

	Total	Head Start	CCRR	A-Kids Domain	Opening Doors	Shelter	Transitional Housing	Emergency Needs	Information Referral	Weatherization	Energy	CSBG	Community Pantry	Resource Development	Administration
Support and Revenue															
Government Revenue															
Federal	\$ 4,410,591	\$ 4,082,545	\$ -	\$ -	\$ 1,479	\$ -	\$ 134,111	\$ 192,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	6,624,098	2,608,657	-	73,543	-	393,711	38,139	-	-	722,289	2,482,561	305,198	-	-	-
Local	902,933	4,016	281,959	2,000	221,082	242,407	10,000	87,088	4,500	45,000	-	-	3,405	-	1,476
	11,937,622	6,695,218	281,959	75,543	222,561	636,118	182,250	279,544	4,500	767,289	2,482,561	305,198	3,405	-	1,476
Private Revenue															
United Way	209,047	-	-	-	-	-	-	-	-	-	-	-	-	209,047	-
Contributions	177,914	-	-	-	-	-	-	-	-	-	-	-	-	177,914	-
Corporations & Foundations	216,388	-	-	-	-	-	-	-	-	-	-	-	-	216,388	-
	603,349	-	-	-	-	-	-	-	-	-	-	-	-	603,349	-
Income															
Fees / Sales	117,501	31,061	17,140	68,779	15	-	-	-	500	-	-	-	-	-	3
Reimbursements	38,775	1,046	741	-	274	-	1,336	2,804	-	24,115	-	-	450	-	8,009
	156,276	32,107	17,881	68,779	289	-	1,336	2,804	500	24,115	-	-	450	3	8,012
Total Inkind Revenue	746,874	402,676	391	458	17,509	16,224	-	1,960	-	846	-	-	218,353	31,071	57,386
Total Revenue	13,444,121	7,130,001	300,231	144,780	240,359	652,342	183,586	284,308	5,000	792,250	2,482,561	305,198	222,208	634,423	66,874
Transfers of Private Funds	-	5,283	26,479	30,050	141,661	7,186	43,692	51,335	27,708	5,000	-	-	2,688	(348,582)	7,500
Total Combined Revenue	13,444,121	7,135,284	326,710	174,830	382,020	659,528	227,278	335,643	32,708	797,250	2,482,561	305,198	224,896	285,841	74,374
Expenses															
Employee Costs	7,015,620	4,425,019	244,923	166,761	272,541	297,310	144,216	46,610	52,887	174,147	214,457	-	3,909	183,541	789,299
Supplies	330,101	209,006	28,146	3,800	6,076	1,755	569	4,598	4,133	7,348	5,434	-	-	18,968	40,268
Professional Costs	152,901	6,740	-	1,800	49,671	6,848	-	-	-	-	-	-	-	7,238	80,544
Communications	225,413	119,671	16,328	4,920	13,636	10,123	-	8,139	3,249	8,679	431	-	2,220	20,714	17,303
Transportation & Travel	110,544	63,897	4,264	91	16,335	1,799	4,372	979	599	5,217	311	675	-	1,822	9,983
Marketing	20,371	2,439	5,589	-	1,463	142	-	72	-	316	226	-	-	8,833	1,291
Occupancy	399,769	308,904	9,901	3,437	4,214	19,070	1,138	2,785	2,924	15,608	12,320	1,875	7,651	7,178	2,764
Other Rents	230,562	158,837	-	-	18,954	1,696	860	3,768	-	-	-	-	-	-	46,447
Insurance	54,684	28,564	-	400	846	760	-	119	-	2,267	-	-	171	-	21,557
Repair & Maintenance	53,973	31,717	-	-	-	6,638	-	171	-	-	-	-	-	3,625	11,822
Miscellaneous Expenses	162,600	86,124	19,293	1,066	9,455	6,170	-	1,323	2,948	8,305	-	-	-	5,465	22,451
Capital Outlay	110,140	47,336	-	-	25,056	772	-	1,716	-	20,367	-	-	-	-	14,893
Client Expenses	3,838,083	721,306	4,170	117	4,866	240,723	64,335	240,055	229	472,821	2,086,039	-	-	-	3,422
Inkind	746,873	402,675	391	458	17,509	16,224	-	1,960	-	846	-	-	218,353	31,071	57,386
Bad Debt Expense	9,784	-	-	-	-	-	-	-	-	-	-	-	-	5,325	4,459
Depreciation Expenses	76,827	-	-	-	-	-	-	-	-	-	-	-	-	-	76,827
Administrative Charges	-	508,186	24,310	13,552	38,667	60,081	21,125	14,493	5,764	61,133	158,593	69,493	-	34,712	(1,010,109)
Total Expenditures	13,538,245	7,120,421	357,315	196,462	479,289	670,111	236,815	326,788	72,733	777,054	2,477,811	72,043	232,304	328,492	190,607
Expense Transfers: CSBG	-	-	-	(30,862)	-	(7,849)	(9,615)	(10,601)	(39,495)	-	-	233,154	-	(80,661)	(54,071)
Expense Transfers: Other	-	13,234	(7,740)	275	-	(29,720)	-	27,757	(100)	-	-	-	(7,358)	3,161	491
Adjusted Expenditures	13,538,245	7,133,655	349,575	165,875	479,289	632,542	227,200	343,944	33,138	777,054	2,477,811	305,197	224,946	250,992	137,027
Change in Net Assets															
Beginning of Year Net Assets	1,903,655	122,644	43,087	(51,738)	425,373	40,426	6,095	(32,466)	6,208	174,125	16,038	(7,253)	(17,013)	298,434	879,695
Transfers	-	-	-	-	-	35,456	7,877	-	-	(5,491)	7,252	(17,013)	(16,042)	(46,065)	-
End of Year Net Assets	\$ 1,809,531	\$ 124,273	\$ 20,222	\$ (42,783)	\$ 328,104	\$ 102,868	\$ 14,050	\$ (40,767)	\$ 5,778	\$ 194,321	\$ 15,297	\$ -	\$ (50)	\$ 317,241	\$ 770,977

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