

**COMMUNITY ACTION
ORGANIZATION**

An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2005

Aiken & Sanders, Inc PS

**Certified Public Accountants
& Management Consultants**

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Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS
343 West Wishkah Street, Aberdeen, Washington 98520-6130
Telephone (360) 533-3370 Fax (360) 532-7123
Email: mail@aiken-sanders.com

INDEPENDENT AUDITOR'S REPORT

November 4, 2005
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, 2005; 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 2004 financial statements and, in our report dated November 22, 2004, we expressed an unqualified opinion on those financial statements.

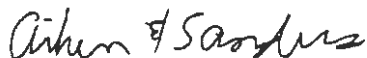
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of CAO as of June 30, 2005, 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 4, 2005, 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 ASSETS, LIABILITIES AND NET ASSETS

As of June 30, 2005 and 2004

	ASSETS	
	<u>2005</u>	<u>2004</u>
<u>Current Assets</u>		
Cash	\$ 539,095	\$ 595,328
Restricted Cash	493,557	328,105
Accounts Receivable	542,487	564,333
Pledges Receivable	62,335	55,385
Prepaid Expenses	3,045	3,045
	<u>1,640,519</u>	<u>1,546,196</u>
<u>Property & Equipment</u>		
Property and Equipment, net	<u>2,252,564</u>	<u>2,328,905</u>
<u>Other Assets</u>		
Pledges Receivable	50,819	83,096
Investments	350	350
	<u>51,169</u>	<u>83,446</u>
Total Assets	<u>\$ 3,944,252</u>	<u>\$ 3,958,547</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 790,254	\$ 601,730
Accrued Vacation Payable	166,875	140,608
Payroll Tax Payable	61,663	58,774
Deferred Revenue	138,212	217,338
Line of Credit	250,000	-
Current Portion of Long-Term Debt	189,199	23,288
	<u>1,596,203</u>	<u>1,041,738</u>
<u>Long-Term Liabilities</u>		
Notes and Mortgages Payable, net	<u>1,242,025</u>	<u>1,255,492</u>
	<u>2,838,228</u>	<u>2,297,230</u>
<u>Net Assets</u>		
Unrestricted Net Assets	574,403	415,497
Temporarily Restricted Net Assets	531,621	1,245,820
	<u>1,106,024</u>	<u>1,661,317</u>
Total Liabilities and Net Assets	<u>\$ 3,944,252</u>	<u>\$ 3,958,547</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, 2005 with Comparative Totals for 2004

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2005 TOTAL</u>	<u>2004 TOTAL</u>
<u>Support and Revenue</u>				
Grants & Contracts	\$ 13,258,252	\$ -	\$ 13,258,252	\$ 12,605,085
United Way	117,466	-	117,466	208,403
Contributions - Other	92,030	34,226	126,256	128,621
Contributions - Corp. & Foundations	99,152	435,653	534,805	304,494
In-Kind Revenue	633,083	-	633,083	843,682
Fees	170,551	-	170,551	126,833
Reimbursements	109,773	-	109,773	119,997
Nets Assets Released from Restrictions:				
Satisfaction of Time Restrictions	971,316	(971,316)	-	-
Satisfaction of Program Restrictions	212,762	(212,762)	-	-
Total Support and Revenue	<u>15,664,385</u>	<u>(714,199)</u>	<u>14,950,186</u>	<u>14,337,115</u>
Expenses:				
Program Services	13,244,492	-	13,244,492	12,665,047
Administration	1,408,846	-	1,408,846	1,463,522
Resource Development	274,594	-	274,594	356,760
Total Expenses	<u>14,927,932</u>	<u>-</u>	<u>14,927,932</u>	<u>14,485,329</u>
Change in Net Assets before Other Revenue and Expenses	<u>736,453</u>	<u>(714,199)</u>	<u>22,254</u>	<u>(148,214)</u>
Other Revenue and Expenses (See Note 17)				
Revenues for Funding of Repairs	368,162	-	368,162	-
Expenses for Repairs	(945,709)	-	(945,709)	-
Total Other Revenue and Expenses	<u>(577,547)</u>	<u>-</u>	<u>(577,547)</u>	<u>-</u>
Change in Net Assets	158,906	(714,199)	(555,293)	(148,214)
Net Assets at Beginning of Year	<u>415,497</u>	<u>1,245,820</u>	<u>1,661,317</u>	<u>1,809,531</u>
Net Assets at End of Year	<u>\$ 574,403</u>	<u>\$ 531,621</u>	<u>\$ 1,106,024</u>	<u>\$ 1,661,317</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, 2005 with Comparative Totals for 2004

	Early Childhood Development	Family & Community Resources	Community Partners	Total Program Services	Administration	Resource Development	2005 Total	2004 Total
Support and Revenue								
Grants:	\$ 6,796,836	\$ 6,097,304	\$ -	\$ 12,894,140	\$ 364,112	\$ -	\$ 13,258,252	\$ 12,605,085
Private Revenue:								
United Way	23,687	77,051	-	100,738	-	16,728	117,466	208,403
Contributions - Other	2,942	31,785	-	34,727	-	91,529	126,256	128,621
Contributions - Corp. & Foundations	8,130	299,823	-	307,953	127,200	99,652	534,805	304,494
	34,759	408,659	-	443,418	127,200	207,909	778,527	641,518
Income:								
Fees	109,345	55,723	-	165,068	5,483	-	170,551	126,833
Reimbursements	-	105,342	-	105,342	4,431	-	109,773	119,997
	109,345	161,065	-	270,410	9,914	-	280,324	246,830
In-Kind Revenue	437,010	54,306	69,258	560,574	64,995	7,514	633,083	843,682
Total Support and Revenue	7,377,950	6,721,334	69,258	14,168,542	566,221	215,423	14,950,186	14,337,115
Expenses								
Employee Costs	4,855,643	1,949,004	-	6,804,647	795,612	197,390	7,797,649	7,305,953
Professional Costs	21,719	2,720	-	24,439	134,582	1,807	160,828	218,205
Travel	64,846	36,482	-	101,328	16,126	2,564	120,018	119,961
Occupancy	271,103	90,101	1,001	362,205	80,838	9,948	452,991	474,847
Other Rent	146,537	42,987	-	189,524	58,586	-	248,110	246,121
Depreciation	-	-	-	-	76,340	-	76,340	76,340
Supplies	46,036	45,689	-	91,725	40,863	21,253	153,841	150,170
Communications	109,933	80,455	-	190,388	44,168	19,926	254,482	241,258
Marketing	5,881	6,766	-	12,647	-	991	13,638	29,510
Insurance	29,563	9,475	-	39,038	46,024	-	85,062	76,651
Repairs and Maintenance	24,552	720	-	25,272	7,617	60	32,949	33,396
Miscellaneous	71,633	45,831	-	117,464	31,174	5,551	154,189	156,172
Client Expenses	718,893	3,861,937	-	4,580,830	11,921	-	4,592,751	4,283,091
Bad Debt Expense	-	-	-	-	-	7,590	7,590	19,500
Capital Outlay	122,924	21,487	-	144,411	-	-	144,411	210,472
In-Kind Expenses	437,010	54,306	69,258	560,574	64,995	7,514	633,083	843,682
Total Expenses	6,926,273	6,247,960	70,259	13,244,492	1,408,846	274,594	14,927,932	14,485,329
Change in Net Assets before Other Revenue & Expenses	451,677	473,374	(1,001)	924,050	(842,625)	(59,171)	22,254	(148,214)
Other Revenue & Expenses (See Note 17)								
Revenues for Funding of Repairs	-	-	-	-	368,162	-	368,162	-
Expenses for Repairs	-	-	-	-	(945,709)	-	(945,709)	-
Total Other Revenue & Expenses	-	-	-	-	(577,547)	-	(577,547)	-
Transfers from CSBG	(58,883)	(150,946)	-	(209,829)	303,679	(93,850)	-	-
Administratioo Allocation	615,605	556,167	-	1,171,772	(1,209,470)	37,698	-	-
Other Fund Sources & Transfers	1,605	(2,604)	(1,002)	(2,001)	903	1,098	-	-
Total Other	558,327	402,617	(1,002)	959,942	(904,888)	(55,054)	-	-
Change in Net Assets	(106,650)	70,757	1	(35,892)	(515,284)	(4,117)	(555,293)	(148,214)
Net Assets at Beginning of Year	87,083	602,644	(49)	689,678	674,644	296,995	1,661,317	1,809,531
Fund Transfer	46,219	-	-	46,219	-	(46,219)	-	-
Net Assets at End of Year	\$ 26,652	\$ 673,401	\$ (48)	\$ 700,005	\$ 159,360	\$ 246,659	\$ 1,106,024	\$ 1,661,317

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, 2005 with Comparative Totals for 2004

	2005	2004
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (555,293)	\$ (148,214)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	76,340	76,340
Realized Loss on Investments	-	260
Revenue for Repairs	(332,654)	-
Expenses for Repairs	910,201	-
(Increase) Decrease in Accounts Receivable	21,847	162,710
(Increase) Decrease in Pledges Receivable	25,327	37,493
Increase (Decrease) in Accounts Payable	188,524	(76,622)
Increase (Decrease) in Accrued Vacation Payable	26,267	7,869
Increase (Decrease) in Payroll Liabilities	2,889	6,056
Increase (Decrease) in Deferred Revenue	(79,126)	175,976
Total Adjustments	839,615	390,082
 Net Cash Provided by Operating Activities	284,322	241,868
 Cash Flows from Investing Activities:		
Expenses for Repairs (See Note 17)	(910,201)	-
 Net Cash Used by Investing Activities	(910,201)	-
 Cash Flows from Financing Activities:		
Payments on Long-Term Debt	(12,360)	(27,257)
Payments on Short-Term Debt	(173,643)	-
Proceeds on Short-Term Debt	338,447	-
Proceeds on Line of Credit	250,000	-
Revenues for Repairs (See Note 17)	332,654	-
 Net Cash Provided (Used) by Financing Activities	735,098	(27,257)
 Net Increase in Cash & Cash Equivalents	109,219	214,611
Cash and Cash Equivalents at Beginning of Year	923,433	708,822
Cash and Cash Equivalents at End of Year	1,032,652	923,433
 Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	\$ 140,091	\$ 105,102

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, 2005

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, 2005

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 2005 and 2004, there were bad debts of \$0 and \$0, respectively. As of June 30, 2005, 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, 2005 and 2004, the pension expense was \$69,324 and \$63,851, respectively. The tax sheltered annuity was fully funded at June 30, 2005 and 2004.

CAO also provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Unused annual leave is paid to the employee in cash upon termination.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

NOTE 4: DEFERRED REVENUES

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

NOTE 5: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by CAO. Donated services are recorded as in-kind revenue at estimated fair market value with an offsetting entry to in-kind expense. During the fiscal years ended June 30, 2005 and 2004, the estimated fair value was \$155,189 and \$173,093, 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, 2005 and 2004, donated supplies were \$149,675 and \$256,913, respectively. During the fiscal years ended June 30, 2005 and 2004, donated rent was \$363,727 and \$413,676, respectively.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2010. Lease expense for facilities and equipment for the fiscal years ended June 30, 2005 and 2004, was \$248,110 and \$246,121, respectively.

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

<u>Year</u>		
2006	\$	212,761
2007		143,450
2008		109,028
2009		21,582
2010		<u>13,961</u>
	\$	<u><u>500,782</u></u>

NOTE 7: LINE-OF-CREDIT

CAO has available a line of credit with Columbia Community Bank in the amount of \$250,000. The interest rate on the line of credit is Prime (currently 5.5%). At June 30, 2005 and 2004, the outstanding balance on the line of credit was \$250,000 and \$0, respectively. The expiration date of the line of credit agreement is March 2006.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

NOTE 8: LONG-TERM DEBT

As of June 30, 2005 and 2004, long-term debt was as follows:

	2005	2004
Columbia Community Bank - payable \$11,030 per month including interest accrued at the Treasury Maturities Rate (currently at 8.6%) - Secured by Building	\$ 1,266,420	\$ 1,278,780
Columbia Community Bank - payable monthly interest only and one principle payment by 8/31/06. Interest is at prime (currently at 6.0%) - Secured by Building	164,804	-
Less current maturities	(189,199)	(23,288)
	\$ 1,242,025	\$ 1,255,492

Maturity of debt due within 5 years:

2006	\$	189,199
2007		26,577
2008		28,955
2009		31,545
2010		34,368
Thereafter		1,120,580
Total	\$	1,431,224

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, 2005 and 2004, 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.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2005

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, 2005 and 2004, the unexpended balance of this cash reserve was \$249,521 and \$233,027, respectively.

The Weatherization program also has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2005 and 2004, the unexpended balance of this cash reserve was \$244,036 and \$0, respectively.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2005 and 2004, property and equipment consists of the following:

	<u>2005</u>	<u>2004</u>
Land and Building	\$ 2,939,611	\$ 2,939,611
Furniture and Equipment	93,361	93,361
Vehicles	78,275	102,725
Accumulated Depreciation	<u>(858,683)</u>	<u>(806,792)</u>
	<u>\$ 2,252,564</u>	<u>\$ 2,328,905</u>

NOTE 13: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NOTE 14. PLEDGES RECEIVABLE

As of June 30, 2005 and 2004, the CAO has pledges that will be received over the next four 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 2005 and 2004, there were bad debts of \$7,590 and \$19,500, respectively. As of June 30, 2005, 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:

2007	\$ 46,165
2008	6,200
2009	1,920
Present Value Adjustment	<u>(3,466)</u>
Net Long-Term Pledges Receivable	<u>\$ 50,819</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2005 and 2004:

	2005	2004
Property, net of loan and depreciation *	\$ -	\$ 971,316
Head Start	26,653	2,519
Opening Doors	249,521	233,027
Shelter	-	21,531
Energy Assistance	11,411	-
Weatherization	244,036	17,427
	<u>\$ 531,621</u>	<u>\$ 1,245,820</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. This restriction ended during the fiscal year ended June 30, 2005.

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
Information and Referral	None	3,000
City of Cornelius-Information & Referral	None	500
City of Forest Grove-A Kid's Domain	None	5,000
City of Forest Grove-Westco	None	3,700
City of Tigard-Emergency Needs	None	15,000
City of Hillsboro-Information & Referral	None	8,000
City of North Plains-Information & Referral	None	1,000
City of Tualatin-Emergency Needs	None	1,792
		<u>52,992</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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		
HHS	2001-30	1,957,653
Oregon Department of Health and Human Services		
Oregon Mother's Care	None	14,918
Oregon Housing and Community Services Department		
Emergency Housing Assistance	None	212,833
State Homeless Assistance Program	None	108,567
Low Income Rental Housing Fund	None	33,250
Echo Weatherization	None	600,349
Oregon Energy Assistance	None	1,559,522
Williams Settlement	None	2,696
		<u>2,517,217</u>
Washington County		
General	None	15,000
Shelter Levy	None	145,760
Emergency Needs	None	15,000
		<u>175,760</u>
Private		
Various Private Grants	None	196,135
Total		\$ <u>4,914,675</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

NOTE 17: REPAIRS

During the fiscal year ended June 30, 2005, the CAO raised funds and obtained financing to pay for repairs on the main facility. The repairs were needed due to the problems from the original construction of the facility. These repairs got the facility back to its original state, and did not extend the life nor increase the value of the facility. The revenues and expenses for the repairs are summarized below and are shown as other revenue and expenses on the statement of revenues, expenses, and changes in net assets:

Grants & Contracts	\$ 150,000
Contributions - Other	7,654
Contributions - Corp. & Foundations	175,000
In-Kind Revenue	35,508
In-Kind Expense	(35,508)
Interest Expense	(14,966)
Repairs	<u>(895,235)</u>
	<u>\$ (577,547)</u>

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2005

<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	\$ 4,214,367
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	90315	364,433
Temporary Assistance For Needy Families	93.558	90315	45,322
Low Income Housing Energy Assistance Program	93.568	90315	1,407,530
Passed Through Hillsboro School District:			
Health Center Grants for Homeless Populations	93.151	None	100,763
Passed Through Employment Department:			
Migrant & Seasonal Childcare	93.575	05-176	71,255
Passed Through Childcare Resource & Network DHS:			
Childcare Resource & Referral	93.575	03-05RR17	211,540
Childcare & Development Block Grant	93.575	None	51,049
Stabilization of Child Care Providers	93.575	04-0790	457,423
			<u>6,923,682</u>
<u>Department of Energy</u>			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	90315	59,942
Weatherization Assistance For Low Income Persons	81.042	90315	318,855
			<u>378,797</u>
<u>Department of Agriculture</u>			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	<u>250,036</u>

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

For the Fiscal Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>Federal Emergency Management Agency</u>			
Emergency Food & Shelter National Board Program	83.523	None	<u>305,169</u>
<u>Department of Housing and Urban Development</u>			
Supportive Housing Program	14.235	None	107,653
<u>Passed Through Washington County Office of Community Development:</u>			
CDBG-Self Help Weatherization	14.218	6502	25,000
CDBG-Comprehensive Weatherization	14.218	6501	20,000
CDBG-Homeless	14.218	3337	27,946
CDBG-Basic Needs	14.218	4338	47,623
CDBG-Housing Locator	14.218	6324	15,835
CDBG-Information & Referral	14.218	6323	42,307
Emergency Shelter Grant	14.231	90315	<u>89,253</u>
			<u>375,617</u>
Total Federal Awards			\$ <u>8,233,301</u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2005

No matters are reportable.

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

343 West Wishkah Street, Aberdeen, Washington 98520-6130

Telephone (360) 533-3370 Fax (360) 532-7123

Email: mail@aiken-sanders.com

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*

November 4, 2005

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, 2005, and have issued our report thereon dated November 4, 2005. 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.

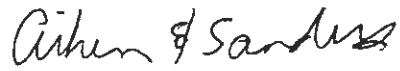
Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of CAO in a separate letter dated November 4, 2005.

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 grant agreements, 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*. However, we noted other matters which we have reported to management of CAO in a separate letter dated November 4, 2005.

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 and
Management Consultants

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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Email: mail@aiken-sanders.com

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

November 4, 2005

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, 2005. 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, 2005.

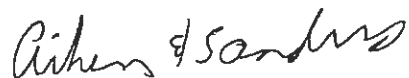
Internal Control Over Compliance

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.

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

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

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005

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>
93.600	Head Start
93.569	Community Services Block Grant
81.042	Weatherization Assistance for Low-Income Persons
10.558	Child & Adult Care Food Program

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

Auditee qualified as low-risk auditee: Yes

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Award Findings and Questioned Costs:

No matters were reported.

Community Action Organization

Supplementary Schedule of Revenues, Expenses and Changes in Net Assets by Activity
For the Fiscal Year Ended June 30, 2005

	Early Childhood Development			Family & Community Resources							Community Partners	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	\$ 4,684,950	\$ 4,214,367	\$ -	\$ -	\$ -	\$ 57,761	\$ 107,653	\$ 305,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
State	7,619,847	2,502,866	74,603	262,589	14,918	383,385	77,501	-	-	1,348,707	2,591,166	-	364,112	-	
Local	953,455	-	5,000	130,120	347,303	245,959	25,835	83,615	54,807	45,000	15,816	-	-	-	
	<u>13,258,252</u>	<u>6,717,233</u>	<u>79,603</u>	<u>392,709</u>	<u>362,221</u>	<u>687,105</u>	<u>210,989</u>	<u>388,784</u>	<u>54,807</u>	<u>1,393,707</u>	<u>2,606,982</u>	<u>-</u>	<u>364,112</u>	<u>-</u>	
Private Revenue															
United Way	117,466	274	23,413	22,963	19,577	62	-	99	34,350	-	-	-	16,728	-	
Contributions	126,256	2,575	367	-	100	4,569	-	26,916	-	200	-	-	91,529	-	
Corporations & Foundations	534,805	8,130	-	72,335	98,000	9,787	81,552	-	38,149	-	-	-	99,652	127,200	
	<u>778,527</u>	<u>10,979</u>	<u>23,780</u>	<u>95,298</u>	<u>117,677</u>	<u>14,418</u>	<u>81,552</u>	<u>27,015</u>	<u>72,499</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>207,909</u>	<u>127,200</u>	
Income															
Fees / Sales	170,551	51,223	58,122	46,390	20	-	-	-	9,313	-	-	-	-	5,483	
Reimbursements	109,773	-	-	62	5,133	1,212	1,837	5,983	-	91,115	-	-	-	4,431	
	<u>280,324</u>	<u>51,223</u>	<u>58,122</u>	<u>46,452</u>	<u>5,153</u>	<u>1,212</u>	<u>1,837</u>	<u>5,983</u>	<u>9,313</u>	<u>91,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,914</u>	
Total Inkind Revenue	633,083	307,143	129,867	31	13,449	40,772	-	22	-	32	-	69,258	7,514	64,995	
Total Revenue	14,950,186	7,086,578	291,372	534,490	498,500	743,507	294,378	421,804	136,619	1,485,054	2,606,982	69,258	215,423	364,112	202,109
Expenses															
Employee Costs	7,797,649	4,656,440	199,203	360,281	461,037	319,941	120,438	39,928	106,510	267,977	272,892	-	197,390	-	795,612
Supplies	153,841	42,284	3,752	19,126	4,224	5,265	471	316	3,184	7,880	5,223	-	21,253	-	40,863
Professional Costs	160,828	21,719	-	-	2,000	720	-	-	-	-	-	-	1,807	-	134,582
Communications	254,482	106,784	3,149	16,137	21,202	11,420	172	1,959	9,842	13,995	5,728	-	19,926	-	44,168
Transportation & Travel	120,018	64,180	666	5,222	18,318	1,752	1,769	379	2,331	5,215	1,496	-	2,564	188	15,938
Marketing	13,638	5,881	-	1,464	1,462	2,117	-	94	-	940	689	-	991	-	-
Occupancy	452,991	268,680	2,423	14,305	8,815	27,405	775	4,894	6,407	13,265	14,235	1,001	9,948	-	80,838
Other Rents	248,110	146,537	-	-	24,347	2,264	480	7,246	-	8,650	-	-	-	-	58,586
Insurance	85,062	28,093	1,470	-	925	940	-	109	-	7,501	-	-	-	-	46,024
Repair & Maintenance	32,949	24,552	-	-	480	480	-	240	-	-	-	-	60	-	7,617
Miscellaneous Expenses	154,189	70,127	1,506	31,588	3,147	2,386	1,920	1,368	1,351	4,046	25	-	5,551	-	31,174
Capital Outlay	144,411	122,924	-	-	-	-	-	-	-	21,487	-	-	-	-	-
Client Expenses	4,592,751	718,803	90	22,735	4,222	269,158	150,730	337,795	158	977,714	2,099,425	-	-	-	11,921
Inkind	633,083	307,143	129,867	31	13,449	40,772	-	22	-	32	-	69,258	7,514	-	64,995
Bad Debt Expense	7,590	-	-	-	-	-	-	-	-	-	-	-	7,590	-	-
Depreciation Expenses	76,340	-	-	-	-	-	-	-	-	-	-	-	-	-	76,340
Administrative Charges	-	601,055	14,550	55,861	46,189	59,202	34,106	15,151	10,773	123,849	211,036	-	37,698	-	(1,247,803)
Total Expenditures	14,927,932	7,185,202	356,676	526,750	609,337	743,822	310,861	409,501	140,556	1,452,551	2,610,749	70,259	312,292	38,521	160,855
Change in Net Assets Before Other Revenue & Expenses	22,254	(98,624)	(65,304)	7,740	(110,837)	(315)	(16,483)	12,303	(3,937)	32,503	(3,767)	(1,001)	(96,869)	325,591	41,254
Other Revenue & Expenses															
Revenue for Funding of Repairs	368,162	-	-	-	-	-	-	-	-	-	-	-	-	-	368,162
Expenses for Repairs	(945,709)	-	-	-	-	-	-	-	-	-	-	-	-	-	(945,709)
Total Other Revenue & Expenses	(577,547)	-	-	-	-	-	-	-	-	-	-	-	-	-	(577,547)
Adjusted Expenditures	-	1,515	(58,793)	(2,378)	(127,331)	(18,727)	80	5,947	(11,474)	213	120	(1,002)	(92,752)	325,591	(21,009)
Change in Net Assets	(555,293)	(100,139)	(6,511)	10,118	16,494	18,412	(16,563)	6,356	7,537	32,290	(3,887)	1	(4,117)	-	(515,284)
Beginning of Year Net Assets	1,661,317	126,791	(39,708)	26,888	233,025	124,398	13,371	(29,001)	6,918	211,748	15,297	(49)	296,995	-	674,644
Fund Transfer	-	-	46,219	-	-	-	-	-	-	-	-	-	(46,219)	-	-
End of Year Net Assets	\$ 1,106,024	\$ 26,652	\$ -	\$ 37,006	\$ 249,519	\$ 142,810	\$ (3,192)	\$ (22,645)	\$ 14,455	\$ 244,038	\$ 11,410	\$ (48)	\$ 246,659	\$ -	\$ 159,360

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