
**COMMUNITY ACTION
ORGANIZATION**
An Oregon Non-Profit Corporation

Financial Statements

For the Fiscal Year Ended June 30, 2010

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

December 16, 2010

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 the Community Action Organization (CAO) as of June 30, 2010; the related statement of activities and changes in net assets; statement of functional expenses; and the statement of cash flows for the fiscal year then ended. These financial statements are the responsibility of the 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 the CAO's 2009 financial statements and, in our report dated December 7, 2009, 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 the CAO as of June 30, 2010, 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 16, 2010 on our consideration of the CAO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of CAO taken as a whole. The accompanying schedule of revenues, expenses, and changes in net assets by activities and the schedule of expenditures of federal awards is presented for purposes of additional analysis 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
& Management Consultants

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FINANCIAL POSITION

June 30, 2010 (With Comparative Totals for 2009)	2010	2009
ASSETS		
Current Assets		
Cash	\$ 78,635	\$ 88,105
Restricted Cash	1,228,788	1,560,564
Accounts Receivable	1,229,246	1,548,891
Pledges Receivable	7,994	22,454
Prepaid Expenses	3,045	13,045
	2,547,708	3,233,059
Property & Equipment		
Property and Equipment, net	2,296,717	2,290,858
Other Assets		
Long-Term Pledges Receivable	13,515	11,586
Loan Costs, net	6,688	9,363
Other	350	350
	20,553	21,299
Total Assets	\$ 4,864,978	\$ 5,545,216
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 631,735	\$ 767,464
Wages Payable	214,306	32,377
Accrued Vacation Payable	235,343	208,030
Payroll Tax & Benefits Payable	173,112	229,732
Deferred Revenue	324,339	403,802
Current Portion of Long-Term Debt	37,125	35,263
	1,615,960	1,676,668
Long-Term Liabilities		
Notes and Mortgages Payable, net	1,306,209	1,343,984
	1,306,209	1,343,984
	2,922,169	3,020,652
Net Assets		
Unrestricted Net Assets	522,970	866,426
Board Designated Net Assets	60,000	60,000
	582,970	926,426
Temporarily Restricted Net Assets	1,359,839	1,598,138
	1,942,809	2,524,564
Total Liabilities and Net Assets	\$ 4,864,978	\$ 5,545,216

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, 2010 (With Comparative Totals for 2009)	2010	2009		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support and Revenue				
Grants & Contracts	\$ 20,327,983	\$ -	\$ 20,327,983	\$ 18,341,464
United Way	157,617	-	157,617	70,524
Contributions - Other	94,889	48,685	143,574	164,747
Contributions - Corp. & Foundations	58,862	731,821	790,683	847,625
In-Kind Revenue	255,514	-	255,514	252,131
Fees	88,038	-	88,038	113,690
Reimbursements	275,691	-	275,691	261,702
Nets Assets Released from Restrictions:				
Satisfaction of Program Restrictions	1,018,805	(1,018,805)	-	-
Total Support and Revenue	22,277,399	(238,299)	22,039,100	20,051,883
Expenses				
Program Services	19,664,348	-	19,664,348	17,084,456
Administration	2,478,711	-	2,478,711	2,420,336
Resource Development	327,297	-	327,297	340,207
Total Expenses	22,470,356	-	22,470,356	19,844,999
Change in Net Assets before Other Revenue & Expenses	(192,957)	(238,299)	(431,256)	206,884
Other Revenue & Expenses				
Other Fund Sources & Transfers	98	-	98	90
Repairs and Maint. - Projects	(150,597)	-	(150,597)	-
Total Other Revenue & Expenses	(150,499)	-	(150,499)	90
Change in Net Assets	(343,456)	(238,299)	(581,755)	206,974
Net Assets at Beginning of Year	926,426	1,598,138	2,524,564	2,317,590
Net Assets at End of Year	\$ 582,970	\$ 1,359,839	\$ 1,942,809	\$ 2,524,564

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, 2010 (With Comparative Totals for 2009)						2010	2009
	Early Childhood Development	Family & Community Resources	Total Program Services	Administration	Resource Development	Total	Total
Support and Revenue							
Grants:	\$ 9,489,875	\$ 10,375,710	\$ 19,865,585	\$ 462,398	\$ -	\$ 20,327,983	\$ 18,341,464
Private Revenue:							
United Way	-	138,741	138,741	-	18,876	157,617	70,524
Contributions - Other	4,872	40,438	45,310	-	98,264	143,574	164,747
Contributions - Corp. & Foundations	1,000	601,642	602,642	100,000	88,041	790,683	847,625
	<u>5,872</u>	<u>780,821</u>	<u>786,693</u>	<u>100,000</u>	<u>205,181</u>	<u>1,091,874</u>	<u>1,082,896</u>
Income:							
Fees	-	88,038	88,038	-	-	88,038	113,690
Reimbursements	-	265,222	265,222	10,469	-	275,691	261,702
	<u>-</u>	<u>353,260</u>	<u>353,260</u>	<u>10,469</u>	<u>-</u>	<u>363,729</u>	<u>375,392</u>
In-Kind Revenue	188,222	65,554	253,776	1,738	-	255,514	252,131
Total Support and Revenue	<u>9,683,969</u>	<u>11,575,345</u>	<u>21,259,314</u>	<u>574,605</u>	<u>205,181</u>	<u>22,039,100</u>	<u>20,051,883</u>
Expenses							
Employee Costs	6,346,008	3,307,427	9,653,435	1,200,652	238,952	11,093,039	10,184,158
Professional Costs	268,149	57,503	325,652	491,209	1,440	818,301	571,100
Travel	106,295	69,016	175,311	21,045	6,723	203,079	182,404
Occupancy	467,810	132,774	600,584	118,890	20,127	739,601	511,775
Other Rent	142,660	59,137	201,797	154,605	-	356,402	328,752
Depreciation & Amortization	6,421	21,832	28,253	100,168	-	128,421	102,999
Supplies	135,710	141,408	277,118	63,744	17,038	357,900	321,096
Communications	122,836	108,080	230,916	140,166	32,672	403,754	335,087
Marketing	3,330	3,336	6,666	580	5,392	12,638	27,153
Insurance	30,141	11,500	41,641	68,258	-	109,899	79,939
Repairs and Maintenance	84,001	8,350	92,351	11,732	-	104,083	99,959
Miscellaneous	204,956	96,291	301,247	79,152	4,883	385,282	302,230
Client Expenses	801,365	6,578,257	7,379,622	26,772	70	7,406,464	6,485,399
Capital Outlay	95,979	-	95,979	-	-	95,979	60,817
In-Kind Expenses	188,222	65,554	253,776	1,738	-	255,514	252,131
Total Expenses	<u>9,003,883</u>	<u>10,660,465</u>	<u>19,664,348</u>	<u>2,478,711</u>	<u>327,297</u>	<u>22,470,356</u>	<u>19,844,999</u>
Change in Net Assets before Other Revenue & Expenses							
	680,086	914,880	1,594,966	(1,904,106)	(122,116)	(431,256)	206,884
Transfers from CSBG	-	(165,485)	(165,485)	303,548	(138,063)	-	-
Repairs and Maint. - Projects	-	-	-	150,597	-	150,597	-
Administration Allocation	881,802	1,083,478	1,965,280	(1,984,104)	18,824	-	-
Other Fund Sources & Transfers	10,797	(10,985)	(188)	45	45	(98)	(90)
Total Other	<u>892,599</u>	<u>907,008</u>	<u>1,799,607</u>	<u>(1,529,914)</u>	<u>(119,194)</u>	<u>150,499</u>	<u>(90)</u>
Change in Net Assets	(212,513)	7,872	(204,641)	(374,192)	(2,922)	(581,755)	206,974
Net Assets at Beginning of Year	631,458	1,344,858	1,976,316	498,425	49,823	2,524,564	2,317,590
Net Assets at End of Year	<u>\$ 418,945</u>	<u>\$ 1,352,730</u>	<u>\$ 1,771,675</u>	<u>\$ 124,233</u>	<u>\$ 46,901</u>	<u>\$ 1,942,809</u>	<u>\$ 2,524,564</u>

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

COMMUNITY ACTION ORGANIZATION

STATEMENT OF CASH FLOWS

Fiscal Year Ended June 30, 2010 (With Comparative Totals for 2009)	2010	2009
Cash Flows from Operating Activities		
Change in Net Assets	\$ (581,755)	\$ 206,974
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation & Amortization	128,421	102,999
Loss on Disposal of Equipment	-	4,875
(Increase) Decrease in Accounts Receivable	319,645	(896,743)
(Increase) Decrease in Pledges Receivable	12,531	(3,467)
(Increase) Decrease in Prepaid Expenses	10,000	(10,000)
Increase (Decrease) in Accounts Payable	(135,729)	206,204
Increase (Decrease) in Wages Payable	181,929	(154,644)
Increase (Decrease) in Accrued Vacation Payable	27,313	91,024
Increase (Decrease) in Payroll Tax & Benefits Payable	(56,620)	124,857
Increase (Decrease) in Deferred Revenue	(79,463)	(162,663)
Total Adjustments	<u>408,027</u>	<u>(697,558)</u>
Net Cash Provided (Used) by Operating Activities	<u>(173,728)</u>	<u>(490,584)</u>
Cash Flows from Investing Activities		
Purchase of Capital Assets	<u>(131,605)</u>	<u>(157,627)</u>
Net Cash Used by Investing Activities	<u>(131,605)</u>	<u>(157,627)</u>
Cash Flows from Financing Activities		
Payments on Long-Term Debt	<u>(35,913)</u>	<u>(29,957)</u>
Net Cash Used by Financing Activities	<u>(35,913)</u>	<u>(29,957)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(341,246)	(678,168)
Cash and Cash Equivalents at Beginning of Year	<u>1,648,669</u>	<u>2,326,837</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,307,423</u>	<u>\$ 1,648,669</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	<u>\$ 93,086</u>	<u>\$ 98,092</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, 2010

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 designed to provide a range of services that assist low-income residents of Washington county, in the state of Oregon, to achieve self-determination. CAO has a genuine concern and knowledge regarding issues of poverty and economic stability; is recognized, respected and works collaboratively with all sectors of the community; is a community leader in the area of early childhood development and family support; and is a catalyst in community efforts to address issues of homelessness and housing stability. Programs include Head Start and Early Head Start, Housing and Homeless Services, Energy and Emergency Rent, Weatherization, Child Care Resource and Referral, Opening Doors Prenatal and Parenting Support, and Information and Referral.

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

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

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

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 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 2010 and 2009, there were bad debts of \$0 and \$0, respectively. As of June 30, 2010, 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, 2010 and 2009, the pension expense was \$104,419 and \$76,125, 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, 2010

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 FASB ASC 958 are not recorded in the financial statements. During the fiscal years ended June 30, 2010 and 2009, the estimated fair value of contributed services received but not recorded on the books was \$327,690 and \$172,394, 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, 2010 and 2009, the estimated fair value for these contributed services was \$0 and \$7,116, 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, 2010 and 2009, donated supplies were \$65,563 and \$53,675, respectively. During the fiscal years ended June 30, 2010 and 2009, donated rent was \$189,951 and \$191,340, respectively.

NOTE 6: LEASE COMMITMENTS

CAO leases various facilities and equipment. These operating leases expire at various times through 2015. Lease expense for facilities and equipment for the fiscal years ended June 30, 2010 and 2009, was \$356,402 and \$328,752, respectively.

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

<u>Year</u>	
2011	\$ 436,323
2012	343,790
2013	290,168
2014	180,636
2015	<u>4,325</u>
	<u>\$ 1,255,242</u>

NOTE 7: LINE-OF-CREDIT

CAO had 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 3.25%) with a floor rate of 6%. At June 30, 2010 and 2009, the outstanding balance on the line of credit was \$0. The line of credit matures March 2011. In July 2010, the line of credit was increased to \$600,000.

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

NOTE 8: LONG-TERM DEBT

As of June 30, 2010 and 2009, long-term debt was as follows:

	2010	2009
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.	\$ 1,343,334	\$ 1,379,247
Less current maturities	(37,125)	(35,263)
	\$ 1,306,209	\$ 1,343,984

Maturity of debt due within 5 years:

2011	\$	37,125
2012		40,466
2013		43,348
2014		46,435
2015		49,743
Thereafter		1,126,217
Total	\$	1,343,334

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, 2010 and 2009, CAO cash accounts with Columbia Community Bank are insured by the Federal Deposit Insurance Corporation's Transaction Account Guaranty Program.

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, 2010 and 2009, the unexpended balance of this cash reserve was \$235,318 and \$235,318, respectively.

The Weatherization program also has a cash reserve that is restricted for use on expenditures for that program. As of June 30, 2010 and 2009, the unexpended balance of this cash reserve was \$624,895 and \$693,788, respectively.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

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, 2010 and 2009, the unexpended balance of this cash reserve was \$368,575 and \$631,458, respectively.

NOTE 12: PROPERTY AND EQUIPMENT

At June 30, 2010 and 2009, property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Land and Building	\$ 3,014,576	\$ 2,973,034
Furniture and Equipment	193,555	108,927
Vehicles	382,326	376,892
Leasehold Improvements	11,275	11,275
Accumulated Depreciation	<u>(1,305,015)</u>	<u>(1,179,270)</u>
	<u>\$ 2,296,717</u>	<u>\$ 2,290,858</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, 2010 and 2009, 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 2010 and 2009, there were bad debts of \$0 and \$0, respectively. As of June 30, 2010, 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:

2012	\$ 6,385
2013	4,710
2014	2,485
2015	440
2016	0
Thereafter	0
Present Value Adjustment	<u>(505)</u>
Net Long-Term Pledges Receivable	<u>\$ 13,515</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Head Start	\$ 418,945	\$ 631,458
Opening Doors	235,318	235,318
Energy Assistance	23,947	23,944
Transitional Housing	-	13,630
Weatherization	681,629	693,788
	<u>\$ 1,359,839</u>	<u>\$ 1,598,138</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-Emergency Needs	None	\$ 21,775
City of Forest Grove-Emergency Needs	None	4,000
City of Tigard-Emergency Needs	None	5,000
City of Hillsboro-Emergency Needs	None	10,000
City of North Plains-Information & Referral	None	1,000
City of Tualatin-Emergency Needs	None	<u>2,000</u>
		<u>43,775</u>
Oregon Department of Education		
Oregon Head Start	128985	<u>3,320,704</u>
Oregon Department of Health and Human Services		
Oregon Mother's Care	None	<u>16,559</u>
Private		
Various Private Grants	None	<u>685,080</u>

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

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

Program Titles	Contract Number	Expenditures
Oregon Housing and Community Services Department		
Emergency Housing Assistance	None	248,229
State Homeless Assistance Program	None	123,876
Low Income Rental Housing Fund	None	23,666
Echo Weatherization - Portland General Electric Public Purpose Funds	None	932,332
Oregon Energy Assistance - Portland General Electric Meter Charge	None	2,592,778
		3,920,881
 Washington County		
Shelter Levy	None	179,295
Emergency Needs	None	30,000
		209,295
 Total		 \$ 8,196,294

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.

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, 2010 and 2009, 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.

COMMUNITY ACTION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

NOTE 19: SUBSEQUENT EVENTS

CAO is in the process of making substantial repairs to its main facility. These repairs were required due, in the opinion of CAO, to substandard work performed during the initial construction and subsequent construction of the facility. These repairs will restore the facility to its original state, but will not extend the useful life nor increase the value of the facility. CAO has started the legal proceedings against the contractor who performed the construction in subsequent years.

NOTE 19: SUBSEQUENT EVENTS (CON'T)

No other events have occurred through December 16, 2010, which is the date the financial statements were available to be issued based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the fiscal year ended June 30, 2010.

NOTE 20: UNCERTAIN TAX POSITIONS

CAO files income tax returns in the U.S. federal jurisdiction and is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years before June 30, 2007. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

CAO adopted the provisions of FASB ASC 740-10, on July 1, 2009. As of June 30, 2010 there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing such deductibility.

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

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	\$ 4,388,641
Head Start - ARRA	93.709	None	576,253
Passed Through Oregon Housing & Community Services:			
Community Services Block Grant	93.569	2029	365,365
Community Services Block Grant - ARRA	93.710	2029	449,220
Temporary Assistance For Needy Families	93.558	2029	42,761
Low Income Housing Energy Assistance Program	93.568	2029	2,708,758
Passed Through Childcare Resource & Network DHS:			
Childcare Resource & Referral	93.575	None	271,464
Childcare Resource & Referral - ARRA	93.713	None	116,138
Passed Through Washington County Dept. DHS:			
Medical Assistance Program	93.778	09-0781	52,102
Childcare & Development Block Grant	93.994	128045	16,559
Stabilization of Child Care Providers	93.575	None	21,850
			9,009,111
Department of Energy			
Passed Through Oregon Housing & Community Services:			
Bonneville Power Administration	81.999	2029	20,820
Energy Efficient Appliance Rebate Program - ARRA	81.127	2029	23,651
Weatherization Assistance For Low Income Persons - ARRA	81.042	2029	633,776
Weatherization Assistance For Low Income Persons	81.042	2029	229,571
			907,818

COMMUNITY ACTION ORGANIZATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)

Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Agriculture			
Passed Through Oregon Dept. of Education:			
Child & Adult Care Food Program	10.558	34-03001	364,964
Passed Through Oregon Housing & Community Services:			
Commodity Supplemental Food Program	10.565	2029	17,889
			<u>382,853</u>
Department of Homeland Security			
Emergency Food & Shelter National Board Program - ARRA	97.114	None	107,519
Emergency Food & Shelter National Board Program	97.024	None	231,308
			<u>338,827</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	None	209,576
Passed Through Washington County Office of Community Development:			
CDBG-Self Help Weatherization	14.218	09-0488	25,000
CDBG-Comprehensive Weatherization	14.218	09-0487	20,000
CDBG-Homeless	14.218	08-0573	6,176
CDBG-Shelter Waitlist	14.218	09-0486	15,891
CDBG-Basic Needs	14.218	09-0485	30,000
Homelessness Prevention & Rapid Re-Housing Program - ARRA	14.257	None	171,226
Emergency Shelter Grant	14.231	1357	85,126
			<u>562,995</u>
Total Federal Awards			\$ <u><u>11,201,604</u></u>

COMMUNITY ACTION ORGANIZATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal Year Ended June 30, 2010

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 16, 2010

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, 2010, and have issued our report thereon dated December 16, 2010. 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 the 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 the CAO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CAO's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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*.

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
& 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 16, 2010

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

Compliance

We have audited Community Action Organization (CAO) compliance 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, 2010. The 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 the CAO's management. Our responsibility is to express an opinion on the 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 of the CAO's compliance with those requirements.

In our opinion, the 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, 2010.

Internal Control Over Compliance

Management of the CAO is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the CAO's internal control over compliance with the 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, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 2010

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
93.710	Community Services Block Grant - ARRA
93.600	Head Start
93.709	Head Start - ARRA
93.568	Low Income Housing Energy Assistance Program
81.042	Weatherization Assistance for Low Income Persons
81.042	Weatherization Assistance for Low Income Persons - ARRA
97.024	Emergency Food & Shelter National Board Program
97.114	Emergency Food & Shelter National Board Program - ARRA
93.713	Childcare Resource & Referral - ARRA
93.575	Childcare Resource & Referral

Dollar threshold used to distinguish between Type A and Type B programs: \$336,048

COMMUNITY ACTION ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2010

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, 2010

	Early Childhood Development		Family & Community Resources							Resource Development	Administration		
	Total	Head Start	CCRR	Opening Doors	Shelter	Transitional Housing	Emergency Needs	Information Referral	Weatherization		Energy	CSBG	Administration
Support and Revenue													
Government Revenue													
Federal (1)	\$ 5,529,857	\$ 4,964,895	\$ -	\$ 16,559	\$ -	\$ 209,576	\$ 338,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State (1)	13,611,448	4,524,230	387,602	118,911	372,105	343,102	-	202,875	2,677,811	4,607,414	-	377,398	-
Local	1,186,678	750	23,350	361,628	505,716	4,310	102,775	1,000	67,738	34,411	-	-	85,000
	20,327,983	9,489,875	410,952	497,098	877,821	556,988	441,602	203,875	2,745,549	4,641,825	-	377,398	85,000
Private Revenue													
United Way	157,617	-	-	-	-	-	138,741	-	-	-	-	18,876	-
Contributions	143,574	4,872	-	100	4,304	-	36,034	-	-	-	-	98,264	-
Corporations & Foundations	790,683	1,000	132,030	131,816	172,625	107,459	12,464	45,248	-	-	-	88,041	100,000
	1,091,874	5,872	132,030	131,916	176,929	107,459	187,239	45,248	-	-	205,181	-	100,000
Income													
Fees / Sales	88,038	-	78,891	-	-	-	-	5,147	4,000	-	-	-	-
Reimbursements	275,691	-	-	-	-	-	-	4,470	260,752	-	-	-	10,469
	363,729	-	78,891	-	-	-	-	9,617	264,752	-	-	-	10,469
Total Inkind Revenue	255,514	188,222	-	1,728	13,427	-	48,360	1,827	212	-	-	-	1,738
Total Revenue	22,039,100	9,683,969	621,873	630,742	1,068,177	664,447	677,201	260,567	3,010,513	4,641,825	205,181	377,398	197,207
Expenses													
Employee Costs	11,093,039	6,346,008	411,698	593,342	453,214	319,428	-	241,000	722,198	566,547	238,952	-	1,200,652
Supplies	357,900	135,710	12,106	12,404	13,406	3,311	-	3,104	95,400	1,677	17,038	-	63,744
Professional Costs	818,301	268,149	-	-	-	7,328	-	-	50,175	-	1,440	-	491,209
Communications	403,754	122,836	22,027	11,874	7,581	1,088	-	11,135	33,175	21,200	32,672	-	140,166
Transportation & Travel	203,079	106,295	11,392	20,413	4,943	9,555	-	6,541	9,256	6,916	6,723	-	21,045
Marketing	12,638	3,330	1,116	1,678	270	-	-	-	272	-	5,392	-	580
Occupancy	739,601	467,810	20,247	5,666	36,363	2,940	-	7,239	26,517	33,801	20,127	-	118,891
Other Rents	356,402	142,660	2,211	1,800	-	-	-	-	23,650	31,476	-	-	154,605
Insurance	109,899	30,141	92	1,348	1,895	-	-	-	7,497	668	-	-	68,258
Repair & Maintenance	104,083	84,001	-	-	6,511	-	-	-	1,839	-	-	-	11,732
Miscellaneous Expenses	385,282	204,956	39,644	3,783	8,555	4,285	211	6,230	31,989	1,594	4,883	8,047	71,105
Capital Outlay	95,979	95,979	-	-	-	-	-	-	-	-	-	-	-
Client Expenses	7,406,464	801,365	31,800	-	426,441	279,351	549,913	6,759	1,682,830	3,601,163	70	8,504	18,268
Inkind	255,514	188,222	-	1,728	13,427	-	48,360	1,827	212	-	-	-	1,738
Depreciation Expenses	128,421	6,421	-	-	3,853	-	-	-	17,979	-	-	-	100,168
Administrative Charges	-	881,802	56,421	64,099	103,684	68,247	60,082	34,588	319,578	376,780	18,824	57,299	(2,041,404)
Total Expenditures	22,470,356	9,885,685	608,754	718,135	1,080,143	695,533	658,566	318,423	3,022,567	4,641,822	346,121	73,850	420,757
Change in Net Assets before Other Revenue & Expenses	(431,256)	(201,716)	13,119	(87,393)	(11,966)	(31,086)	18,635	(57,856)	(12,054)	3	(140,940)	303,548	(223,550)
Other Revenue & Expenses													
Repairs and Maint. - Projects	(150,597)	-	-	-	-	-	-	-	-	-	-	-	(150,597)
Total Other Revenue & Expenses	(150,597)	-	-	-	-	-	-	-	-	-	-	-	(150,597)
Expense Transfers: CSBG	-	-	-	(88,312)	-	-	(24,833)	(52,340)	-	-	(138,063)	303,548	-
Expense Transfers: Other	(98)	10,797	(7,870)	919	(31,149)	14	32,598	(5,602)	105	-	45	-	45
Adjusted Expenditures	(98)	10,797	(7,870)	(87,393)	(31,149)	14	7,765	(57,942)	105	-	(138,018)	303,548	45
Change in Net Assets	(581,755)	(212,513)	20,989	-	19,183	(31,100)	10,870	86	(12,159)	3	(2,922)	-	(374,192)
Beginning of Year Net Assets	2,524,564	631,458	149,441	235,318	257,130	13,630	(47,171)	18,778	693,788	23,944	49,823	-	498,425
End of Year Net Assets	\$ 1,942,809	\$ 418,945	\$ 170,430	\$ 235,318	\$ 276,313	\$ (17,470)	\$ (36,301)	\$ 18,864	\$ 681,629	\$ 23,947	\$ 46,901	\$ -	\$ 124,233

(1) Federal government revenue is revenue that comes directly from a federal government agency. State government revenue includes revenue that comes from a federal government agency then is pass through to a State agency, then to CAO. State government revenue also includes revenue that are from state agencies.

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