

**COMMUNITY ACTION ORGANIZATION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2023**

**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**COMMUNITY ACTION ORGANIZATION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2023**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Community Action Organization  
Hillsboro, Oregon

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Community Action Organization (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Action Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Action Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Action Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Community Action Organization

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Action Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Action Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of Community Action Organization'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 solely 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 effectiveness of Community Action Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Action Organization's internal control over financial reporting and compliance.

#### **Report on Summarized Comparative Information**

Community Action Organization's June 30, 2022, financial statements were audited by another auditor who expressed an unmodified audit opinion on those audited financial statements in their report dated February 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**KERN THOMPSON, LLC**

Portland, Oregon  
March 27, 2024

**COMMUNITY ACTION ORGANIZATION**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2023**

(With Comparative Totals as of June 30, 2022)

**ASSETS**

|   | <u>2023</u>                 | <u>2022</u>                |
|---|-----------------------------|----------------------------|
| Cash and cash equivalents                         | \$ 3,100,144                | \$ 2,788,161               |
| Contracts and grants receivable                   | 5,712,907                   | 4,301,713                  |
| Prepaid expenses                                  | 83,115                      | 117,296                    |
| Deferred compensation plan assets (Notes I and J) | 400,562                     | 366,700                    |
| Property and equipment - net (Notes C and D )     | 1,869,717                   | 1,634,161                  |
| Restricted cash (Note H)                          | 86,602                      | 85,004                     |
| Operating Lease right of use asset (Note E)       | 1,737,966                   | -                          |
| <b>Total assets</b>                               | <b><u>\$ 12,991,013</u></b> | <b><u>\$ 9,293,035</u></b> |

**LIABILITIES AND NET ASSETS**

|   |                             |                            |
|---|-----------------------------|----------------------------|
| Accounts payable                                | \$ 2,204,604                | \$ 1,569,801               |
| Accrued payroll and related expenses            | 314,361                     | 250,752                    |
| Accrued vacation payable                        | 399,936                     | 345,621                    |
| Refundable advances                             | 1,335,409                   | 675,639                    |
| Deferred compensation plan liability            | 400,562                     | 366,700                    |
| Note payable (Note D)                           | 1,589,431                   | 1,641,488                  |
| Deferred lease obligation                       | -                           | 134,299                    |
| Operating Lease right of use liability (Note E) | 1,752,491                   | -                          |
| <b>Total liabilities</b>                        | <b><u>7,996,794</u></b>     | <b><u>4,984,300</u></b>    |
| <b>Net assets</b>                               |                             |                            |
| Without donor restrictions                      | 4,436,316                   | 3,879,613                  |
| With donor restriction                          | 557,903                     | 429,122                    |
| <b>Total net assets</b>                         | <b><u>4,994,219</u></b>     | <b><u>4,308,735</u></b>    |
| <b>Total liabilities and net assets</b>         | <b><u>\$ 12,991,013</u></b> | <b><u>\$ 9,293,035</u></b> |

See notes to financial statements.

**COMMUNITY ACTION ORGANIZATION**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2023**

(With Comparative Totals for the Year Ended June 30, 2022)

|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>2023</b>                | <b>2022</b>                |
|---|---|--|----------------------------|----------------------------|
| <b>Revenues and other support</b>                 |   |  |                            |                            |
| Government contracts and grants                   | \$ 57,618,293                             | \$ 361,799                             | \$ 57,980,092              | \$ 66,541,662              |
| Other contracts and grants                        | 988,915                                   |  | 988,915                    | 1,213,666                  |
| Contributions                                     | 622,458                                   | 231,304                                | 853,762                    | 925,439                    |
| Contribution of nonfinancial assets               | 127,767                                   |  | 127,767                    | 149,280                    |
| <br>  |   |  |                            |                            |
| Gross proceeds from special events                | 240,955                                   | -                                      | 240,955                    | 219,992                    |
| Less direct costs                                 | (91,369)                                  | -                                      | (91,369)                   | (46,889)                   |
| Net special events                                | <u>149,586</u>                            | <u>-</u>                               | <u>149,586</u>             | <u>173,103</u>             |
| <br>  |   |  |                            |                            |
| Other revenue                                     | 27,870                                    | -                                      | 27,870                     | 56,864                     |
| Net assets released<br>from restrictions (Note G) | 464,322                                   | (464,322)                              | -                          | -                          |
| <br>  |   |  |                            |                            |
| <b>Total revenues and other support</b>           | <b><u>59,999,211</u></b>                  | <b><u>128,781</u></b>                  | <b><u>60,127,992</u></b>   | <b><u>69,060,014</u></b>   |
| <br>  |   |  |                            |                            |
| <b>Expenses</b>                                   |   |  |                            |                            |
| Program services                                  | 53,882,979                                | -                                      | 53,882,979                 | 64,575,501                 |
| Administrative and general                        | 5,194,615                                 | -                                      | 5,194,615                  | 3,763,846                  |
| Resource development/Agency<br>communications     | 364,914                                   | -                                      | 364,914                    | 306,536                    |
| <br>  |   |  |                            |                            |
| <b>Total expenses</b>                             | <b><u>59,442,508</u></b>                  | <b><u>-</u></b>                        | <b><u>59,442,508</u></b>   | <b><u>68,645,883</u></b>   |
| <br>  |   |  |                            |                            |
| <b>Change in net assets</b>                       | <b>556,703</b>                            | <b>128,781</b>                         | <b>685,484</b>             | <b>414,131</b>             |
| <br>  |   |  |                            |                            |
| Net assets, beginning of year                     | <u>3,879,613</u>                          | <u>429,122</u>                         | <u>4,308,735</u>           | <u>3,894,604</u>           |
| <br>  |   |  |                            |                            |
| <b>Net assets, end of year</b>                    | <b><u>\$ 4,436,316</u></b>                | <b><u>\$ 557,903</u></b>               | <b><u>\$ 4,994,219</u></b> | <b><u>\$ 4,308,735</u></b> |

See notes to financial statements.

**COMMUNITY ACTION ORGANIZATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2023**  
(With Comparative Totals for the Year Ended June 30, 2022)

|  | <b>PROGRAM SERVICES</b>                    |   |                               |                            |   |                                       | <b>SUPPORTING SERVICES</b>                |  |                      | <b>Total</b>         |               |
|--|--|---|-------------------------------|----------------------------|---|---------------------------------------|---|--|----------------------|----------------------|---------------|
|  | <b>Early<br/>Childhood<br/>Development</b> | <b>Child Care<br/>Resource<br/>and<br/>Referral</b> | <b>Family<br/>Development</b> | <b>Housing<br/>Support</b> | <b>Utility Supports<br/>and<br/>Energy<br/>Conservation</b> | <b>Total<br/>Program<br/>Services</b> | <b>Administrative<br/>and<br/>General</b> | <b>Resource<br/>Development/<br/>Agency<br/>Communications</b> | <b>2023</b>          | <b>2022</b>          |               |
|  | Employee costs                             | \$ 10,725,511                                       | \$ 3,054,441                  | \$ 1,940,713               | \$ 2,042,000  | \$ 2,201,217                          | \$ 19,963,882                             | \$ 2,990,068   | \$ 266,494           | \$ 23,220,444        | \$ 22,694,247 |
| Professional fees                                    | 868  | 8,418   | 4,525                         | 8,167                      | 14,464  | 36,442                                | 273,855                                   | 20,389   | 330,686              | 250,309              |               |
| Supplies   | 126,797                                    | 63,161  | 8,039                         | 2,853                      | 24,331  | 225,181                               | 237,269                                   | 1,381  | 463,831              | 457,171              |               |
| Occupancy  | 162,010                                    | -   | 11,090                        | (10,949)                   | -   | 162,151                               | 640,715                                   | 38,150   | 841,016              | 970,192              |               |
| Repairs and<br>maintenance                           | 127,848                                    | -   | 22,906                        | -                          | 2,118   | 152,872                               | 97,038                                    | -  | 249,910              | 152,736              |               |
| Telephone  | 15,751                                     | 10,281  | 4,171                         | 367                        | 2,283   | 32,853                                | 377,134                                   | 717  | 410,704              | 432,088              |               |
| Conferences,<br>meetings,<br>travel and<br>trainings | 221,206                                    | 169,731   | 68,994                        | 36,548                     | 127,717   | 624,196                               | 103,052                                   | 10,157   | 737,405              | 443,283              |               |
| Insurance  | 50,518                                     | 252   | 3,242                         | -                          | 17,863  | 71,875                                | 112,880                                   | -  | 184,755              | 169,507              |               |
| Other  | 173,967                                    | 49,688  | 50,330                        | 27,142                     | 42,195  | 343,322                               | 187,493                                   | 27,626   | 558,441              | 527,895              |               |
| Direct assistance<br>to individuals                  | 748,702                                    | 190,136   | 2,817,758                     | 20,818,485                 | 7,695,124   | 32,270,205                            | 175,111                                   | -  | 32,445,316           | 42,548,455           |               |
| <b>Total<br/>expenses</b>                            | <b>\$ 12,353,178</b>                       | <b>\$ 3,546,108</b>                                 | <b>\$ 4,931,768</b>           | <b>\$ 22,924,613</b>       | <b>\$ 10,127,312</b>  | <b>\$ 53,882,979</b>                  | <b>\$ 5,194,615</b>                       | <b>\$ 364,914</b>  | <b>\$ 59,442,508</b> | <b>\$ 68,645,883</b> |               |

See notes to financial statements.

**COMMUNITY ACTION ORGANIZATION**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2023**

(With Comparative Totals for the Year Ended June 30, 2022)

|  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| Cash received from grantors, customers, and donors                                   | \$ 59,376,886       | \$ 72,780,903       |
| Cash paid to employees, vendors, specific assistance                                 | (58,539,010)        | (73,799,513)        |
| Cash paid for interest   | (77,832)            | (80,359)            |
| <b>Net cash provided by (used in) operating activities</b>                           | <b>760,044</b>      | <b>(1,098,969)</b>  |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Additions to property and equipment  | (395,906)           | (58,839)            |
| <b>Net cash provided by (used in) investing activities</b>                           | <b>(395,906)</b>    | <b>(58,839)</b>     |
| <b>Cash flows from financing activities:</b>   |                     |                     |
| Endowment contributions received   | 1,500               | 1,500               |
| Principal payments on note payable   | (52,057)            | (76,222)            |
| <b>Net cash used in financing activities</b>   | <b>(50,557)</b>     | <b>(74,722)</b>     |
| <b>Net increase (decrease) in cash and cash equivalents,<br/>and restricted cash</b> | <b>313,581</b>      | <b>(1,232,530)</b>  |
| Cash and cash equivalents, and restricted cash, beginning of year                    | 2,873,165           | 4,105,695           |
| <b>Cash and cash equivalents, and restricted cash, end of year</b>                   | <b>\$ 3,186,746</b> | <b>\$ 2,873,165</b> |
| <b>Reconciliation to statement of financial position:</b>                            |                     |                     |
| Cash and cash equivalents  | \$ 3,100,144        | \$ 2,788,161        |
| Restricted cash  | 86,602              | 85,004              |
|  | <b>\$ 3,186,746</b> | <b>\$ 2,873,165</b> |
| <b>Supplemental disclosure of cash flow information:</b>                             |                     |                     |
| Cash paid for amount included in the measurement of<br>lease liabilities:            |                     |                     |
| Operating cash flows from operating lease  | \$ 559,897          |                     |
| <b>Supplemental disclosure of non-cash transactions:</b>                             |                     |                     |
| Right-of-use asset obtained in exchange for new<br>operating lease liability         | \$ 2,254,278        |                     |

See notes to financial statements.



## COMMUNITY ACTION ORGANIZATION

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023

#### NOTE A – DESCRIPTION OF ORGANIZATION

Community Action Organization (CAO) is a private, non-profit agency serving primarily Washington County, Oregon, to eliminate conditions of poverty and create opportunities for people and the community to thrive. CAO operates a range of programs and services, funded by public and private grants, contracts, and contributions, to assist primarily low-income residents in achieving economic security. CAO has a genuine concern and knowledge regarding issues of poverty and economic stability; is recognized, respected, and works collaboratively with diverse sectors of the community; is a community leader in early childhood development and family support; and is a catalyst in community efforts to address issues of homelessness and housing stability.

#### PROGRAM SERVICES

During the year ended June 30, 2023, CAO incurred program service expenses in the following major Categories:

**Head Start & Early Head Start** — The Head Start & Early Head Start programs prepare children in low-income families, prenatal to age 5, for success in school and life, including children with special needs. In addition to learning and development services, the programs provide wrap-around supports related to children’s health, and family participation and well-being.

- Head Start is funded for **817** primarily low-income pre-school children, ages 3 to 5, including those with special needs, and strives to prepare them for success in school and life. Children were in the following models: **583** in part-day pre-kindergarten; **212** in full school day-full school year; **18** in full-day full-year; and **4** at Coffee Creek Correctional Facility.
- Early Head Start is funded for **148** children, ages 0 to 3, with **120** children and pregnant women in a Home-Based model; **24** in full-day full-year classrooms; and **4** at the Coffee Creek Correctional Facility. Early Head Start promotes physical, social, emotional, cognitive, and language development of infants and toddlers and supports positive parent- child relationships.
- Teaching Strategies GOLD, a research-based assessment tool that aligns with the Creative Curriculum (research-based curriculum), Head Start Child Development Early Learning Framework, and our program’s school readiness goals are used to track children’s development in multiple domains. Children made significant, measurable gains in social-emotional development, cognitive reasoning, fine and gross motor coordination, language literacy development, and mathematical skills.

**Child Care Resource and Referral** - The Child Care Resource and Referral program provides professional development opportunities and coaching to home-based childcare providers, delivers training and technical assistance on the Employment Related Daycare System, and offers employers technical assistance related to child care quality and options.

- The quality of local child care resources improved as **1,528** providers participated in **23,872** hours of training in early childhood development.
- **5** new providers serving high poverty neighborhoods successfully submitted Spark portfolios and received their Spark rating. There are currently **60** providers with Spark rating serving Washington County Children.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)**

**PROGRAM SERVICES (Continued)**

**Family Development** — Family Development is comprised of multiple programs that support families in the areas of parenting and skill development, prenatal and early childhood resources, and home visiting and case management.

- **212** families participated in home-visiting support services to set and achieve goals to provide positive parenting techniques and connections to community resources.
- **1,252** new parents were provided with information about early child development and parenting resources.
- **245** pregnant women enrolled in the Oregon Health Plan and **188** women were connected to prenatal care.
- **53** individuals participated in our career coaching services.
- **89** at-risk families received parenting support to prevent child abuse and neglect.
- **343** families participated in home-visiting support services to set and achieve goals to help avoid or recover from homelessness and maintain a stable home.
- **4** new families began the process of saving funds to increase their education, purchase a primary vehicle, or start a business through Community Action's Individual Development Account program. **24** families in total are currently saving towards their asset goal.
- **84** individuals learned skills to take control of their financial future through Community Action's financial education classes.

**Housing Support** — Housing Support programs provide emergency rents to those at risk of eviction, assist homeless individuals and families in obtaining temporary housing, and assist with the supportive services necessary to maintain long- term stability. In addition, our Hillsboro Family Shelter provides short-term shelter while helping residents develop a plan to find permanent housing and address other needs.

- **124** homeless children and parents had the chance to get back on their feet by staying at Community Action's Hillsboro Family Shelter.
- **2,282** families experiencing homelessness or at imminent risk of homelessness accessed our Community's Coordinated Entry System for housing resources available through the Continuum of Care in Washington County.
- **258** families experiencing homelessness were rehoused and stabilized with short-term rent assistance.
- **2,239** families at risk of homelessness were stabilized with short-term rent assistance.

**Utility Supports and Energy Conservation** — Utility Supports programs enable families to stay warm, safe, and healthy in their homes with water, garbage, heat, and electricity bill payment assistance. Energy Conservation helps families reduce energy bills by assessing home energy use, recommending cost saving measures and connecting with resources to improve energy efficiency.

- **8,068** families stayed warm, safe, and healthier in their homes with water, garbage, heat and electricity bill payment assistance from Community Action.
- **208** families had lower heating costs and warmer, safer, healthier homes because Community Action provided comprehensive weatherization services.
- **225** households reduced energy costs, improved home health and safety, and increased energy efficiency by receiving energy education and conservation services.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Adoption of New Accounting Pronouncement**

During the year ended June 30, 2023, the Organization elected to adopt *Accounting Standards Update No. 2016-02, Leases Topic 842 (“ASC 842”)*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization elected to adopt ASC 842, effective July 1, 2022, using the optional transition method to apply the transition provisions from the date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances.

Pursuant to the practical expedients, the Organization elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by grantors.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates (Continued)**

statements and the reported amounts of revenues, gains and other support, and expenses during the year. Accordingly, actual results could differ from those estimates. Significant estimates made by management include depreciation and amortization expense (based on the estimated useful lives of the underlying assets), the allowance for doubtful accounts, and the allocation of certain shared expenses.

**Concentration of Credit Risk**

➤ **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits. The Organization makes such deposits with high credit quality entities and has not incurred any credit related losses. At June 30, 2023, and on occasion throughout the year, CAO's cash and cash equivalents and restricted cash balances exceeded federally insured limits.

➤ **Contracts and Grants Receivable**

Contracts and grants receivable are primarily due from government agencies are uncollateralized and are recognized when underlying conditions outlined in the specific grant or contract agreement have been satisfied. Management believes these are fully collectible within one year and as such no allowance for doubtful accounts has been recorded. As of June 30, 2023, 66% percent of the outstanding balance is from two agencies.

➤ **Revenue Concentrations**

A significant portion of CAO's revenues is derived from grants and contracts with various federal, state, and local government agencies. During the year ended June 30, 2023, approximately 19 percent of government contract revenue was provided under contracts with the U.S. Department of Treasury Program, 35 percent was provided by the Oregon Housing and Community Services Department, 14 percent was provided by the U.S. Department of Health and Human Services' Head Start Program, and 13 percent was provided by the Oregon Pre-kindergarten Program.

**Revenue Recognition**

CAO's major sources of revenue and support and related recognition policies are summarized as follows:

**Contracts and Grant Revenue** - CAO's contract and grant revenue is substantially derived from federal, state, and local government grants and contracts, including funds received from various governmental entities for COVID relief. These contracts and grants are considered conditional contributions due to the presence of certain barriers (typically specific performance requirements and/or the incurrence of allowable qualifying expenses) and rights of return. Amounts received are recognized as revenue when CAO has satisfied the related conditions.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contribution Recognition** - CAO recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized as revenue until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Contributions of Nonfinancial Assets** - Donations of property, equipment, materials, and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. CAO has no monetized in-kind gifts.

CAO recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the year ended June 30, 2023, CAO received donated rent of \$59,348 and supplies of \$68,419. CAO estimates it received 565 volunteer service hours for the year ended June 30, 2023. The value of such services does not meet the requirements for recognition and have therefore not been included in the accompanying financial statements.

**Conditional Promises to Give**

At June 30, 2023, CAO had remaining available award balances on conditional grants and contracts of approximately \$415,155 that have not yet been recognized in the financial statements. These award balances will be recognized as revenue when the related conditions are satisfied. Conditional grants and contracts whose conditions are satisfied in the same reporting period in which the funding is received are reported as an increase in net assets without donor restrictions. Amounts received in advance of the conditions being satisfied are not recognized as revenue until the conditions are met and are classified as refundable advances on the statement of financial position.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized in the statement of activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Where not specifically identifiable, costs are allocated based on estimates and effort expended. Technology and facilities costs are accumulated in a shared cost pool, then allocated among the various program and supporting services based on specific identification of costs.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated fair values on the date received. Depreciation and amortization of property and equipment are calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

**Leases**

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings, apartments and vehicles. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses a risk free discount rate for all assets.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

CAO has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. CAO does not believe it has unrelated trade or business income in excess of \$1,000.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2023:

|   |                            |
|---|----------------------------|
| Land, buildings and leasehold improvements        | \$ 3,594,778               |
| Vehicles  | 544,618                    |
| Equipment   | 255,612                    |
|   | <u>4,395,008</u>           |
| Less accumulated depreciation<br>and amortization | <u>2,525,291</u>           |
| Property and equipment - net                      | \$ <u><u>1,869,717</u></u> |

Depreciation and amortization expense totaled \$160,350 for the year ended June 30, 2023

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE D – NOTE PAYABLE**

CAO has a note payable from Heritage Bank with monthly installments of \$11,099 at a fixed interest rate of 5.35 percent through November 2032. The note contains certain covenants and is secured by a trust deed of certain real property. The outstanding balance on the note is \$1,589,431 at June 30, 2023. Interest expense for the year ended June 30, 2023 totaled \$77,932.

Future principal payments are as follows at June 30, 2023:

| Year Ending<br>June 30, |    |                  |
|-------------------------|----|------------------|
| _____                   |    |                  |
| 2024                    | \$ | 49,073           |
| 2025                    |    | 51,764           |
| 2026                    |    | 54,602           |
| 2027                    |    | 57,596           |
| 2028                    |    | 60,755           |
| Thereafter              |    | <u>1,315,641</u> |
|                         | \$ | <u>1,589,431</u> |

**NOTE E – LEASE COMMITMENTS**

**Nature of Leases**

The Organization has entered into the following generally non-terminable lease arrangements:

**Operating Leases**

The Organization has leases for CAO leases administrative and program offices, equipment, and child development facilities that expire through August 2028. These leases may contain renewal options for periods ranging from 5 years to 10 years and require the Organization to pay all executory costs (property taxes, maintenance and insurance). One operating lease includes an escalating fee schedule, which is generally at 3 percent increase for specific years.



**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE E – LEASE COMMITMENTS (CONTINUED)**

**Short-Term Leases**

Short-term leases are leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. The Organization did not have any material short-term leases during the year ended June 30, 2023.

|   |            |
|---|------------|
| <b>Lease cost</b>                             |            |
| Operating lease cost                          | \$ 574,423 |
| <br><b>Other information</b>                  |            |
| Weighted-average remaining lease term (years) |            |
| Operating leases                              | 4.22       |
| <br>Weighted-average discount rate            |            |
| Operating leases                              | 2.70%      |

The approximate future minimum lease commitments under non-cancellable leases are as follows:

| Year Ending<br>June 30,                  |              |
|--|--------------|
| 2024                                     | \$ 511,772   |
| 2025                                     | 437,006      |
| 2026                                     | 381,546      |
| 2027                                     | 261,801      |
| 2028                                     | 233,164      |
| Thereafter                               | 39,102       |
| Total future undiscounted lease payments | 1,864,391    |
| Less present value discount              | (111,900)    |
| Lease liabilities                        | \$ 1,752,491 |

Rent expense for facilities and office equipment totaled \$539,000 for the year ended June 30, 2023.

**NOTE F – CONTINGENCIES**

Amounts received or receivable from various contracting 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 significant amounts received or receivable will be required to be returned in the future.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows at June 30, 2023.

|   |                   |
|---|-------------------|
| Subject to expenditure for specified purpose: |                   |
| Housing and Homeless Services                 | \$ 154,593        |
| Emergency Rents                               | 103,642           |
| Administration                                | 162,705           |
| Family development                            | 50,361            |
|   | <u>471,301</u>    |
| Endowment Funds Restricted<br>in perpetuity   | <u>86,602</u>     |
| Total net assets with donor restrictions      | <u>\$ 557,903</u> |

During the year ended June 30, 2023, net assets of \$464,322 were released from restriction due to the satisfaction of restrictions imposed by donors.

**NOTE H – ENDOWMENT FUNDS**

Financial accounting standards provide guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**Interpretation of Relevant Law**

The Board of Directors of CAO has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CAO classifies net assets with donor restrictions as: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in restricted net assets in perpetuity is classified as restricted net assets due to purpose restrictions until those amounts are appropriated for expenditure by CAO in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CAO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CAO, and (7) CAO's investment policies.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE H – ENDOWMENT FUNDS (CONTINUED)**

**Investment Strategy and Endowment Spending Policies**

CAO received its first contribution restricted to the permanent endowment during the fiscal year ended June 30, 2015. At this time, the endowment investing and spending policies are in development, but have not yet been adopted by the board. The funds are currently being held in a bank account and are not earning a return. The earnings on the endowment fund are unrestricted.

Endowment net asset (all with restrictions until appropriated) as of June 30, 2023, is as follows:

|                     |                  |
|---------------------|------------------|
| Ness Endowment Fund | \$ <u>86,602</u> |
|---------------------|------------------|

Change in endowment funds for the year ended June 30, 2023 is as follows:

|                         |                  |
|-------------------------|------------------|
| Balance - June 30, 2022 | \$ 85,004        |
| Interest income         | 98               |
| Contributions           | <u>1,500</u>     |
| Balance - June 30, 2023 | \$ <u>86,602</u> |

**NOTE I – RETIREMENT PLANS AND DEFERRED COMPENSATION**

CAO provides eligible employees with a qualified retirement plan as described under Section 403(b) of the Internal Revenue Code. The plan allows for a discretionary matching contribution which is determined as a percentage of salary deferrals the employee makes each payroll period or as a uniform dollar amount. Currently, the discretionary match is up to 3 percent of the employee's per pay period compensation. The employer discretionary match is subject to a two year vesting period.

CAO also sponsors a 457 non-qualified deferred compensation plan for the executive director and agency program directors. The current contribution rate by CAO is 6 percent of salary per pay period. This contribution is fully vested. The investments and related accrued benefits under this plan are included in the statement of financial position since they are considered assets and liabilities of CAO until separation of service.

Contributions to the plans for the year ended June 30, 2023, approximated \$396,877.

**NOTE J – FAIR VALUE MEASUREMENTS**

Valuation techniques used to measure fair values are prioritized into the following hierarchy:

**Level 1** – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities and bonds, mutual fund investments, exchange traded funds, and cash equivalents.

**Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE J – FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3** – Unobservable inputs that reflect management’s assumptions and best estimates based on available data. Assets in this level include beneficial interest in assets held by others.

CAO’s assets that are measured at fair value on a recurring basis along with how fair value was determined are as follows at June 30, 2023:

|   | June 30, 2023 |         |            |
|---|---------------|---------|------------|
|   | Level 1       | Level 2 | Total      |
| Investment in deferred compensation assets:           |               |         |            |
| Equity and blend mutual funds                         | \$ 400,372    | \$ -    | \$ 400,372 |
| Annuity fund  | -             | 190     | 190        |
| Total investment in deferred compensation plan assets | \$ 400,372    | \$ 190  | \$ 400,562 |

CAO’s liability that is measured at fair value on a recurring basis, along with how fair value was determined, was as follows at June 30, 2023:

|                                 | June 30, 2023 |            |            |
|---------------------------------|---------------|------------|------------|
|                                 | Level 1       | Level 2    | Total      |
| Deferred compensation liability | \$ -          | \$ 400,562 | \$ 400,562 |

The fair value of the equity mutual funds and blend mutual funds are determined by reference to quoted market prices and is, therefore, classified as Level 1. The fair value of the annuity fund is based on pricing models, yield curves, and other relevant economic measures and is, therefore, classified as Level 2.

Fair value of the deferred compensation liability is tied directly to the valuation of the investments described above, and is classified as Level 2 as there is no active market.

**NOTE K – AVAILABLE LINE OF CREDIT**

The Organization has a \$500,000 line of credit (secured by real property in Washington County) with interest at the greater of 7.25% or the Bank Prime Rate (8.50% as of June 30, 2023), plus 1.0%. No amounts were outstanding as of the audit report date.

**COMMUNITY ACTION ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2023**

**NOTE L – LIQUIDITY**

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2023:

|   |                                |
|---|--------------------------------|
| Financial assets at year-end  |                                |
| Cash and cash equivalents   | \$ 3,100,144                   |
| Restricted cash   | 86,602                         |
| Contracts and grants receivable   | <u>5,712,907</u>               |
| Total financial assets  | <u>8,899,653</u>               |
| <br>  |                                |
| Less amounts unavailable for general expenditure<br>within one year due to donor restrictions | <br><u>557,903</u>             |
| <br>  |                                |
| Total financial assets available to management for<br>general expenditure within one year     | <br><u><u>\$ 9,457,556</u></u> |

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

**NOTE M – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 27, 2024, which is the date the financial statements were available to be issued.

**COMMUNITY ACTION ORGANIZATION**

**Reports Required by *GAO Government  
Auditing Standards* and the Uniform Guidance**

**and**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023**

**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

# COMMUNITY ACTION ORGANIZATION

Year Ended June 30, 2023

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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Community Action Organization  
Hillsboro, Oregon

We have audited, in accordance with the 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, the financial statements of Community Action Organization (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Action Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Organization's financial statements are free from 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 financial statements. 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*.



To the Board of Directors  
Community Action Organization

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KERN & THOMPSON, LLC

Portland, Oregon  
March 27, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Community Action Organization  
Hillsboro, Oregon

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Community Action Organization's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Community Action Organization's major federal programs for the year ended June 30, 2023. Community Action Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Action Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Action Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Community Action Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Community Action Organization's federal programs.

To the Board of Directors  
Community Action Organization

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Community Action Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Action Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Community Action Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Action Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Community Action Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in

To the Board of Directors  
Community Action Organization

internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Community Action Organization as of and for the year ended June 30, 2023, and have issued our report thereon dated March 27, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*KERN THOMPSON, LLC*

Portland, Oregon  
March 27, 2024

**COMMUNITY ACTION ORGANIZATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

| <u>Federal Grantor/Passed through Grantor/Program or Cluster Title</u>  | <u>Federal AL Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>AL Subtotal</u> | <u>Pass-Through to Sub-recipients</u> | <u>Expenditures of Federal Awards</u> |
|---|--------------------------|---|--------------------|---------------------------------------|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>  |                          |   |                    |                                       |                                       |
| Passed through Oregon Department of Education:<br>Child and Adult Care Food Program   | 10.558                   | 34-03001                                      |                    | \$ -                                  | \$ 224,571                            |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>   |                          |   |                    | <u>-</u>                              | <u>224,571</u>                        |
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>  |                          |   |                    |                                       |                                       |
| Passed through Oregon Housing and Community Services:<br>Emergency Solutions Grant Program  | 14.231                   | MGA #7001                                     |                    | -                                     | 147,601                               |
| COVID-19: Emergency Solutions Grant Program   | 14.231                   | MGA #7001                                     |                    | -                                     | 78,687                                |
| COVID-19: Emergency Solutions Grant<br>CV2-OHR Collaborative  | 14.231                   | MGA #7001                                     |                    | 259,696                               | 1,386,971                             |
| Passed through Washington County<br>Office of Community Development:<br>COVID-19 Emergency Solutions Grant Program                | 14.231                   | 20-0811                                       |                    | -                                     | 260,967                               |
| <b>Subtotal 14.231 Emergency Solutions Grant Program</b>  |                          |   |                    | <u>259,696</u>                        | <u>1,874,226</u>                      |
| Passed through Washington County<br>Department of Housing Services:<br>Continuum of Care Program                                  | 14.267                   | 22-1368                                       |                    | -                                     | 83,494                                |
| Passed through Washington County<br>Office of Community Development:<br>Community Development Block Grants/<br>Entitlement Grants | 14.218                   | 22-0755/22-0748<br>22-1244/22-1238            |                    | -                                     | 541,758                               |
| Passed through City of Beaverton<br>COVID-19 Community Development Block Grants/<br>Entitlement Grants                            | 14.218                   |   |                    | -                                     | 470,041                               |
| Passed through City of Hillsboro<br>COVID-19 Community Development Block Grants/<br>Entitlement Grants                            | 14.218                   | 1906  |                    | -                                     | 491,592                               |
| Total CDBG - Entitlement Grants Cluster and 14.218  |                          |   |                    | <u>-</u>                              | <u>1,503,391</u>                      |
| <b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>   |                          |   |                    | <u>259,696</u>                        | <u>3,461,111</u>                      |
| <b>Carried Forward</b>  |                          |   |                    | <b>259,696</b>                        | <b>3,685,682</b>                      |

See Notes to the Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION ORGANIZATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**Year Ended June 30, 2023**

| <u>Federal Grantor/Passed through Grantor/Program or Cluster Title</u>         | <u>Federal AL Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>AL Subtotal</u> | <u>Pass-Through to Sub-recipients</u> | <u>Expenditures of Federal Awards</u> |
|--|--------------------------|---|--------------------|---------------------------------------|---------------------------------------|
| <b>Brought Forward</b>   |                          |   |                    | <b>\$ 259,696</b>                     | <b>\$ 3,685,682</b>                   |
| <b>U.S. DEPARTMENT VETERANS AFFAIRS:</b>                                       |                          |   |                    |                                       |                                       |
| Passed through Community Action Team:  |                          |   |                    |                                       |                                       |
| VA Supportive Services for Veteran Families Program                            | 64.033                   | 13-OR-125                                     |                    | -                                     | 549,564                               |
| <b>TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS</b>                               |                          |   |                    | -                                     | <b>549,564</b>                        |
| <b>U.S. DEPARTMENT OF ENERGY:</b>  |                          |   |                    |                                       |                                       |
| Passed through Oregon Housing and Community Services:                          |                          |   |                    |                                       |                                       |
| Weatherization Assistance for Low-Income Persons                               | 81.042                   | MGA #7001                                     |                    | -                                     | 420,147                               |
| Bonneville Power Administration  | 81.XXX                   | MGA #7001                                     |                    | -                                     | 35,247                                |
| <b>TOTAL U.S. DEPARTMENT OF ENERGY</b>   |                          |   |                    | -                                     | <b>455,394</b>                        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>                           |                          |   |                    |                                       |                                       |
| Direct funding   |                          |   |                    |                                       |                                       |
| Head Start American Rescue Plan Act  | 93.600                   | 10HE0004401C6                                 |                    | -                                     | 263,893                               |
| Head Start CRRSA   | 93.600                   | 10HE0004401C5                                 |                    | -                                     | 11,364                                |
| Head Start   | 93.600                   | 10CH01160503                                  |                    | -                                     | 5,591,561                             |
| <b>Subtotal 93.600 and Head Start Cluster</b>                                  |                          |   |                    |                                       | <b>5,866,818</b>                      |
| Passed through Oregon Department of Education                                  |                          |   |                    |                                       |                                       |
| Child Care Mandatory and Matching funds of the Child Care and Development Fund | 93.596                   | 14834   |                    | -                                     | 1,002,148                             |
| <b>Subtotal 93.596 and CCDF Cluster</b>  |                          |   |                    | -                                     | <b>1,002,148</b>                      |
| Passed through Oregon Health Authority:  |                          |   |                    |                                       |                                       |
| Maternal and Child Health Services Block Grant to the States                   | 93.994                   | 169543  |                    | -                                     | 12,552                                |
| Passed through Oregon Housing and Community Services:                          |                          |   |                    |                                       |                                       |
| Temporary Assistance for Needy Families (TANF)                                 | 93.558                   | MGA #7001                                     |                    | -                                     | 264,252                               |
| Low-Income Home Energy Assistance  | 93.568                   | MGA #7001                                     |                    | -                                     | 4,038,062                             |
| Low-Income Household Water Assistance  | 93.499                   | 2102ORLWC5,6                                  |                    | -                                     | 436,964                               |
| Community Services Block Grant   | 93.569                   | MGA #7001                                     |                    | -                                     | 267,479                               |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                      |                          |   |                    | -                                     | <b>11,888,275</b>                     |
| <b>Carried Forward</b>   |                          |   |                    | <b>259,696</b>                        | <b>16,578,915</b>                     |

See Notes to the Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION ORGANIZATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**Year Ended June 30, 2023**

| <b>Federal Grantor/Passed through Grantor/Program or Cluster Title</b>                       | <b>Federal AL Number</b> | <b>Pass-Through Entity Identifying Number</b> | <b>AL Subtotal</b> | <b>Pass-Through to Sub-recipients</b> | <b>Expenditures of Federal Awards</b> |
|--|--------------------------|---|--------------------|---------------------------------------|---------------------------------------|
| <b>Brought Forward</b>   |                          |   |                    | <b>\$ 259,696</b>                     | <b>\$ 16,578,915</b>                  |
| <b>U.S. DEPARTMENT OF THE TREASURY:</b>  |                          |   |                    |                                       |                                       |
| Passed through Washington County - Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) |                          |   |                    |                                       |                                       |
| CSLFRF - Focused Child Care Network  | 21.027                   | 22-0268                                       |                    | -                                     | 744,295                               |
| CSLFRF - Food Access Support for BIPOC, Immigrant, & Refugee Communities                     | 21.027                   | 22-0145                                       |                    | <u>839,243</u>                        | <u>917,017</u>                        |
| <b>Subtotal 21.027 - Coronavirus State and Local Fiscal Recovery Fund</b>                    |                          |   |                    | <u>839,243</u>                        | <u>1,661,312</u>                      |
| Passed through Oregon Housing and Community Services:  |                          |   |                    |                                       |                                       |
| COVID-19: Emergency Rental Assistance Program  | 21.023                   | MGA #7001                                     |                    | -                                     | 228,977                               |
| Passed through Washington County   |                          |   |                    |                                       |                                       |
| COVID-19: Emergency Rental Assistance Program  | 21.023                   | 22-0369                                       |                    | -                                     | 585,088                               |
| COVID-19: Emergency Rental Assistance Program 2  | 21.023                   | 22-0369/22-0844                               |                    | -                                     | <u>8,631,635</u>                      |
| <b>Subtotal 21.023 - Emergency Rental Assistance Program</b>                                 |                          |   |                    | <u>-</u>                              | <u>9,445,700</u>                      |
| <b>TOTAL U.S. DEPARTMENT OF TREASURY</b>   |                          |   |                    | <u><b>839,243</b></u>                 | <u><b>11,107,012</b></u>              |
| <b>U.S. DEPARTMENT OF LABOR</b>  |                          |   |                    |                                       |                                       |
| Passed through Worksystems, Inc.:  |                          |   |                    |                                       |                                       |
| WIOA National Dislocated Worker/ WIA National Emergency Grants                               | 17.277                   | 21-30810                                      |                    | -                                     | 23,030                                |
| <b>TOTAL U.S. DEPARTMENT OF LABOR</b>  |                          |   |                    | <u>-</u>                              | <u><b>23,030</b></u>                  |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>  |                          |   |                    | <u><b>\$ 1,098,939</b></u>            | <u><b>\$ 27,708,957</b></u>           |

See Notes to the Schedule of Expenditures of Federal Awards.

**COMMUNITY ACTION ORGANIZATION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2023**

**1. Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Action Organization and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. Indirect Cost Rate**

The Organization is using the 10% de minimis indirect cost rate under the Uniform Guidance.

**3. Assistance Listing Programs**

The program titles and Assistance Listing ("AL") numbers were obtained from the federal or pass-through grantor or sam.gov.



**COMMUNITY ACTION ORGANIZATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2023**

**Section 1 – Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued – **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor’s report issued on compliance for major programs – **Unmodified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? \_\_\_\_\_ Yes      X   No

***Identification of Major Programs***

- **93.600 Head Start Cluster**
- **21.023 Emergency Rental Assistance Program**
- **21.027 Coronavirus State and Local Fiscal Recovery Funds**
- **93.596 Childcare Mandatory and Matching Funds of the Childcare and Development fund – CCDF Cluster**

1. Dollar threshold used to distinguish between Type A and Type B programs – **\$831,269.**
2. Is the auditee qualified as a low-risk auditee under the Uniform Guidance – **Yes**

**Section 2 – Financial Statement Findings**

None

**Section 3 – Federal Award Findings and Questioned Costs**

None.