

COMMUNITY ACTION ORGANIZATION

FINANCIAL STATEMENTS

Year Ended June 30, 2024

KERN  THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNITY ACTION ORGANIZATION

FINANCIAL STATEMENTS

Year Ended June 30, 2024

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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, 2024, 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, 2024, 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 the 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 the 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.

To the Board of Directors
Community Action Organization

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.

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 the 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 the 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 19, 2025 on our consideration of the 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 the 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 the Community Action Organization's internal control over financial reporting and compliance.

To the Board of Directors
Community Action Organization

Report on Summarized Comparative Information

We have previously audited the Community Action Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern + Thompson, LLC

Portland, Oregon
March 19, 2025

COMMUNITY ACTION ORGANIZATION

STATEMENT OF FINANCIAL POSITION

June 30, 2024

(With Comparative Totals as of June 30, 2023)

ASSETS

	2024	2023
Cash and cash equivalents	\$ 3,879,859	\$ 3,100,144
Contracts and grants receivable	4,225,196	5,712,907
Prepaid expenses	84,050	83,115
Deferred compensation plan assets (Notes I and J)	498,592	400,562
Property and equipment - net (Notes C and D)	2,543,403	1,869,717
Restricted cash (Note H)	88,189	86,602
Operating lease right of use asset (Note E)	1,264,412	1,737,966
Total assets	\$ 12,583,701	\$ 12,991,013

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,388,426	\$ 2,204,604
Accrued payroll and related expenses	289,634	314,361
Accrued vacation payable	384,934	399,936
Refundable advances	83,509	1,335,409
Deferred compensation plan liability	498,592	400,562
Note payable (Note D)	1,541,882	1,589,431
Operating lease right of use liability (Note E)	1,284,424	1,752,491
Total liabilities	5,471,401	7,996,794
Net assets		
Without donor restrictions	6,134,950	4,436,316
With donor restriction	977,350	557,903
Total net assets	7,112,300	4,994,219
Total liabilities and net assets	\$ 12,583,701	\$ 12,991,013

See notes to financial statements.

COMMUNITY ACTION ORGANIZATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Revenues and other support				
Government contracts and grants	\$ 49,534,783	\$ 508,172	\$ 50,042,955	\$ 57,980,092
Contributions	1,399,445	820,282	2,219,727	1,099,900
Other contracts and grants	1,251,813	-	1,251,813	988,915
Contribution of nonfinancial assets	185,714	-	185,714	127,767
Other revenue	32,845	87	32,932	22,687
Net assets released from restrictions (Note G)	909,094	(909,094)	-	-
Total revenues and other support	<u>53,313,694</u>	<u>419,447</u>	<u>53,733,141</u>	<u>60,219,361</u>
Expenses				
Program services	45,735,057	-	45,735,057	53,882,979
Administrative and general	5,423,652	-	5,423,652	5,194,615
Resource development/Agency communications	456,351	-	456,351	456,283
Total expenses	<u>51,615,060</u>	<u>-</u>	<u>51,615,060</u>	<u>59,533,877</u>
Change in net assets	1,698,634	419,447	2,118,081	685,484
Net assets, beginning of year	4,436,316	557,903	4,994,219	4,308,735
Net assets, end of year	<u>\$ 6,134,950</u>	<u>\$ 977,350</u>	<u>\$ 7,112,300</u>	<u>\$ 4,994,219</u>

See notes to financial statements.

COMMUNITY ACTION ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	PROGRAM SERVICES						SUPPORTING SERVICES			Total	
	Early Childhood Development	Family Stability	Family Development	Housing Support	Utility Supports and Energy Conservation	Total Program Services	Administrative and General	Resource Development/ Agency Communications		2024	2023
Employee costs	\$ 11,155,286	\$ 3,285,945	\$ 1,087,229	\$ 2,507,372	\$ 2,518,440	\$ 20,554,272	\$ 2,962,140	\$ 266,421	\$	23,782,833	\$ 23,220,444
Professional fees	-	74,218	2,160	1,788	578	78,744	329,663	33,153		441,560	330,686
Supplies	80,396	16,279	7,006	6,753	40,390	150,824	276,929	651		428,404	463,831
Occupancy	197,009	-	-	16,701	-	213,710	729,198	-		942,908	841,016
Repairs and maintenance	136,860	-	-	39,879	7,943	184,682	132,464	-		317,146	249,910
Telephone	18,216	10,893	579	3,835	1,429	34,952	389,053	579		424,584	410,704
Conferences, meetings, travel and trainings	326,474	127,014	47,224	42,408	134,771	677,891	111,852	9,090		798,833	737,405
Insurance	53,078	126	-	4,371	16,361	73,936	130,190	-		204,126	184,755
Other	297,528	60,758	35,273	38,228	39,873	471,660	294,316	146,457		912,433	649,810
Direct assistance to individuals	811,596	80,006	186,687	12,314,890	9,901,207	23,294,386	67,847	-		23,362,233	32,445,316
Total expenses	\$ 13,076,443	\$ 3,655,239	\$ 1,366,158	\$ 14,976,225	\$ 12,660,992	\$ 45,735,057	\$ 5,423,652	\$ 456,351	\$	\$ 51,615,060	\$ 59,533,877

See notes to financial statements.

COMMUNITY ACTION ORGANIZATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

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

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from grantors, customers, and donors	\$ 53,869,987	\$ 59,376,886
Cash paid to employees, vendors, specific assistance	(52,126,791)	(58,539,010)
Cash paid for interest	(85,644)	(77,832)
Net cash provided by (used in) operating activities	<u>1,657,552</u>	<u>760,044</u>
Cash flows from investing activities:		
Additions to property and equipment	(830,201)	(395,906)
Net cash provided by (used in) investing activities	<u>(830,201)</u>	<u>(395,906)</u>
Cash flows from financing activities:		
Endowment contributions received	1,500	1,500
Principal payments on note payable	(47,549)	(52,057)
Net cash used in financing activities	<u>(46,049)</u>	<u>(50,557)</u>
Net increase (decrease) in cash and cash equivalents, and restricted cash	781,302	313,581
Cash and cash equivalents, and restricted cash, beginning of year	<u>3,186,746</u>	<u>2,873,165</u>
Cash and cash equivalents, and restricted cash, end of year	<u>\$ 3,968,048</u>	<u>\$ 3,186,746</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 3,879,859	\$ 3,100,144
Restricted cash	88,189	86,602
	<u>\$ 3,968,048</u>	<u>\$ 3,186,746</u>

See notes to financial statements.

COMMUNITY ACTION ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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, 2024, CAO incurred program service expenses in the following major Categories:

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.

- 3,216 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.
- 92 homeless children and parents had the chance to get back on their feet by staying at Community Action's Hillsboro Family Shelter gaining stability as they worked toward permanent housing solutions with holistic support for parents and children and wraparound services.
- 1,925 families (5,665 individuals) at risk of homelessness were stabilized with short-term rent assistance.
- 98 families (322 individuals) experiencing homelessness were rehoused and stabilized with short-term rent assistance and case management support preventing displacement and financial hardship.
- Our programs expanded housing navigation support, helping families overcome barriers such as rental debt, credit challenges, and lack of documentation to secure stable housing.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

PROGRAM SERVICES (Continued)

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 584 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: 414 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.

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.

- 10,586 families stayed warm, safe, and healthier in their homes with water, garbage, heat and electricity bill payment assistance from Community Action.
- 162 families had lower heating costs and warmer, safer, healthier homes because Community Action provided comprehensive weatherization services.
- 162 households reduced energy costs, improved home health and safety, and increased energy efficiency by receiving energy education and conservation services, equipping them with tools to reduce energy consumption and lower their utility expenses.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

PROGRAM SERVICES (Continued)

Other

Child Care Resource & Referral (CCR&R): Elevating Early Learning & Expanding Access
Our CCR&R program is a catalyst for change, equipping home and center based early educators with the tools, training, and coaching they need to offer high-quality, culturally responsive care. By investing in early educators, we are strengthening the foundation of childhood development, ensuring that families—especially those navigating systemic inequities—have access to safe, nurturing, and developmentally appropriate child care.

- Raising the bar for child care quality: 2,275 early educators completed an astounding 18,530 hours of professional development, enhancing their expertise in trauma-informed care, child development, and equity-centered teaching practices.
- Empowering diverse educators: 233 early educators engaged in intensive, job-embedded professional development, 76% of whom are multilingual providers, ensuring that Oregon's diverse families receive care that reflects and respects their cultural and linguistic backgrounds.
- Expanding access for families facing economic hardship: 88% of these educators serve children from families living at or below 200% of the federal poverty level, helping close opportunity gaps and break cycles of poverty through high-quality early learning experiences.

Family & Community Support: Strengthening Families, Preventing Harm

Through targeted grants, we provide life-changing parenting resources, early childhood supports, and home visiting services designed to empower families, promote child resilience, and reduce adverse childhood experiences (ACEs).

- Equipping parents with knowledge and resources: 1,283 new parents received evidence-based guidance on early child development, giving them the tools to foster strong attachment, healthy brain development, and lifelong resilience in their children.
- Improving maternal and infant health outcomes: 138 pregnant women, many facing barriers to healthcare, were enrolled in the Oregon Health Plan and connected to lifesaving prenatal care, ensuring both mother and baby have the healthiest possible start.
- Protecting children and preventing trauma: 95 at-risk families and 161 parents received intensive parenting support focused on preventing child abuse and neglect, strengthening family bonds, and building safer home environments where children can thrive.
- Our Impact: Building a Stronger, More Equitable Future for Families. Every child deserves a strong start, and every family deserves access to high-quality, culturally responsive care and support. Our work is more than just training and technical assistance—it is a transformative force that uplifts educators, strengthens families, and creates a more equitable future for all children.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2024, and on occasion throughout the year, CAO's cash and cash equivalents and restricted cash balances exceeded federally insured limits.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

➤ **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, 2024, 56% percent of the outstanding balance is from three 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, 2024, approximately 35% of government contract revenue was provided under contracts with the Oregon Housing and Community Services Department, 22% was provided by Washington County, 16% was provided by the Oregon Pre-kindergarten Program, and 12% was provided by the U.S. Department of Health and Human Services' Head Start 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.

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.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2024, CAO received donated supplies of \$185,714. CAO estimates it received 594 volunteer service hours for the year ended June 30, 2024. 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, 2024, CAO had remaining available award balances on conditional grants and contracts of approximately \$557,369 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.

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.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operation.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Right of Use (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.

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.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, from which the summarized information was derived.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Land, buildings and leasehold improvements	\$ 3,653,589
Vehicles	1,275,542
Equipment	296,078
	<u>5,225,209</u>
Less accumulated depreciation and amortization	<u>2,681,806</u>
Property and equipment - net	<u>\$ 2,543,403</u>

Depreciation and amortization expense totaled \$156,515 for the year ended June 30, 2024

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% 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 \$1,541,882 at June 30, 2024. Interest expense for the year ended June 30, 2024 totaled \$85,644.

Future principal payments are as follows at June 30, 2024:

Year Ending June 30,	
2025	\$ 51,764
2026	54,602
2027	57,596
2028	60,755
2029	64,086
Thereafter	<u>1,253,079</u>
	<u>\$ 1,541,882</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

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% increase for specific years.

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, 2024.

Supplemental disclosure of cash flow information:

Cash paid for amount included in the measurement of lease liabilities:

Operating cash flows from operating lease	\$ 511,772
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Supplemental disclosure of non-cash transactions:

Right-of-use asset obtained in exchange for new

operating lease liability	\$ -
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Lease cost

Operating lease cost	\$ 517,259
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Other information

Weighted-average remaining lease term (years)

Operating leases	3.52
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Weighted-average discount rate

Operating leases	2.73%
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COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE E – LEASE COMMITMENTS (CONTINUED)

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

Year Ending June 30,	
2025	\$ 437,006
2026	381,546
2027	261,801
2028	233,164
Thereafter	<u>39,102</u>
Total future undiscounted lease payments	1,352,619
Less present value discount	<u>(68,195)</u>
Lease liabilities	<u>\$ 1,284,424</u>

NOTE F – CONTINGENCIES AND UNCERTAINTIES

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.

The current governmental funding environment is uncertain, and the Organization may lose significant funding with little notice. A decrease in governmental funding could adversely impact the Organization's ability to maintain operations at the current level, or at all. Management is carefully monitoring the situation. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at June 30, 2024.

Subject to expenditure for specified purpose:	
Emergency Rents	\$ 349,516
Family shelter	192,204
Family stability	190,313
Other	<u>157,128</u>
	<u>889,161</u>
Endowment Funds Restricted in perpetuity and unappropriated earnings	<u>88,189</u>
Total net assets with donor restrictions	<u>\$ 977,350</u>

During the year ended June 30, 2024, net assets of \$909,094 were released from restriction due to the satisfaction of restrictions imposed by donors.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

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.

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, 2024, is as follows:

Ness Endowment Fund	\$ <u>88,189</u>
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Change in endowment funds for the year ended June 30, 2024 is as follows:

Balance - June 30, 2023	\$ 86,602
Interest income	87
Contributions	<u>1,500</u>
Balance - June 30, 2024	\$ <u>88,189</u>

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

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, 2024, approximated \$401,872.

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.

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, 2024:

		June 30, 2024		
		Level 1	Level 2	Total
Investment in deferred compensation assets:				
Equity and blend mutual funds	\$ 498,399	\$ -	\$ 498,399	
Annuity fund	-	193	193	
Total investment in deferred compensation plan assets	\$ 498,399	\$ 193	\$ 498,592	

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE J – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2024:

	June 30, 2024		
	Level 1	Level 2	Total
Deferred compensation liability	\$ -	\$ 498,592	\$ 498,592

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 8.75% or the Bank Prime Rate (8.50% as of June 30, 2024), plus 1.0%. No amounts were outstanding as of the audit report date.

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, 2024:

Financial assets at year-end	
Cash and cash equivalents	\$ 3,879,859
Restricted cash	88,189
Contracts and grants receivable	4,225,196
Total financial assets	<u>8,193,244</u>
Less amounts unavailable for general expenditure within one year due to donor restrictions	<u>(977,350)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 7,215,894</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.

COMMUNITY ACTION ORGANIZATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 19, 2025, which is the date the financial statements were available to be issued.

In late fall 2024, the Organization was informed that a grant funded through the local Supportive Housing Services levy was being cut due to insufficient tax revenues. This resulted in a \$1,885,000 drop in anticipated revenues including \$282,750 expected to cover overhead expenses in the fiscal year ending June 30, 2025.