

**CENTRAL OREGON COMMUNITY
ACTION AGENCY NETWORK, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

**WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2002**

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

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KERKOCCH KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • (541) 382-3468

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Oregon Community Action Agency Network, Inc.
Redmond, Oregon

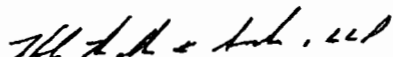
We have audited the accompanying statement of financial position of Central Oregon Community Action Agency Network, Inc. (a nonprofit corporation), as of June 30, 2003 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Oregon Community Action Agency Network, Inc., at June 30, 2003, and its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 2003 on our consideration of the Central Oregon Community Action Agency Network, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Kerkoch Katter & Associates, LLP
Certified Public Accountants

November 13, 2003

FINANCIAL STATEMENTS

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2003

WITH COMPARATIVE TOTALS FOR JUNE 30, 2002

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Totals</u>	
				<u>2003</u>	<u>2002</u>
<u>ASSETS</u>					
Current assets					
Cash and cash equivalents	\$ 319,512	\$ 172,310	\$	\$ 491,822	\$ 799,978
Grant funds receivable (no allowance for doubtful accounts considered necessary)		995,882		995,882	687,664
Prepaid expenses	3,543			3,543	1,803
Inventory		30,716		30,716	28,050
Total current assets	<u>323,055</u>	<u>1,198,908</u>		<u>1,521,963</u>	<u>1,517,495</u>
Notes receivable		1,024,873		1,024,873	962,636
Property and equipment (net of depreciation)	<u>824,080</u>	<u>535,193</u>		<u>1,359,273</u>	<u>799,961</u>
Total assets	<u>\$ 1,147,135</u>	<u>\$ 2,758,974</u>	<u>\$ -</u>	<u>\$3,906,109</u>	<u>\$3,280,092</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities					
Accounts payable	\$ 157,613	\$	\$	\$ 157,613	\$ 107,353
Accrued expenses	73,989			73,989	69,748
Advances		96,824		96,824	582,556
Current portion of Long-term debt		180,347		180,347	161,370
Total current liabilities	<u>231,602</u>	<u>277,171</u>		<u>508,773</u>	<u>921,027</u>
Long-term debt - net of current portion					<u>1,951</u>
Net assets					
Unrestricted Operations	91,453			91,453	6,092
Fixed assets	824,080	535,193		1,359,273	799,961
Temporarily restricted		1,946,610		1,946,610	1,551,061
Permanently restricted					
Total net assets	<u>915,533</u>	<u>2,481,803</u>		<u>3,397,336</u>	<u>2,357,114</u>
Total liabilities and net assets	<u>\$ 1,147,135</u>	<u>\$ 2,758,974</u>	<u>\$ -</u>	<u>\$3,906,109</u>	<u>\$3,280,092</u>

The accompanying notes are an integral part of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2003

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2002

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Totals</u>	
				<u>2003</u>	<u>2002</u>
Support and Revenue					
Support					
Federal grants	\$	\$ 5,885,531	\$	\$5,885,531	\$3,406,887
State and local grants		1,437,483		1,437,483	1,733,885
Contributions	9,555	172,173		181,728	458,038
Total support	<u>9,555</u>	<u>7,495,187</u>		<u>7,504,742</u>	<u>5,598,810</u>
Revenue					
Program income		3,302		3,302	145
Program reimbursements	18,276	146,215		164,491	265,264
Other revenue	49,495	233,494		282,989	92,238
Rental income	16,334			16,334	59,753
Interest income	7,513	1,744		9,257	10,666
Indirect cost allocation	224,982			224,982	200,545
Total revenue	<u>316,600</u>	<u>384,755</u>		<u>701,355</u>	<u>628,611</u>
Net assets released from program restrictions	<u>6,818,134</u>	<u>(6,818,134)</u>			
Total support and revenue	<u>7,144,289</u>	<u>1,061,808</u>		<u>8,206,097</u>	<u>6,227,421</u>
Expenses					
Program services					
Health and welfare	6,818,134			6,818,134	5,612,179
Support services					
General and administrative	<u>347,741</u>			<u>347,741</u>	<u>312,784</u>
Total expenses	<u>7,165,875</u>			<u>7,165,875</u>	<u>5,924,963</u>
Change in net assets - before transfers	<u>(21,586)</u>	<u>1,061,808</u>		<u>1,040,222</u>	<u>302,458</u>
Transfers (to) from Other funds	<u>432,344</u>	<u>(432,344)</u>			
Change in net assets	<u>410,758</u>	<u>629,464</u>		<u>1,040,222</u>	<u>302,458</u>
Net assets - beginning of year	<u>504,775</u>	<u>1,852,339</u>		<u>2,357,114</u>	<u>2,054,656</u>
Net assets - end of year	<u>\$ 915,533</u>	<u>\$ 2,481,803</u>	<u>\$ -</u>	<u>\$3,397,336</u>	<u>\$2,357,114</u>

The accompanying notes are an integral part of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2003

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2002

	<u>Program Services Health and Welfare</u>	<u>Supporting Services Management and General</u>	<u>Totals</u>	
			<u>2003</u>	<u>2002</u>
Personal services				
Salaries and wages	\$ 2,002,337	\$ 127,855	\$2,130,192	\$1,872,935
Payroll taxes and benefits	613,375	30,653	644,028	533,157
Total personal services	<u>2,615,712</u>	<u>158,508</u>	<u>2,774,220</u>	<u>2,406,092</u>
Materials and services				
Operating materials	407,663		407,663	811,686
Printing and publications	20,867	1,596	22,463	14,214
Office supplies	46,754	19,766	66,520	44,807
Interest		92	92	1,330
Insurance	19,531	10,284	29,815	15,892
Professional fees	7,458	15,118	22,576	11,855
Contract services	816,770	8,544	825,314	747,950
Miscellaneous	46,272	252	46,524	14,607
Client assistance	2,363,259		2,363,259	1,268,661
Travel and lodging	98,169	827	98,996	92,447
Rent	50,637	24,204	74,841	94,172
Janitorial	1,075		1,075	6,245
Utilities	67,196	14,208	81,404	65,085
Training	14,836	986	15,822	36,362
Dues and other fees	17,124	2,737	19,861	24,489
Depreciation		90,448	90,448	68,524
Administration	224,811	171	224,982	200,545
Total materials and services	<u>4,202,422</u>	<u>189,233</u>	<u>4,391,655</u>	<u>3,518,871</u>
Total expenses	<u>\$ 6,818,134</u>	<u>\$ 347,741</u>	<u>\$7,165,875</u>	<u>\$5,924,963</u>

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2003

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2002

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>
Cash flows from operating activities			
Change in net assets	\$ 410,758	\$ 629,464	\$
Adjustments to reconcile change in net asset to net cash provided by operating activities:			
Depreciation expense	90,448		
(Increase) decrease in accounts receivable		(308,218)	
(Increase) decrease in prepaid expenses	(1,740)		
(Increase) decrease in inventory		(2,666)	
Increase (decrease) in accounts payable	50,260		
Increase (decrease) in accrued expenses	4,241		
Increase (decrease) in advances		(485,732)	
Net cash provided by operating activities	<u>553,967</u>	<u>(167,152)</u>	
Cash flows from investing activities			
Net increase in notes receivable		(62,237)	
Net acquisition of property and equipment	(415,845)	(233,915)	
Net cash used in investing activities	<u>(415,845)</u>	<u>(296,152)</u>	
Cash flows from financing activities			
Net proceeds from notes payable		22,257	
Principal payments on notes payable	(5,231)		
Net cash provided by (used in) financing activities	<u>(5,231)</u>	<u>22,257</u>	
Net increase in cash and cash equivalents	132,891	(441,047)	
Cash and cash equivalents - beginning of year	<u>186,621</u>	<u>613,357</u>	
Cash and cash equivalents - end of year	<u>\$ 319,512</u>	<u>\$ 172,310</u>	<u>\$ -</u>

<u>Totals</u>	
<u>2003</u>	<u>2002</u>
\$ 1,040,222	\$ 302,458
90,448	68,524
(308,218)	(421,108)
(1,740)	599
(2,666)	(11,014)
50,260	65,249
4,241	41,361
<u>(485,732)</u>	<u>414,966</u>
<u>386,815</u>	<u>461,035</u>
(62,237)	(131,071)
<u>(649,760)</u>	<u>(598,424)</u>
<u>(711,997)</u>	<u>(729,495)</u>
22,257	158,090
<u>(5,231)</u>	<u>(3,199)</u>
<u>17,026</u>	<u>154,891</u>
(308,156)	(113,569)
<u>799,978</u>	<u>913,547</u>
<u>\$ 491,822</u>	<u>\$ 799,978</u>

The accompanying notes are an integral part of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Central Oregon Community Action Agency Network, Inc. (the Agency), a nonprofit corporation organized in the State of Oregon on January 1, 1985, is responsible for planning, coordinating and implementing the administration of federal and state grants designed to meet the health and welfare needs of low-income persons in Central Oregon.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The financial statements do not reflect the effects of income taxes. The Agency is a not-for-profit corporation which has been granted tax exempt status under code section 501(c)(3). In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments that are permanently restricted by donor are recorded as permanently restricted assets. Investment earnings available for distribution are recorded as unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by the donation, are recorded at their fair values in the period received.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Equivalents

Cash equivalents are stated at cost which approximates market value. For purposes of the statement of cash flows, Central Oregon Community Action Agency Network, Inc., considers all cash investments with maturities of three months or less to be cash and cash equivalents.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Agency in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of short term maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those of similar investments.

Long-term debt: The fair values of long-term debt is considered to approximate actual loan balances.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

Inventory

Inventory, when significant, consists primarily of supplies used in the Agency's clients service programs and is stated at the lower of cost, determined by the first-in, first-out method, or market.

Accrued Compensated Absences

The Agency accrues vacation pay at current pay rates. The Agency employees accrue vacation leave annually. Accrued vacation is not to be paid to employees except upon termination.

Allocation of Supporting Service Expenditures

The Agency allocates indirect expenses of administrative overhead and other allocable costs to supporting service departments based on various direct costs and other information. The Agency's management reviews and updates these allocations on an annual basis.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fixed Assets

Fixed assets acquired by the Agency are considered to be owned by the Agency. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of such assets. Fixed assets are depreciated using the straight-line method over estimated useful lives of the assets.

Advertising Costs

Advertising costs are expensed as incurred.

Comparative Financial Information

The financial statements and notes to the financial statements contain certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2002, from which the summarized information was derived.

NOTE 2 - FUND STRUCTURE

A brief description of the various funds used by the Agency in accounting for their activities is as follows:

Unrestricted Funds

These funds account for unrestricted contributions and provide for administration and operation of the Agency. Equipment acquisitions, including the recording of their cost and depreciation are also included in the unrestricted funds.

Temporarily Restricted Funds

These funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

Permanently Restricted Funds

These funds account for the collection and disbursement of restricted contributions of which the income portion is, if not specifically required to be added to the capital, transferred to the temporarily restricted or unrestricted funds. Permanently restricted funds also include trust funds held by other trustees where the principal is restricted in perpetuity.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 3 - SUMMARY OF CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consisted of the following at June 30, 2003:

Bank checking and savings	\$ 491,572
Petty cash	<u>250</u>
	<u>\$ 491,822</u>

NOTE 4 - NOTES RECEIVABLE

Notes receivable at June 30, 2003 consist of the following:

Deschutes Family Housing Limited Partnership, principal due subject to certain restrictions, see Note 11, interest at 5%, secured by real estate, matures August 2019	\$ 391,393
Housing Assistance Loans, principal due subject to certain restrictions, various interest rates, secured by real estate	2,161,364
Madras Family Housing Limited Partnership, principal due subject to certain restrictions, see Note 11, interest at 3%, secured by real estate, matures August 2028	444,167
Community Action Foundation of Central Oregon, interest at 5%, due on demand, see Note 11, unsecured	<u>164,083</u>
	3,161,007
Less deferred for collection (See Note 11)	<u>(2,136,134)</u>
Notes receivable	1,024,873
Less current portion	<u>()</u>
	<u>\$1,024,873</u>

Future maturities of notes receivable are as follows:

Year ended June 30, 2004	\$
Thereafter	<u>1,024,873</u>
	<u>\$1,024,873</u>

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2003:

Land	\$ 268,141
Buildings	247,681
Construction in progress	441,030
Equipment	224,277
Vehicles	378,356
Less accumulated depreciation	<u>(200,212)</u>
Net property and equipment	<u>\$ 1,359,273</u>

NOTE 6 - NOTE PAYABLE

Note payable at June 30, 2003 consisted of the following:

Community First Bank of Prineville, interest at 6.25% due monthly, secured by real estate, Due 2003	<u>\$ 182,298</u>
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Future maturities of notes payable are as follows: Year ended June 30, 2004	<u>\$ 182,298</u>
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NOTE 7 - LEASE OBLIGATIONS

The Agency leases its facilities used to provide community service programs under operating leases not exceeding one fiscal year in duration.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Agency's operations include loans and other agreements to other non-profit agencies in the Central Oregon area. The Agency extends credit without collateral to these agencies during the normal course of business.

NOTE 9 - RECLASSIFICATIONS

Certain amounts in the year ended June 30, 2002 financial statements have been reclassified to conform with the year ended June 30, 2003 financial statements.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 10 - CONTINGENCY

Grant Audit

The Agency receives grants from various federal, state, and local agencies that are subject to review and audit by these agencies. Such audits could result in a request for reimbursement by these agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Agency's management, such disallowances, if any, will not be significant.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Agency leases its facilities from the Community Action Foundation of Central Oregon, Inc. (CAFCO), a non-profit corporation located in Redmond, Oregon. CAFCO is the general partner of the Deschutes Family Housing Limited Partnership, an Oregon Limited Partnership formed to own and operate the Bill Healy Family Center. Included in the financial statements are notes receivable at June 30, 2003 from the Deschutes Family Housing Limited Partnership and CAFCO in the amount of \$391,393 and \$164,083, respectively. These notes were incurred in connection with the construction of the Bill Healy Family Center. Additionally, notes receivable in the amount of \$444,167 are due from the Madras Family Housing Limited Partnership, an Oregon Limited Partnership formed to own and operate the Madras Family Housing Center, in connection with the initial formation of the limited partnership. Since collection of these notes receivable is contingent upon future available capital of the projects and other restrictions, the notes will be deferred until collection.

SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL DEPARTMENT SCHEDULES

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

COMBINING SCHEDULE OF REVENUES AND EXPENSES
ALL DEPARTMENTS

YEAR ENDED JUNE 30, 2003

	<u>Management & General</u>	<u>Head Start</u>	<u>Community Service Block Grant</u>	<u>Bill Healy Family Center</u>	<u>Child Care Resources</u>	<u>Energy Assistance</u>
Revenues						
Federal grants	\$	\$ 2,649,085	\$ 150,515	\$	\$ 148,289	\$ 1,137,938
State and local grants				57,875	21,289	405,901
Contributions	9,555	85,434	450	1,453		4,739
Program income					3,302	
Program reimbursements	18,276	80,760	92	7,550	555	176
Other revenue	49,495			10,028	7,127	3,938
Rental income	16,334					
Interest income	7,513			314		
Indirect cost allocation	224,982					
Total revenues	<u>326,155</u>	<u>2,815,279</u>	<u>151,057</u>	<u>77,220</u>	<u>180,562</u>	<u>1,552,692</u>
Expenses						
Personal services						
Salaries	127,855	1,297,836	78,458	43,592	90,770	63,877
Payroll taxes and benefits	30,653	434,983	20,027	13,342	27,299	14,957
Total personal services	<u>158,508</u>	<u>1,732,819</u>	<u>98,485</u>	<u>56,934</u>	<u>118,069</u>	<u>78,834</u>
Materials and services						
Operating materials		210,624	1,134	917	1,983	80
Printing and publications	1,596	6,780	4,213		5,252	500
Office supplies	19,766	23,554	1,087		4,955	4,422
Interest	92					
Insurance	10,284	16,472				
Professional fees	15,118	7,345				
Contract services	8,544	56,417	2,109	9,877	13,519	267
Miscellaneous	252	2,508				
Client assistance		222,825	520			1,380,154
Travel and lodging	827	62,821	2,699	481	6,147	247
Rent	24,204	36,287				
Janitorial		1,075				
Utilities	14,208	49,946	1,049		2,551	1,136
Training	986	5,395	3,821	132	952	
Dues and other fees	2,737		808		2,039	67
Depreciation	90,448					
Administration	171		6,942	4,007	9,082	84,116
Total materials and services	<u>189,233</u>	<u>702,049</u>	<u>24,382</u>	<u>15,414</u>	<u>46,480</u>	<u>1,470,989</u>
Total expenses	<u>347,741</u>	<u>2,434,868</u>	<u>122,867</u>	<u>72,348</u>	<u>164,549</u>	<u>1,549,823</u>
Change in net assets - before transfers	(21,586)	380,411	28,190	4,872	16,013	2,869
Transfers (to) from Other funds	432,344	(380,411)	(28,190)	9,540	(5,050)	(560)
Change in net assets	410,758			14,412	10,963	2,309
Net assets - beginning of year	504,775	5		124,944	2,069	1,070
Net assets - end of year	<u>\$ 915,533</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 139,356</u>	<u>\$ 13,032</u>	<u>\$ 3,379</u>

Food Program	Housing Support Services	Other Housing Services	Housing Rehabilitation	Weatherization	Totals (Memorandum Only)	
					2003	2002
\$ 179,462	\$ 426,607	\$ 99,057	\$ 586,644	\$ 508,934	\$ 5,885,531	\$ 3,406,887
483,564	145,844	116,700	24,279	182,031	1,437,483	1,733,885
32,359	37,334	10,304		100	181,728	458,038
47,353	325	2,213	1,462	5,729	3,302	145
16,004	117,368	76,042	1,564	1,423	164,491	265,264
					282,989	92,238
			1,393	37	16,334	59,753
					9,257	10,666
					224,982	200,545
<u>758,742</u>	<u>726,478</u>	<u>304,316</u>	<u>615,342</u>	<u>698,254</u>	<u>8,206,097</u>	<u>6,227,421</u>
53,504	170,440	84,772	61,321	57,710	2,130,192	1,872,935
10,594	43,120	18,543	15,290	15,220	644,028	533,157
<u>64,155</u>	<u>213,560</u>	<u>103,315</u>	<u>76,611</u>	<u>72,930</u>	<u>2,774,220</u>	<u>2,406,092</u>
183,552	2,680	5,605	242	846	407,663	811,686
1,754	777	659	597	335	22,463	14,214
1,392	3,575	4,335	1,805	1,629	66,520	44,807
1,244	1,815				92	1,330
5,520	12,036	2,119	113		29,815	15,892
454,662	304,263	41,634	121,371	593,535	22,576	11,855
4,486	6,438	735	2,130		825,314	747,950
1,823	6,927	8,638	4,375	100	46,524	14,607
		5,600		1,837	2,363,259	1,268,661
1,079	6,619	3,365	1,226	225	98,996	92,447
4,827	1,209	3,568	741	968	74,841	94,172
6,287	38,736	7,358		75	1,075	6,245
		10,430	30,051	35,160	81,404	65,085
					15,822	36,362
					19,861	24,489
					90,448	68,524
					224,982	200,545
<u>666,626</u>	<u>385,075</u>	<u>94,046</u>	<u>162,651</u>	<u>634,710</u>	<u>4,391,655</u>	<u>3,518,871</u>
<u>730,781</u>	<u>598,635</u>	<u>197,361</u>	<u>239,262</u>	<u>707,640</u>	<u>7,165,875</u>	<u>5,924,963</u>
<u>27,961</u>	<u>127,843</u>	<u>106,955</u>	<u>376,080</u>	<u>(9,386)</u>	<u>1,040,222</u>	<u>302,458</u>
<u>(4,560)</u>	<u>649</u>	<u>131,187</u>	<u>3,034</u>	<u>(157,983)</u>		
23,401	128,492	238,142	379,114	(167,369)	1,040,222	302,458
75,771	52,530	420,279	962,636	213,035	2,357,114	2,054,656
<u>\$ 99,172</u>	<u>\$ 181,022</u>	<u>\$ 658,421</u>	<u>\$ 1,341,750</u>	<u>\$ 45,666</u>	<u>\$ 3,397,336</u>	<u>\$ 2,357,114</u>

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SINGLE AUDIT COMPLIANCE

KERKOC H KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • (541) 382-3468

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

To the Board of Directors
Central Oregon Community Action Agency Network, Inc.
Redmond, Oregon

We have audited the financial statements of Central Oregon Community Action Agency Network, Inc. as of and for the year ended June 30, 2003, and have issued our report dated November 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Oregon Community Action Agency Network, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

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

to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Kerkoch Katter & Associates, LLP
Certified Public Accountants

November 13, 2003

KERKOCCH KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • (541) 382-3468

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

To the Board of Directors
Central Oregon Community Action Agency Network, Inc.
Redmond, Oregon

Compliance

We have audited the compliance of Central Oregon Community Action Agency Network, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Central Oregon Community Action Agency Network, Inc.'s major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Oregon Community Action Agency Network, Inc.'s management. Our responsibility is to express an opinion on Central Oregon Community Action Agency Network, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Oregon Community Action Agency Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Oregon Community Action Agency Network, Inc.'s compliance with those requirements.

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

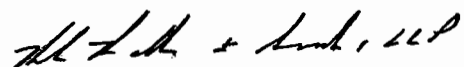
In our opinion, Central Oregon Community Action Agency Network, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Central Oregon Community Action Agency Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered Central Oregon Community Action Agency Network, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Kerkoch Katter & Associates, LLP
Certified Public Accountants

November 13, 2003

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2003

Program

U.S. Department of Health and Human Services - Major Program CFDA 93.600

Head Start

No reportable findings or questioned costs.

U.S. Department of Housing and Urban Development - Major Program CFDA 14.228

Community Development Block Grant

No reportable findings or questioned costs.

Note: The auditor's report expresses an unqualified opinion on the financial statements of Central Oregon Community Action Agency Network, Inc.

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

There were no unresolved findings or questioned costs in the year ended June 30, 2002 Single Audit.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>
<u>U.S. Department of Energy</u>	
Passed through Oregon Housing and Community Services:	
Weatherization Assistance for low-income persons	81.042
BPA Weatherization	81.X02
PVE Escrow	81.X18
<u>U.S. Department of Treasury</u>	
Neighborhood Reinvestment Program	21.000
<u>U.S. Department of Health and Human Services</u>	
Community-Based Family Resource	93.590
Head Start - major program	93.600
Passed through Oregon Housing and Community Services:	
Low-income Energy Assistance	93.568
Community Services Block Grant	93.569
Passed through Oregon Department of Human services:	
Housing Stabilization Program (TANF)	93.558
Child Care Development Block Grant	93.575
<u>U.S. Department of Agriculture</u>	
Child and Adult Care Food Program	10.558
Housing Preservation Grant	10.433
Passed through The Oregon Food Bank:	
Temporary Emergency Food Assistance Program	10.569
<u>Federal Emergency Management Agency</u>	
Emergency Food And Shelter Program	83.523
<u>U.S. Department of Housing and Urban Development</u>	
Supportive Housing Program	14.235
Passed through Oregon Housing and Community Services:	
Emergency Shelter Grant Program	14.231
Home Investments Partnership	14.239
Community Development Block Grant - major program	14.228
Housing Counseling	14.169
TOTAL FEDERAL FINANCIAL ASSISTANCE	

Note: The above schedule was prepared under the accrual basis of accounting.
The value of federal loan funds was \$2,161,364 as of June 30, 2003.

Cash Accrued or (Deferred) Revenue at <u>July 1, 2002</u>	<u>Receipts or Revenue Recognized</u>	<u>Disburse- ments/ Expenditures</u>	Cash Accrued or (Deferred) Revenue at <u>June 30, 2003</u>
\$	\$ 204,468	\$ 204,468	\$
	15,598	15,598	
	3,870	3,870	
	50,000	50,000	
	622	622	
	2,573,649	2,573,649	
	284,998	284,998	
	1,288,453	1,288,453	
	1,450	1,450	
	148,289	148,289	
	75,436	75,436	
	24,276	24,276	
	179,462	179,462	
	10,250	10,250	
	281,540	281,540	
	37,469	37,469	
	32,000	32,000	
	656,644	656,644	
	17,057	17,057	
<u>\$ -</u>	<u>\$5,885,531</u>	<u>\$ 5,885,531</u>	<u>\$ -</u>

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