

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

**WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2003**

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

TABLE OF CONTENTS

JUNE 30, 2004

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6-11 |
| SUPPLEMENTAL INFORMATION | |
| COMBINING AND INDIVIDUAL DEPARTMENT SCHEDULES | |
| Combining Schedule of Revenues and Expenses - All Departments | 12 |
| SINGLE AUDIT COMPLIANCE | |
| Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 13-14 |
| Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 15-16 |
| Schedule of Findings and Questioned Costs | 17 |
| Schedule of Expenditures of Federal Awards | 18 |

KERKOCCH KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • Phone (541) 382-3468 • Fax (541) 382-0533

INDEPENDENT AUDITOR'S REPORT

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

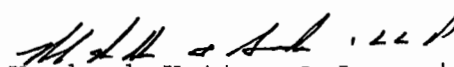
We have audited the accompanying statement of financial position of Central Oregon Community Action Agency Network, Inc. (a nonprofit corporation), as of June 30, 2004 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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, 2004, 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 October 30, 2004 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

October 30, 2004

FINANCIAL STATEMENTS

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

| <u>ASSETS</u> | Unrestricted | Temporarily | Permanently | <u>Totals</u> | |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| | <u>Funds</u> | <u>Restricted</u> | <u>Restricted</u> | <u>2004</u> | <u>2003</u> |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 191,448 | \$ 828,130 | \$ 150,000 | \$ 1,169,578 | \$ 491,822 |
| Grants receivable (no allowance for doubtful accounts considered necessary) | | 548,623 | | 548,623 | 995,882 |
| Prepaid expenses | 1,283 | | | 1,283 | 3,543 |
| Inventory | | 18,581 | | 18,581 | 30,716 |
| Total current assets | 192,731 | 1,395,334 | 150,000 | 1,738,065 | 1,521,963 |
| Notes Receivable | | 1,327,690 | | 1,327,690 | 1,024,873 |
| Property and equipment (net of depreciation) | 1,117,503 | 287,804 | | 1,405,307 | 1,359,273 |
| Total assets | <u>\$ 1,310,234</u> | <u>\$ 3,010,828</u> | <u>\$ 150,000</u> | <u>\$ 4,471,062</u> | <u>\$ 3,906,109</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 24,635 | | | \$ 24,635 | \$ 157,613 |
| Accrued expenses | 100,341 | | | 100,341 | 73,989 |
| Advances | | 27,225 | | 27,225 | 96,824 |
| Current portion of long-term debt | | 1,780 | | 1,780 | 180,347 |
| Total current liabilities | 124,976 | 29,005 | | 153,981 | 508,773 |
| Long-term debt - net of current portion | | 61,921 | | 61,921 | |
| Net assets | | | | | |
| Unrestricted | | | | | |
| Operations | 67,755 | | | 67,755 | 91,453 |
| Fixed assets | 1,117,503 | 287,804 | | 1,405,307 | 1,359,273 |
| Temporarily restricted | | 2,632,098 | | 2,632,098 | 1,946,610 |
| Permanently restricted | | | 150,000 | 150,000 | |
| Total net assets | 1,185,258 | 2,919,902 | 150,000 | 4,255,160 | 3,397,336 |
| Total liabilities and net assets | <u>\$ 1,310,234</u> | <u>\$ 3,010,828</u> | <u>\$ 150,000</u> | <u>\$ 4,471,062</u> | <u>\$ 3,906,109</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, 2004

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

| | Unrestricted Funds | Temporarily Restricted Funds | Permanently Restricted Funds | Totals | |
|---|-----------------------|------------------------------------|------------------------------------|--------------|--------------|
| | | | | 2004 | 2003 |
| Support and Revenue | | | | | |
| Support | | | | | |
| Federal grants | \$ | \$ 5,240,858 | 150,000 | \$ 5,390,858 | \$ 5,885,531 |
| State and local grants | | 1,832,469 | | 1,832,469 | 1,437,483 |
| Contributions | 62,977 | 217,654 | | 280,631 | 181,728 |
| Total support | 62,977 | 7,290,981 | 150,000 | 7,503,958 | 7,504,742 |
| Revenue | | | | | |
| Program revenue | 6,321 | 135,787 | | 142,108 | 167,793 |
| Other revenue | 30,896 | 23,518 | | 54,414 | 282,989 |
| Rental income | 19,780 | | | 19,780 | 16,334 |
| Interest income | 686 | 1,499 | | 2,185 | 9,257 |
| Total revenue | 57,683 | 160,804 | | 218,487 | 476,373 |
| Net assets released from from program restrictions | 6,674,625 | (6,674,625) | | | |
| Total support and revenue | 6,795,285 | 777,160 | 150,000 | 7,722,445 | 7,981,115 |
| Expenses | | | | | |
| Program services | | | | | |
| Health and welfare | 6,674,625 | | | 6,674,625 | 6,593,323 |
| Support services | | | | | |
| General and administrative | 189,996 | | | 189,996 | 347,570 |
| Total expenses | 6,864,621 | | | 6,864,621 | 6,940,893 |
| Change in net assets - before transfers | (69,336) | 777,160 | 150,000 | 857,824 | 1,040,222 |
| Transfers (to) from other funds | 339,061 | (339,061) | | | |
| Change in net assets | 269,725 | 438,099 | 150,000 | 857,824 | 1,040,222 |
| Net assets - beginning of year | 915,533 | 2,481,803 | | 3,397,336 | 2,357,114 |
| Net assets - end of year | \$ 1,185,258 | \$ 2,919,902 | \$ 150,000 | \$ 4,255,160 | \$ 3,397,336 |

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, 2004

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

| | <u>Supporting Services</u> | <u>Program Services</u> | <u>Totals</u> | |
|----------------------------|-----------------------------------|-------------------------------|---------------------|---------------------|
| | <u>Management and General</u> | <u>Health and Welfare</u> | <u>2004</u> | <u>2003</u> |
| Salaries and wages | \$ 160,663 | \$ 2,064,153 | \$ 2,224,816 | \$ 2,130,192 |
| Payroll taxes and benefits | 45,582 | 718,725 | 764,307 | 644,028 |
| Operating materials | | 443,681 | 443,681 | 407,663 |
| Printing | 4,212 | 17,566 | 21,778 | 22,463 |
| Office supplies | 16,059 | 41,520 | 57,579 | 66,520 |
| Interest | | 4,224 | 4,224 | 92 |
| Insurance | 13,924 | 13,112 | 27,036 | 29,815 |
| Professional fees | 8,126 | 12,679 | 20,805 | 22,576 |
| Contract services | 7,286 | 194,868 | 202,154 | 825,314 |
| Miscellaneous | 31,160 | | 31,160 | 46,524 |
| Client assistance | | 2,570,777 | 2,570,777 | 2,363,259 |
| Transportation and lodging | 5,435 | 132,826 | 138,261 | 98,996 |
| Rent | 25,650 | 45,481 | 71,131 | 74,841 |
| Janitorial | 7,266 | 5,249 | 12,515 | 1,075 |
| Utilities & telephone | 20,240 | 52,266 | 72,506 | 81,404 |
| Training | 2,088 | 50,878 | 52,966 | 15,822 |
| Dues and other fees | 5,102 | 10,974 | 16,076 | 19,861 |
| Depreciation | 132,849 | | 132,849 | 90,448 |
| Administration | (295,646) | 295,646 | | |
| Total expenses | <u>\$ 189,996</u> | <u>\$ 6,674,625</u> | <u>\$ 6,864,621</u> | <u>\$ 6,940,893</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, 2004

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003

| | Unrestricted Funds | Temporarily Restricted Funds | Permanent Restricted Funds |
|---|-----------------------|------------------------------------|----------------------------------|
| Cash flows from operating activities | | | |
| Change in net assets | \$ 269,725 | \$ 438,099 | \$ 150,0 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 132,849 | | |
| (Increase) decrease in accounts receivable | | 447,259 | |
| (Increase) decrease in prepaid expenses | 2,260 | | |
| (Increase) decrease in inventory | | 12,135 | |
| Increase (decrease) in accounts payable | (132,978) | | |
| Increase (decrease) in accrued expenses | 26,352 | | |
| Increase (decrease) in advances | | (69,599) | |
| Net cash provided by (used in) operating activities | <u>298,208</u> | <u>827,894</u> | <u>150,0</u> |
| Cash flows from investing activities | | | |
| Net increase in notes receivable | | (302,817) | |
| Net acquisition of property and equipment | (426,272) | 247,389 | |
| Net cash provided by (used in) investing activities | <u>(426,272)</u> | <u>(55,428)</u> | |
| Cash flows from financing activities | | | |
| Net proceeds from notes payable | | 65,985 | |
| Principal payments on notes payable | | (182,631) | |
| Net cash provided by (used in) financing activities | | <u>(116,646)</u> | |
| Net increase (decrease) in cash and cash equivalents | (128,064) | 655,820 | 150,0 |
| Cash and cash equivalents - beginning of year | <u>319,512</u> | <u>172,310</u> | |
| cash and cash equivalents - end of year | <u>\$ 191,448</u> | <u>\$ 828,130</u> | <u>\$ 150,0</u> |

| Totals | |
|---------------------|-------------------|
| 2004 | 2003 |
| \$ 857,824 | \$ 1,040,222 |
| 132,849 | 90,448 |
| 447,259 | (308,218) |
| 2,260 | (1,740) |
| 12,135 | (2,666) |
| (132,978) | 50,260 |
| 26,352 | 4,241 |
| <u>(69,599)</u> | <u>(485,732)</u> |
| | |
| <u>1,276,102</u> | <u>386,815</u> |
| | |
| (302,817) | (62,237) |
| <u>(178,883)</u> | <u>(649,760)</u> |
| | |
| <u>(481,700)</u> | <u>(711,997)</u> |
| | |
| 65,985 | 22,257 |
| <u>(182,631)</u> | <u>(5,231)</u> |
| | |
| <u>(116,646)</u> | <u>17,026</u> |
| | |
| 677,756 | (308,156) |
| <u>491,822</u> | <u>799,978</u> |
| | |
| <u>\$ 1,169,578</u> | <u>\$ 491,822</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, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Central Oregon Community Action Agency Network, Inc. (the Organization), nonprofit corporation organized in the State of Oregon on January 1, 1985, is responsible for planning, coordinating and implementing programs and services designed to meet the health and welfare needs of moderate and 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 Organization is a not-for-profit corporation which has been granted tax exempt status under code section 501(c)(3). In addition, the Organization 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 value 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.

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 Organization 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 value 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 benefited.

Inventory

Inventory, when significant, consists primarily of supplies used in the Organization'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 Organization accrues vacation pay at current pay rates. The Organization employees accrue vacation leave annually. Accrued vacation is not to be paid to employees except upon termination.

Allocation of Supporting Service Expenditures

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

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fixed Assets

Fixed assets acquired by the Organization are considered to be owned by the Organization. However, Federal and 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 Organization's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

NOTE 2 - FUND STRUCTURE

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

Unrestricted Funds

These funds account for unrestricted contributions and provides for administration and operation of the Organization. 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.

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 - SUMMARY OF CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consisted of the following at June 30, 2004:

| | |
|---------------------------|---------------------|
| Bank checking and savings | \$ 1,169,228 |
| Petty cash | 350 |
| | <u>1,169,578</u> |
| | <u>\$ 1,169,578</u> |

NOTE 4 - NOTES RECEIVABLE

Notes receivable at June 30, 2004 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. | 2,401,465 |
| Madras Family Housing Limited Partnerships, 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> |
| | 3,401,108 |
| Less deferred for collection (See Note 11) | <u>(2,073,418)</u> |
| | <u>\$ 1,327,690</u> |

The Agency considers all notes receivable to be long-term since collection is contingent on future events.

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 9 - RECLASSIFICATIONS

Certain amounts in the year ended June 30, 2003 financial statements have been reclassified to conform with the year ended June 30, 2004 financial statements.

NOTE 10 - CONTINGENCY

Grant Audit

The Organization 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 Organization. In the opinion of the Organization's management, such disallowances, if any will not be significant.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization 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, 2004 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.

NOTE 12 - PERMANENTLY RESTRICTED FUNDS

The Neighborhood Reinvestment Corporation provided a \$150,000 capital grant during the year for making loans and for capital projects. This amount is permanently restricted although proceeds on capital projects, or interest earned, over the corpus may be transferred to unrestricted net assets for furthering the Organization's mission. However, should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and loan and capital project portfolios representing the use of these funds will revert to the Neighborhood Reinvestment Corporation. Subsequent to year end, the Organization invested the capital grant in U.S. treasury bills in order to comply with grantor requirements.

The accompanying notes are an integral part
of these financial statements

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

COMBINING SCHEDULE OF REVENUES AND EXPENSES
ALL DEPARTMENTS

YEAR ENDED JUNE 30, 2004

| | <u>Management & General</u> | <u>Head Start</u> | <u>Community Services</u> | <u>Community Development</u> |
|--|-------------------------------------|-----------------------|-------------------------------|----------------------------------|
| Revenues | | | | |
| Federal grants | | \$ 2,582,346 | \$ 1,857,102 | \$ 801,410 |
| Other grants and contracts | | | 1,691,946 | 140,523 |
| Contributions | 62,977 | 13,387 | 143,917 | 60,350 |
| Program revenue | 6,321 | 2,404 | 6,889 | 126,494 |
| Other revenue | 30,896 | | 20,486 | 3,032 |
| Rental income | 19,780 | | | |
| Interest income | 686 | | 409 | 1,090 |
| Total revenues | <u>120,660</u> | <u>2,598,137</u> | <u>3,720,749</u> | <u>1,132,899</u> |
| Expenses | | | | |
| Personal services | | | | |
| Salaries | 160,663 | 1,301,767 | 547,380 | 215,006 |
| Payroll taxes and benefits | 45,582 | 510,926 | 149,916 | 57,883 |
| Total personal services | <u>206,245</u> | <u>1,812,693</u> | <u>697,296</u> | <u>272,889</u> |
| Materials and services | | | | |
| Operating materials | | 197,606 | 238,630 | 7,445 |
| Printing | 4,212 | 8,421 | 8,736 | 409 |
| Office supplies | 16,059 | 26,423 | 12,199 | 2,898 |
| Interest | | 4,224 | | |
| Insurance | 13,924 | 12,623 | | 489 |
| Professional fees | 8,126 | 12,624 | | 55 |
| Contract services | 7,286 | 9,817 | 37,177 | 147,874 |
| Miscellaneous | 31,160 | | | |
| Client assistance | | 72,258 | 2,486,486 | 12,033 |
| Transportation and lodging | 5,435 | 95,466 | 20,511 | 16,849 |
| Rent | 25,650 | 30,325 | 10,356 | 4,800 |
| Janitorial | 7,266 | 3,424 | 1,285 | 540 |
| Utilities & telephone | 20,240 | 27,598 | 18,341 | 6,327 |
| Training | 2,088 | 29,879 | 10,628 | 10,371 |
| Dues and other fees | 5,102 | 9,454 | 1,081 | 439 |
| Depreciation | 132,849 | | | |
| Administration | (295,646) | | 204,616 | 91,030 |
| Total materials and services | <u>(16,249)</u> | <u>540,142</u> | <u>3,050,046</u> | <u>301,559</u> |
| Total expenses | <u>189,996</u> | <u>2,352,835</u> | <u>3,747,342</u> | <u>574,448</u> |
| Change in net assets - before transfers | <u>(69,336)</u> | <u>245,302</u> | <u>(26,593)</u> | <u>558,451</u> |
| Transfers (to) from other funds | <u>339,061</u> | <u>(283,930)</u> | <u>(22,816)</u> | <u>(73,662)</u> |
| Change in net assets | <u>269,725</u> | <u>(38,628)</u> | <u>(49,409)</u> | <u>484,789</u> |
| Net assets - beginning of year | <u>915,533</u> | <u>24,941</u> | <u>402,809</u> | <u>908,138</u> |
| Net assets - end of year | <u>\$ 1,185,258</u> | <u>\$ (13,687)</u> | <u>\$ 353,400</u> | <u>\$ 1,392,927</u> |

| Revolving Loan Fund | Housing Development Fund | Total (Memorandum Only) | |
|---------------------------|--------------------------------|----------------------------|---------------------|
| | | 2004 | 2003 |
| \$ 150,000 | | \$ 5,390,858 | \$ 5,885,531 |
| | | 1,832,469 | 1,437,483 |
| | | 280,631 | 181,728 |
| | | 142,108 | 167,793 |
| | | 54,414 | 282,989 |
| | | 19,780 | 16,334 |
| | | 2,185 | 9,257 |
| <u>150,000</u> | | <u>7,722,445</u> | <u>7,981,115</u> |
| | | 2,224,816 | 2,130,192 |
| | | 764,307 | 644,028 |
| | | <u>2,989,123</u> | <u>2,774,220</u> |
| | | 443,681 | 407,663 |
| | | 21,778 | 22,463 |
| | | 57,579 | 66,520 |
| | | 4,224 | 92 |
| | | 27,036 | 29,815 |
| | | 20,805 | 22,576 |
| | | 202,154 | 825,314 |
| | | 31,160 | 46,524 |
| | | 2,570,777 | 2,363,259 |
| | | 138,261 | 98,996 |
| | | 71,131 | 74,841 |
| | | 12,515 | 1,075 |
| | | 72,506 | 81,404 |
| | | 52,966 | 15,822 |
| | | 16,076 | 19,861 |
| | | 132,849 | 90,448 |
| | | <u>3,875,498</u> | <u>4,166,673</u> |
| | | <u>6,864,621</u> | <u>6,940,893</u> |
| <u>150,000</u> | | <u>857,824</u> | <u>1,040,222</u> |
| (11,779) | 53,126 | | |
| <u>138,221</u> | <u>53,126</u> | <u>857,824</u> | <u>1,040,222</u> |
| <u>1,145,915</u> | | <u>3,397,336</u> | <u>2,357,114</u> |
| <u>\$ 1,284,136</u> | <u>\$ 53,126</u> | <u>\$ 4,255,160</u> | <u>\$ 3,397,336</u> |

The accompanying notes are an integral part
of these financial statements

SINGLE AUDIT COMPLIANCE

KERKOCCH KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • Phone (541) 382-3468 • Fax (541) 382-0533

INDEPENDENT AUDITOR'S 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, 2004, and have issued our report dated October 30, 2004. 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 AUDITOR'S 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.

M. H. Katter & Associates, LLP
Merkoch Katter & Associates, LLP
Certified Public Accountants

October 30, 2004

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KERKOCCH KATTER & ASSOCIATES, LLP

Certified Public Accountants

45 Hawthorne Square • Bend, Oregon 97701 • Phone (541) 382-3468 • Fax (541) 382-0533

INDEPENDENT AUDITOR'S 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, 2004. 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.

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, 2004.

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2004:

| | |
|-------------------------------|---------------------|
| Land | \$ 220,427 |
| Buildings | 802,452 |
| Equipment | 274,259 |
| Vehicles | 441,230 |
| Less accumulated depreciation | <u>(333,061)</u> |
| Net property and equipment | <u>\$ 1,405,307</u> |

NOTE 6 - NOTE PAYABLE

Note payable at June 30, 2004 consisted of the following:

| | |
|---|------------------|
| Community First Bank of Prineville, monthly payments of \$502 including interest at 6.75%, secured by real estate, due 2023 | <u>\$ 63,701</u> |
|---|------------------|

Maturities of note payable are as follows:

| | |
|------------------------|------------------|
| Year end June 30, 2005 | \$ 1,780 |
| 2006 | 1,904 |
| 2007 | 2,036 |
| 2008 | 2,178 |
| 2009 | 2,330 |
| Thereafter | <u>53,473</u> |
| | <u>\$ 63,701</u> |

NOTE 7 - LEASE OBLIGATIONS

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

The accompanying notes are an integral part of these financial statements


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

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

October 30, 2004

CENTRAL OREGON COMMUNITY ACTION AGENCY NETWORK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

Program

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

ad Start

No reportable findings or questioned costs.

S. Department of Health and Human Services - Major Program CFDA 93.568

ow-income Energy Assistance

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, 2003 single audit.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

| <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 |
| DOE WX | 81.042 |
| BPA Weatherization | 81.042 |
| <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 Resources | 93.590 |
| Head Start - major program | 93.600 |
| Passed through Oregon Housing and Community Services: | |
| Low-income Energy Assistance - major program | 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> | |
| Passed through the Deschutes United Way: | |
| 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 |
| Community Development Block Grant | 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 \$1,288,520 as of June 30, 2004.

| Cash Accrued or (Deferred) Revenue at July 1, 2003 | Receipts or Revenue Recognized | Disbursements Expenditures | Cash Accrued or (Deferred) Revenue at June 30, 2004 |
|--|--------------------------------------|-------------------------------|---|
| \$ | 15,658 | \$ 15,658 | \$ |
| | 79,040 | 79,040 | |
| | 4,342 | 4,342 | |
| | 276,516 | 85,906 | 190,610 |
| | 33,289 | 33,289 | |
| | 2,468,201 | 2,428,293 | 39,908 |
| | 981,055 | 981,055 | |
| | 156,323 | 156,323 | |
| | 20,663 | 20,663 | |
| | 103,513 | 103,513 | |
| | 114,145 | 114,145 | |
| | 20,159 | 20,159 | |
| | 199,066 | 199,066 | |
| | 13,635 | 13,376 | 259 |
| | 296,759 | 296,759 | |
| | 45,541 | 45,541 | |
| | 511,738 | 511,738 | |
| | 51,215 | 51,215 | |
| - | \$ 5,390,858 | \$ 5,160,081 | \$ 230,777 |