Community Development Corporation of Oregon and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

Year Ended December 31, 2023

Aldrich

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidated Financial Statements and Supplemental Schedules

Year Ended December 31, 2023

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Aldrich

Aldrich CPAs + Advisors LLP
5665 SW Meadows Road, #200
Lake Oswego, OR 97035

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Development Corporation of Oregon and Subsidiaries
Gresham, Oregon

Opinion

We have audited the accompanying consolidated financial statements of Community Development Corporation of Oregon and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Development Corporation of Oregon and Subsidiaries as of December 31, 2023, and the changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of Community Development Corporation of Oregon and Subsidiaries 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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, including omissions, 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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 consolidated 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 consolidated 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 Development Corporation of Oregon and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Development Corporation of Oregon and Subsidiaries' 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of Community Development Corporation of Oregon and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Development Corporation of Oregon and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Development Corporation of Oregon and Subsidiaries' internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

Lake Oswego, Oregon
May 28, 2024

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2023

ASSETS		
Cash	$	727,539
Grants receivable		1,057,065
Notes receivable		13,216
Property and equipment, net of accumulated depreciation		8,111,330
Intangible assets, net of accumulated amortization		15,000
Other assets		12,167
Total Assets	$	9,936,317
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	404,957
Accrued payroll		132,808
Accrued expenses		4,141
Other liabilities		100,073
Deferred revenue		900,823
Lines of credit		609,629
Long-term debt		1,446,098
Total Liabilities		3,598,529
Net Assets:		
Without Donor Restrictions		6,262,788
With Donor Restrictions		75,000
Total Liabilities and Net Assets	$	9,936,317

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Grants and contributions	$ 5,157,868	$ 75,000	$ 5,232,868
Other income	58,573	-	58,573
Contributed goods and services	38,867	-	38,867
Total Revenue and Other Support	5,255,308	75,000	5,330,308
Expenses:			
Program services	4,459,463	-	4,459,463
Support services:			
General and administrative	816,118	-	816,118
Fundraising	282,025	-	282,025
Total Expenses	5,557,606	-	5,557,606
Change in Net Assets	(302,298)	75,000	(227,298)
Net Assets, beginning	6,565,086	-	6,565,086
Net Assets, ending	$ 6,262,788	$ 75,000	$ 6,337,788

See accompanying notes to consolidated financial statements.

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services				Support Services		
	East County Community Health	East County Housing	Economic Development	Total Program	General and Administrative	Fundraising	Total
Business expenses	$ 8,176	$ 148,721	$ 8,366	$ 165,263	$ 23,377	$ -	$ 188,640
Contract services	95,716	994,230	561,704	1,651,650	308,215	77,090	2,036,955
Depreciation and amortization	-	359,436	-	359,436	20,065	-	379,501
Facilities and equipment	10,554	4,874	9,852	25,280	86,761	-	112,041
In-kind expenses	32,600	-	-	32,600	6,267	-	38,867
Operations	352,460	68,143	86,587	507,190	67,908	-	575,098
Payroll	657,886	404,665	593,322	1,655,873	276,501	204,935	2,137,309
Travel and entertainment	32,089	763	29,319	62,171	27,024	-	89,195
	$ 1,189,481	$ 1,980,832	$ 1,289,150	$ 4,459,463	$ 816,118	$ 282,025	$ 5,557,606

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended December 31, 2023

Cash Flows from Operating Activities:		
Changes in net assets	$	(227,298)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		379,501
Changes in operating assets and liabilities:		
Accounts receivable		3,404
Grants receivable		331,940
Other assets		(17,283)
Accounts payable and accrued expenses		(1,332)
Other liabilities		(78,000)
Deferred revenue		584,948
Net Cash Provided by Operating Activities		975,880
Cash Flows from Investing Activities:		
Purchases of property and equipment		(604,396)
Net Cash Used by Investing Activities		(604,396)
Cash Flows from Financing Activities:		
Borrowings on lines of credit, net		201,118
Net Cash Provided by Financing Activities		201,118
Net Increase in Cash		572,602
Cash, beginning		154,937
Cash, ending	$	727,539
Supplemental Disclosure of Cash Flow Information:		
Noncash operating lease liabilities	$	131,332
Noncash operating right-of-use assets	$	(131,332)
Financed purchase of property	$	1,290,682
Cash paid during the year for interest	$	168,200

Note 1 - Organization and Nature of Activities

<u>Organization</u>

Community Development Organization of Oregon (CDCO) dba Rockwood CDC is non-profit organization incorporated under the laws of the state of Oregon on November 27, 2012. Its purpose is to provide programs which assist in eliminating poverty through access to resources. Services provided include community health, housing and houseless transition, business and economic assistance, English language school, food security, and civic engagement activities.

East County Housing, LLC (ECH), is a subsidiary of CDCO and was formed May 18, 2021. The purpose of the entity is to own and manage real property. The entity owns and operates a 75-room residential building that is occupied by individuals experiencing homelessness. ECH purchased and renovated an office building in Rockwood in 2023 that is occupied by the Organization. CDCO is the sole member of ECH.

Oregon Community Capital, Inc. (OCCI) is a subsidiary of CDCO formed on July 5, 2018. OCCI is the manager of OCCI Real Estate Fund I LLC. OCCI does not have any direct ownership of OCCI Real Estate Fund I LLC (the Fund). The Fund’s purpose is to raise capital for entrepreneurial activities and housing opportunities with Oregon. The fund is currently dormant having returned the approximately $475,000 raised in prior years.

Oregon Capital Asset Network (OCAN) was formed March 9, 2022, and is a Community Development Financial Institution (CDFI). The entity’s purpose is to grant micro-loans to emerging entrepreneurs in Rockwood and other less affluent communities in Oregon. It is a separate 501(c)3 with a separate board of directors which meets as needed to consider each loan request.

All of the entities above are consolidated and will be referred to as the Organization.

<u>Nature of Activities</u>

The Organization operates the following programs through four divisions:

The East County Community Health division of the Organization provides a wide range of health services to the community that in 2023 included Covid vaccinations and relief, tobacco cessation, as well as Oregon Health Plan registration assistance. This network was developed to build sustainable health systems in East Multnomah County. The community health outreach program also addresses the concerns and needs of the areas identified through the Housing, and Economic Development divisions.

East County Housing is the largest division of the Organization. The division provides houseless transition services both in the shelter building and for houseless clients living outside. Programs include job training, business assistance, and debt counseling. The division is also responsible for development projects for future housing assistance and locations.

Economic Development is the third operating division of the organization. Primary activities include the Business Bridge program funded by the US SBA to assist small minority and BIPOC businesses, as well as community health worker job training. The division includes the Rockwood Food Systems Collaborative which uses food, nutritional education, business incubation and agricultural development as tools to help neighbors attain better health outcomes, great equity, more prosperity, and a cleaner environment. The program supports gardeners, entrepreneurs, black-owned farms, and individual families through various resources.

During 2023 the Organization restructured executive, fundraising, administrative and finance activities into a Support Services division.

Note 1 - Organization and Nature of Activities, continued

Nature of Activities, continued
Other programs shared by the divisions include Community Engagement and the Rockwood English Language Institute. The Community Engagement program works with community members to gain an understanding of the most critical needs and issues within the community. Through the Community Engagement program, the Organization provides surveys, community listening sessions, and cultural gatherings to provide members the opportunity for their concerns to be heard. The Rockwood English Language Institute (RELI) offers high quality, free, English as a Second Language instruction to adults who have immigrated or have refugee status. There are more than 90 languages spoken within the Rockwood Community and many of the members do not have the skills or education they need to succeed.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of Community Development Corporation of Oregon, East County Housing, LLC, Oregon Community Capital, Inc., and Oregon Capital Asset Network. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation
The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires the Organization to report information regarding its consolidated financial position and activities according to the following net asset classifications:

> *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and Board of Directors.
>
> *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization did not have any donor restrictions that were perpetual in nature for the year ended December 31, 2023.

Use of Estimates
The preparation of consolidated financial statements in conformity with standards 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.

Fair Value of Financial Instruments
The Organization's financial instruments, none of which are held for trading purposes, include cash, receivables, accounts payable, lines of credit, and long-term debt. The Organization estimates that the fair value of all of these non-derivative financial instruments at December 31, 2023 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statement of financial position.

Cash
For the purposes of the consolidated financial statements, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. The Organization maintains cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor per financial institution. The balances at times may exceed FDIC limits.

Note 2 - Summary of Significant Accounting Policies, continued

Accounts Receivable
Account receivables are stated at the amount management expects to collect from outstanding balances. Management provides for possible uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2023, all accounts are considered collectible.

Grants Receivable
Grants receivable are recorded at estimated net realizable value. The Organization receives various grants which are a combination of cost reimbursement basis grants and advance payment grants.

Property and Equipment
Property and equipment are carried at cost when purchased, and at fair value when acquired by gift. Additions, renewals, and betterments of property and equipment exceeding $2,500 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets as follows:

Building and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Property improvements	10 - 20 years
Vehicles	5 years

Intangible Assets
Intangible assets consist of workforce and organizational structures that were in place as part of purchase of a former hotel property. The assets are being amortized using a straight-line method over the estimated useful life of three years. Amortization expense for the year ended December 31, 2023 was $45,000. Estimated future amortization for the year ended December 31, 2024 is $15,000.

Leases
Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. Management has analyzed all lease agreements and determined no right-of-use assets or lease liabilities exist as of December 31, 2023. The lease agreements do not contain any material residual value guarantees.

Income Taxes
CDCO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Since CDCO is exempt from federal and state income tax liability, no provision for federal or state income taxes has been included in these consolidated financial statements.

ECH is a single member LLC. ECH is considered a disregarded entity for income tax purposes and is included in the income tax return filed by CDCO.

OCCI is a domestic business corporation registered in Oregon.

OCAN is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Since OCAN is exempt from federal and state income tax liability, no provision for federal or state income taxes has been included in these consolidated financial statements.

For the year ended December 31, 2023, management of the Organization believes there has been no activity that would jeopardize the tax position, being a tax exempt organization, and that is more likely than not, based on the technical merits, that this position would be sustained upon examination. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were none for the year ended December 31, 2023.

Note 2 - Summary of Significant Accounting Policies, continued

Revenue Recognition

Grants and Contributions
Contributions and grants are recorded as revenue when they are considered to be either unconditional, or if considered to be conditional, once the conditions are met. For a contribution or grant to be conditional, it must have both a barrier and right of return/release. All contributions are considered to be available for the Organization's unrestricted use unless specifically restricted by the donor. Contributions restricted by the donor are recorded as net assets with donor restrictions, as appropriate. Grants are restricted by the grantor for specific activities and are recorded as net assets with donor restrictions. When the restrictions are satisfied, the net assets with donor restriction amounts are released to net assets without donor restrictions.

Program Services Revenue and Deferred Revenue
Program services revenue represent amounts that are received from the various programs that are offered by the Organization. Any amounts received in advance prior to providing the service are recorded as deferred revenue.

Contributed Goods and Services
Donations of supplies and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired supplies or assets are utilized or placed in service. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Donated services are recognized as contributions if the services, (a) create or enhance non-financial assets, or (b) require specialized skills which are performed by people with those skills and would otherwise be purchased by the Organization. Donated goods and services are received for the Community Outreach Programs and Food Systems Collaborative.

Functional Allocation of Expenses
The costs of providing the program and supporting activities have been summarized on a functional basis in the consolidated statement of functional expenses. Allocations are based upon either direct payments that provide a benefit to support the service or are based on time and effort. Payroll and related costs were allocated for the year ended December 31, 2023.

Accounting for Credit Losses on Accounts Receivable
Effective January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivables, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability.

Management has analyzed the provisions contained in Topic 326 and determined that there is no impact on net assets as of January 1, 2023, due to the adoption of the new policy.

Subsequent Events
The Organization's management has evaluated subsequent events through May 28, 2024, the date the consolidated financial statements were available to be issued. See Note 12.

Note 3 - Availability and Liquidity

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of liquidity management, the Organization has three committed lines of credit which are available for use as needed.

Financial assets at year end:		
Cash	$	727,539
Receivables to be collected within one year		1,057,065
Total current assets		1,784,604
Less assets not currently available to be used within one year:		
Net assets with donor restrictions		(75,000)
Financial assets available to meet cash needs for general expenditure within one year	$	1,709,604

Note 4 - Property and Equipment

Property and equipment consist of the following:

Buildings and improvements	$	6,614,341
Furniture and equipment		584,282
Vehicles		51,185
Land		1,679,600
		8,929,408
Less accumulated depreciation		(818,078)
	$	8,111,330

Depreciation and amortization expense for the year ended December 31, 2023 was $379,501.

Note 5 - Long-Term Debt

The Organization's long-term debt consists of the following at December 31:

Small Business Administration Economic Injury Disaster Loan, payable monthly in the amount of $641, including interest at 2.75% beginning December 2022, maturing December 2052.	$	146,098
Northwest Private Lending, Inc. Loan, interest only payments due monthly at a rate of 12%. Loan due in full February 1, 2025.		1,300,000
	$	1,446,098

Note 5 - Long-Term Debt, continued

Future maturities of long-term debt for the years ending December 31, are as follows:

2024	$ 3,537
2025	1,303,636
2026	3,737
2027	3,841
2028	3,948
Thereafter	127,399
	$ 1,446,098

Note 6 - Net Assets

Net assets with donor restrictions for the year ended December 31, 2023 were $75,000. The amount is to be used for the region's vulnerable and hard-to reach populations.

Note 7 - Lines of Credit

The Organization holds three lines of credit. The first is an unsecured line of credit with Umpqua Bank. The line of credit bears a maximum limit of $25,000 with a stated interest at 9%. There is no stated maturity date on the line of credit. As of December 31, 2023, there was a balance of $19,629.

The second line of credit is secured by collateral with KeyBank National Association. The line of credit bears a maximum limit of $750,000 with variable interest currently at 9.5%. Interest payments are due monthly, and the line of credit is due on demand. At December 31, 2023, there was a balance of $580,000. The line of credit is secured by all assets of CDCO.

The third line of credit is secured by collateral with Key Bank National Association. The line of credit bears a maximum limit of $50,000 with variable interest currently at 10%. Interest payments are due monthly, and the line of credit is due on demand. At December 31, 2023, there was a balance of $10,000. The line of credit is secured by all assets of CDCO.

Note 8 - Other Liabilities

Other liabilities consist of payroll from prior periods that was not paid to a key member of management. The terms for payments require positive unrestricted cash flow in future years. The remaining balance due as of December 31, 2023 is $100,073.

Note 9 - Retirement Plan

During 2021, the Organization adopted a qualified 401(k) retirement plan for its employees. All employees of the Organization are eligible for the plan except for employees covered by a collective bargaining agreement, leased employees and non-resident aliens. Employees may defer a portion of their wages into the plan. The Organization may make matching or discretionary contributions to the plan. The Organization did not make any employer contributions to the plan during 2023.

Note 10 - Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes. For 2020, the credit is up to $10,000 per employee for the year, and for 2021, the credit is up to $10,000 per employee per quarter for eligible employees. In January 2023, the organization applied for $16,969 in credits associated with 2020 and $273,948 in credits associated with 2021. These amounts were received in full in August 2023.

Due to the complexity and uncertain requirements for the ERC, Management has recorded a valuation allowance against the ERC income of $273,948 pertaining to the credits received for 2021. This amount is included in deferred revenue on the Statement of Financial Condition. The valuation allowance will be relieved at the end of the potential Internal Revenue Service (IRS) audit period. The IRS has three years to audit most ERC claims, but it has five years to audit payroll tax returns with ERCs that were filed for the third quarter of 2021. In the event that the Organization is audited, and the ERC is reduced, the Organization could also be liable for penalties and interest.

Note 11 - Concentrations

At December 31, 2023, 83% of grants receivable were from three agencies. During the year ended, December 31, 2023, 86% of grant revenue was from three agencies and 93% of the in-kind donations were received from two companies.

Note 12 - Subsequent Event

On January 17, 2024, the Organization purchased a parcel of land for $165,000. On February 26, 2024, the Organization purchased a parcel of land and a building for $488,000. The purchases were financed through a $550,000 note with Northwest Private Lending which bears an interest rate of 12%. Interest only payments are due monthly, and the full loan balance is due February 1, 2026.

SUPPLEMENTAL INFORMATION

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidating Schedule of Financial Position

December 31, 2023

	Community Development Corporation of Oregon	East County Housing, LLC	Oregon Community Capital Inc.	Oregon Capital Asset Network	Eliminating Entries	Total
ASSETS						
Cash	$ 713,839	$ 131	$ 5,000	$ 8,569	$ -	$ 727,539
Accounts receivable, intercompany	7,800	-	-	-	(7,800)	-
Grants receivable	1,057,065	-	-	-	-	1,057,065
Notes receivable	-	-	-	13,216	-	13,216
Notes receivable, intercompany	2,068,861	-	-	-	(2,068,861)	-
Property and equipment, net of accumulated depreciation	71,241	8,040,089	-	-	-	8,111,330
Intangible assets, net of accumulated amortization	-	15,000	-	-	-	15,000
Other assets	12,167	-	-	-	-	12,167
Total Assets	$ 3,930,973	$ 8,055,220	$ 5,000	$ 21,785	$ (2,076,661)	$ 9,936,317
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	$ 404,957	$ -	$ -	$ -	$ -	$ 404,957
Accounts payable, intercompany	-	-	-	7,800	(7,800)	-
Accrued payroll	132,808	-	-	-	-	132,808
Accrued expenses	4,141	-	-	-	-	4,141
Other liabilities	100,073	-	-	-	-	100,073
Deferred revenue	900,823	-	-	-	-	900,823
Lines of credit	599,629	-	-	10,000	-	609,629
Notes payable, intercompany	-	2,062,937	5,924	-	(2,068,861)	-
Long-term debt	1,446,098	-	-	-	-	1,446,098
Total Liabilities	3,588,529	2,062,937	5,924	17,800	(2,076,661)	3,598,529
Net Assets (Deficit):						
Without Donor Restrictions	267,444	5,992,283	(924)	3,985	-	6,262,788
With Donor Restrictions	75,000	-	-	-	-	75,000
Total Liabilities and Net Assets	$ 3,930,973	$ 8,055,220	$ 5,000	$ 21,785	$ (2,076,661)	$ 9,936,317

COMMUNITY DEVELOPMENT CORPORATION OF OREGON AND SUBSIDIARIES

Consolidating Schedule of Activities

Year Ended December 31, 2023

	Community Development Corporation of Oregon	East County Housing, LLC	Oregon Community Capital Inc.	Oregon Capital Asset Network	Eliminating Entries	Total
Revenue and Other Support:						
Grants and contributions	$ 5,232,868	$ -	$ -	$ -	$ -	$ 5,232,868
Other income	58,573	-	-	-	-	58,573
Contributed goods and services	38,867	-	-	-	-	38,867
Total Revenue and Other Support	5,330,308	-	-	-	-	5,330,308
Expenses:						
Program services	4,095,618	362,537	600	708	-	4,459,463
Support services:						
General and administrative	816,118	-	-	-	-	816,118
Fundraising	282,025	-	-	-	-	282,025
Total Expenses	5,193,761	362,537	600	708	-	5,557,606
Change in Net Assets	136,547	(362,537)	(600)	(708)	-	(227,298)
Net Assets (Deficit), beginning	205,897	6,354,820	(324)	4,693	-	6,565,086
Net Assets (Deficit), ending	$ 342,444	$ 5,992,283	$ (924)	$ 3,985	$ -	$ 6,337,788

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Community Development Corporation of Oregon and Subsidiaries
Gresham, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Community Development Corporation of Oregon and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Community Development Corporation of Oregon and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Development Corporation of Oregon and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Development Corporation of Oregon and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described below, that we consider to be a material weakness.

2023-001 – Segregation of Duties and Supervision and Review
Criteria: Internal controls should be designed to safeguard assets and help or detect losses from employee dishonesty or error.

Condition: Internal controls are insufficient to safeguard assets and are not appropriately designed to require segregation of duties.

Cause: The Organization is small and utilizes QuickBooks for their accounting. Within QuickBooks, there is a lack of IT controls to ensure approval of transactions occurs. In addition, there is no formal review or approval process for many transactions and reconciliations.

Effect: Fraud or error could occur which would go undetected.

Recommendation: We recommend management review the circumstances surrounding the internal control recommendations noted and improve the separation of responsibilities or provide additional supervision if responsibilities cannot be segregated. In addition, management should ensure reviews that occur are documented.

Views of responsible officials: Management agrees with the finding and will reevaluate processes and procedures to allow for appropriate internal controls in future years.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Corporation of Oregon and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Development Corporation of Oregon and Subsidiaries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Community Development Corporation of Oregon and Subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Community Development Corporation of Oregon and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Aldrich CPAs + Advisors LLP

Lake Oswego, Oregon
May 28, 2024