MERCED COUNTY COMMUNITY ACTION BOARD, INC.

FINANCIAL STATEMENTS

June 30, 2007

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AUDITS

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Merced County Community Action Board, Inc.
We have audited the accompanying statement of financial position of Merced County Community Action Board, Inc. as of June 30, 2007 and the related statements of activities and statement of function expenses as well as cash flows for the year then ended. These financial statements are the responsibility of Merced County Community Action Board, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the United States generally accepted auditing standards 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.

As discussed in Note 1 to the financial statements, Merced County Community Action Board, Inc. has not maintained their records to show depreciation with the Government owned assets but records the cost of assets purchased in the year of purchase. The effect of this departure from generally accepted accounting principles is not considered material when taken in relationship to the program as a whole.

In our opinion except for the effect of the departure from generally accepted accounting principles as described above, the financial statements referred to above present fairly, in all material respects, the financial position of Merced County Community Action Board, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2008, on our consideration of Merced County Community Action Board, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contacts and grants agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performance in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Merced County Community Action Board, Inc. taken as a whole. 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, Local Governments, and Non-Profit Organizations, as well as other supplemental schedules, and are not a required part of the basic financial statements. Such information has been subjected to the auditing

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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.

Watts, Campbell, Chi & Baker

Watts, Campbell, Chi & Baker
Accountancy Corporation
January 25, 2008

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Statement of Financial Position

June 30, 2007

ASSETS

Current Assets	
Cash and cash equivalents	546,710
Grant receivable	731,934
Prepaid expense	23,186
Inventory	32,991
Total Current Assets	1,334,821
Property and Equipment, net of accumulated depreciation	603,954
Land	344,847
Construction in progress	233,619
Merced County Insurance Trust	239,175
California Department of Education Cash Reserve	260,082
Total Assets	3,016,498

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	447,101
Program advances	207,183
Current portion of the long-term debt	23,961
Total Current Liabilities	678,245
Long-Term Liabilities	
California Department of Education Cash Reserve	260,082
Long-term note	798,418
Total Long-Term Liabilities	1,058,500
Total Liabilities	1,736,745
Net Assets	
Unrestricted	1,279,753
Total Net Assets	1,279,753
Total Liabilities and Net Assets	3,016,498

See accompanying notes to financial statements.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Statement of Activities

For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains & Supports			
Program revenue & grants	6,138,423	-0-	6,138,423
Support	2,995	-0-	2,995
Rental income	9,899	-0-	9,899
Miscellaneous income	18,532	-0-	18,532
Interest income	43,018	-0-	43,018
Gain on sales of assets	-0-	-0-	-0-
Satification on program restriction	-0-	-0-	-0-
Total Support, Revenue and Gains	6,212,867	-0-	6,212,867
Expenses			
Program services			
Housing/shelter	304,102	-0-	304,102
Weatherization	955,994	-0-	955,994
Early family nutrition program	2,166,105	-0-	2,166,105
Senior food/nutrition	832,909	-0-	832,909
Early childhood care	1,090,636	-0-	1,090,636
Total Program Services	5,349,746	-0-	5,349,746
Support Activities			
General & administration	769,600	-0-	769,600
Total Support Services	769,600	-0-	769,600
Total Expenses	6,119,346	-0-	6,119,346
Increase (Decrease) in Net Assets	93,521	-0-	93,521
Net Assets at Beginning of the Year	1,373,270	-0-	1,373,270
Prior Year Adjustment	(187,038)	-0-	(187,038)
Net Assets at End of Year	1,279,753	-0-	1,279,753

See accompanying notes to financial statements.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Profit & Loss by Class

Statement of Functional Expenses

July 2006 through June 2007

	PROGRAM SERVICE						SUPPORT ACTIVITIES		
	Housing Shelter Program	Weatherization	Family Nutrition Program	Senior Food/ Nutrition	Early Childhood Care	Total Program Services	G & A	Total Support Activities	Grand Total
Salary	117,040	386,176	1,229,780	201,314	611,226	2,5545,537	251,634	251,634	2,797,171
Accrued vacation expense	-0-	-0-	-0-	-0-	-0-	-0-	16,825	16,825	16,825
Payroll tax	11,683	38,432	114,000	23,080	59,067	246,262	22,919	22,919	269,181
W/C Ins	8,376	49,138	51,669	24,789	33,498	167,469	16,618	16,618	184,087
Employee benefit	5,611	53,652	154,720	7,337	103,987	325,307	24,118	24,118	349,425
Contractor expense	33,663	9,402	16,150	2,419	3,981	65,615	38,431	38,431	104,046
Professional/contracting service	8,232	7,222	3,232	1,843	2,342	22,871	32,393	32,393	55,264
Insurance	-0-	5,652	13,020	5,940	13,419	38,031	13,001	13,001	51,032
Auto insurance	-0-	8,301	5,466	7,511	-0-	21,278	1,106	1,106	22,384
Space rent/lease	75,260	34,511	188,875	59,406	56,899	414,951	35,573	35,573	450,524
Equipment rental	-0-	222	407	-0-	242	871	2,454	2,454	3,325
Storage	-0-	216	-0-	-0-	-0-	216	-0-	-0-	216
Utilities	6,637	14,733	36,546	17,800	17,222	92,938	17,804	17,804	110,742
Telephone/internet	5,035	5,147	45,138	6,616	5,540	67,476	5,202	5,202	72,678
Office expense	1,195	2,662	32,247	671	782	37,557	2,416	2,416	39,973
Postage	-0-	578	1,118	12	317	2,025	2,311	2,311	4,336
Printing	-0-	2,754	936	1,292	1,519	6,501	-0-	-0-	6,501
Advertising	225	2,511	8,734	245	1,373	13,088	1,213	1,213	14,301
Dues & subs	-0-	316	1,529	100	419	2,364	2,089	2,089	4,453
License/fees	-0-	756	723	-0-	1,919	3,398	1,792	1,792	5,190
Other operating expense	374	154	26,712	-0-	679	27,919	1,505	1,505	29,424
Food & supplies	1,552	389	2,072	338,682	92,854	435,549	136,773	136,773	572,322
Janitorial/household supply	5,528	597	28,803	4,620	8,274	47,822	4,658	4,658	52,480

See accompanying notes to financial statements.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Profit & Loss by Class

Statement of Functional Expenses

July 2006 through June 2007

	PROGRAM SERVICE						SUPPORT ACTIVITIES		
	Housing Shelter Program	Weatherization	Family Nutrition Program	Senior Food/ Nutrition	Early Childhood Care	Total Program Services	G & A	Total Support Activities	Grand Total
Repair & maintenance	3,105	884	27,329	1,655	8,370	41,343	13,734	13,734	55,077
Security expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Auto & Gas	51	23,758	15,268	45,971	2,664	87,712	2,259	2,259	89,971
Travel	-0-	7,531	21,059	666	-0-	29,256	21,427	21,427	50,683
Computer expense	-0-	629	89,679	1,369	574	92,251	1,516	1,516	93,767
Food serving equipment	-0-	-0-	-0-	74,491	-0-	74,491	-0-	-0-	74,491
Supplies/minor equipment	1,051	2,514	15,964	3,771	587	23,887	954	954	24,841
Building material	-0-	256,055	-0-	-0-	-0-	256,055	-0-	-0-	256,055
Client assistance	9,630	37,466	-0-	-0-	-0-	47,096	-0-	-0-	47,096
Instructional material	-0-	-0-	-0-	-0-	15,583	15,583	-0-	-0-	15,583
Other program expense	9,854	3,636	34,929	1,309	47,279	97,007	22,010	22,010	119,017
Interest expense	-0-	-0-	-0-	-0-	-0-	-0-	45,327	45,327	45,327
Bank charges	-0-	-0-	-0-	-0-	20	20	1,954	1,954	1,974
Depreciation expense	-0-	-0-	-0-	-0-	-0-	-0-	29,584	29,584	29,584
Total	304,102	955,994	2,166,105	832,909	1,090,636	5,349,746	769,600	769,600	6,119,346

See accompanying notes to financial statements.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Statement of Cash Flows

For the year ended June 30, 2007

Cash Flows from Operating Activities:	
Change in net assets	93,521
Add back depreciation expense	29,584
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in receivables	(115,059)
(Increase) decrease in prepaid expense	102,621
(Increase) decrease in inventory	(13,260)
Increase (decrease) in payables	49,245
Increase (decrease) in program advances	(111,638)
Net Cash Provided (Used) by Operating Activities	35,014
Cash Flows from Investing Activities:	
Fixed assets purchased	(1,019,153)
Net Cash Provided (Used) by Investing Activities	(1,019,153)
Cash Flows from Financing Activities:	
Bank loans proceeds	612,379
State Department of Education Reserve Charge	(220,482)
Net Cash Provided (Used by Financing Activities	391,897
Net Increase (Decrease) in Cash	(592,242)
Cash at Beginning of Year	1,138,952
Cash at End of Year	546,710

* Interest Paid 53,327

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES

Nature of Activities

Merced County Community Action Board, Inc. is a not-for-profit organization. The organization is exempted from federal income taxes under 501(c)(3), from state income taxes under R&TC Section 23701d.

The organization which is one of more than 1,000 community action agencies nationally, has been designated by the federal government to combat poverty in Merced County. The organization serves Merced County by providing an integrated network of services in 13 communities and cities, such as providing homeless shelters, processing in utility payments, serving meals to vulnerable residents and providing care services to children.

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Grant and Contracts

Revenue received under grants and contracts with the various federal, state, county departments and private foundations are recorded in the appropriate fund when the related costs are incurred prior to year-end. Program advances represent cash received in advance of the related expenses.

Property and Equipment

The organization records purchased property and equipment at cost; there were no donated fixed assets. Assets purchased with governmental grant or contract funds are subject to certain restrictions for which depreciation may not be claimed against government funds.

Building and equipment not purchased with government funding are depreciated over the life of the fixed assets on a straight-line basis.

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES (continued)

Inventory

Inventory is stated at the lower of cost or market on the first-in first-out method. Weatherization and Cherish are the only two programs that have inventory/materials on hand. The ending inventory in the Weatherization program is $18,557 and $1,174 in Cherish program.

Functional Allocation of Expenses

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

Income Taxes

Merced County Community Action Board, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Merced County Community Action Board, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 06/07 year.

Financial Statement Presentation

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization is required to present a Statement of Cash Flows. In addition, the organization has presented a Statement of Functional Expenses, which provides useful information about expenses by function (program and service) in an effort to associate its expenses with its service efforts and accomplishments. As permitted by the Statement, the organization uses und accounting for its internal purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT POLICIES (continued)

Contributions/Government Grants

The organization has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction. In addition, all California Department of Education contracts are considered revenue, except for one-time only grants. One-time only grants are considered as support.

Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to the accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as liabilities of the organization since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenses in the period sick leave is taken.

NOTE 2 - SUMMARY OF GRANTS/CONTRACTS FUNDING

Funding Source	Grant Contract Name/No.	Grant Contract Period	Total Grant/ Contract	Amount Recognized
Department of Housing and Urban Development	05-FESG #1341	10/05-9/07	$93,930	$44,253
Department of Housing and Urban Development	05-FESG #1349	10/05-9/07	$77,487	$30,599
Department of Housing and Urban Development	06-FESG-2293	10/05-9/08	$89,889	$5,000
Department of Housing and Urban Development	04-EHAP-0683	6/05-8/06	$35,400	$17,700

NOTE 2 – SUMMARY OF GRANTS/CONTRACTS FUNDING (continued)

Funding Source	Grant Contract Name/No.	Grant Contract Period	Total Grant/ Contract	Amount Recognized
Department of Housing and Urban Development	05-EHAP-1912	3/06-4/07	$31,444	$31,444
Department of Housing and Urban Development	HMIS Matching	11/06-10/08	$162,330 $38,650	$47,155
Department of Housing and Urban Development via Merced County	CWS 2005301	12/06-4/07	$37,000	$37,000
Department of Housing and Urban Development via Merced City	CWS 250816	12/06-3/07	$44,000	$44,000
Department of Homeland Security	FEMA	1/06-12-06	$50,923	$26,384
Merced County Mental Health	Home start	1/07-12/09	$21,174	$20,567
Department of Health and Human Services via CSD	LIHEAP-Weatherization 07B-5424	1/07-12/07	$435,641	$183,630
Department of Health and Human Services via CSD	LIHEAP-Weatherization 06B-5374	1/06-12/06	$729,896	$574,250
Department of Health and Human Services via CSD	Madera LIHEAP Weatherization 07B-5421	1/07-12/07	$143,647	$56,451

NOTE 2 – SUMMARY OF GRANTS/CONTRACTS FUNDING (continued)

Funding Source	Grant Contract Name/No.	Grant Contract Period	Total Grant/ Contract	Amount Recognized
Department of Health and Human Services via CSD	Madera LIHEAP Weatherization 06B-5371	1/06-12/07	$272,565	$239,948
Department of Energy Via CSD	DOE Weatherization 06C-1622	4/06-1/07	$119,499	$100,032
Turlock irrigation District	Turlock Weatherization P060362	1/06-12/06	$30,000	$11,839
P G & E	CARE	1/07-12/07	$12,000	$ 1,080
Runyon Saltzman & Einhorn, Inc.	Flex your power	3/07-12/07	$12,000	$10,500
US Department of Agriculture	WIC 05-45779	10/05-9/08	$6,582,000	$2,147,206
Department of Health and Human Services	Cherish	7/06-6/07	$854,464	$651,464
United Way	Cherish			$ 214

NOTE 2 – SUMMARY OF GRANTS/CONTRACTS FUNDING (continued)

Funding Source	Grant Contract Name/No.	Grant Contract Period	Total Grant/ Contract	Amount Recognized
Department of Agriculture via California Department of Education	Child and Adult Care Food Program 24-1400-0J	10/06-9/07	Reimbursement of meals and supplement	$82,178
California Department of Education	State Meal Reimbursement 24-1400-0J	10/06-9/07	Reimbursement	$5,984
California Department of Education	General Center Child Care CCTR-6220	7/06-7/07	777,652	$777,652
California Department of Education	State Preschool CPRE-6207	7/06-7/07	$162,647	$162,647
California Department of Education	CCD Instructional Material CIMS-6321	7/06-7/07	$3,719	$3,719
California Department of Education	Infant & Toddler Resource CCAP-6218	7/06-6/07	$750	$750
California Department of Education	Pre-Kindergarten Resource CPKR-5330	7/06-6/07	$6,440	$6,440
Department of Health and Human Services via CSD	CSBG Community Services 06F-4727	1/06-12/06	$397,311	$208,189
Department of Health and Human Services via CSD	CSBG Community Services 07F-4727	1/07-12/07	$392,914	$162,717

NOTE 3 – GRANT AND CONTRACT RECEIVABLES AND ADVANCES

Grant Agency	Grant Name	Grant Receivable	Grant Advance
Department of Housing	FESG #1341	17,899	
Department of Housing	FESG #1349	6,172	
Merced County	Home Start	52,011	
Department of Health	LIHEAP	39,284	108,911
Department of Health	Madera LIHEAP	65,348	
Turlock Irrigation	Weatherization	4,112	
PG&E	Care	60	
Department of Agriculture	WIC	394,321	
Department of Health & Human Service	Cherish	63,584	
Department of Agriculture	Child & Adult Care Food Program	16,825	
Department of Health & Human Services	CSBG Community Services	72,318	98,272
Total		731,934	207,183

NOTE 4 – ACCUMULATED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the organization.

NOTE 5 – CONTRIBUTORY RETIREMENT PLAN

The organization has established a contributory retirement plan available for its employees which allows participants to make tax deferred investment contributions. The plan qualifies as a Cash or Deferred Arrangement 401(k) Plan. The Plan reports on a calendar year. The organization makes no contributions to the plan for the contracts covered by this audit.

NOTE 6 – CONTINGENCIES

The organization has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the contracts, management believes that any required reimbursements will not be material.

NOTE 7 – ACCOUNT PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are the expenses occurred but not paid as of June 30, 2007.

Accounts payable and accrued expenses of $397,856 consist of the following items:

Program related expenses accrual	185,304
Accrued payroll	101,273
Accrued vacation	146,896
Employee insurance payable	13,403
Employees' 401K withholding	225
Total	447,101

NOTE 8 – CENCENTRATION OF CREDIT RISK

Merced County Community Action Board, Inc. maintains its cash account in County Bank. The account is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. A summary of the total insured cash balance is as follows:

Total cash held in County Bank	806,342
Portion insured by FDIC	(100,000)
Uninsured cash balance	706,342

NOTE 9 – DONATED MATERIAL

Merced County Community Action Board, Inc. has non-monetary donations from the public. Because the amount is immaterial during 06/07 year, the organization chooses not to record it in the book

NOTE 10 – ALLOCATION OF EXPENSES

Most expenses are allocated to programs and supporting activities on a percentage derived from employee hours spent on individual programs. The balance of expenses is appropriated based upon usage of various resources. Example of these would be rent, utilities, equipment and furniture.

NOTE 11 – NATURE OF ESTIMATES

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

NOTE 12 – PREPAID EXPENSES

The funding agreements with the California Department of Education allow the Agency to record "reserve" for the amounts not earned during the current year up to certain year, up to certain amounts. These reserves are presented as a deferred revenue liability and are not included in current year revenue. As of June 30, 2007, the reserve's total balance was $260,082.

NOTE 13 – NOTES PAYABLE

A promissory note of $210,000 payable to Martin Mortgage Corporation secured by the deed of trust primarily on property located at 151 W. 20th Street, Merced, California and secondarily by a portion of the property located at 1202 E 21st Street, Merced, California. The loan requires interest payments only until matured on 08/20/2009. The interest rate is 10.850% per year.	$210,000

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NOTE 13 – NOTES PAYABLE(con't)

A promissory note of $262,650 payable to County Bank secured by properties located at 13276, 13278 Woodrow LeGrand, California and 4140 Cook LeGrand, California. The loan will be matured on June 27, 2022, with an initial interest rate of 7.23% and adjusted later based on the 5 year Treasury rate ("money rate") plus a margin of 2.5 percentage points.	$262,650
A promissory note of $352,500 payable to County Bank, secured by the deed of the trust of property located at 1160 Third Street, Atwater, California. The loan will be matured on December 25, 2016 with an initial interest rate of 7.08% and adjustable based on the 5 year Treasury rate ("money rate") plus a margin rate of 2.5 %.	$349,729
Total	$822,379

The minimum future principal payments are summarized as follows:

June 2008	23,961
June 2009	25,788
June 2010	28,167
June 2011	31,746
June 2012	33,104
June 2013 and thereafter	679,613
Total Due	822,379
Less current portion	23,961
Long term portion	798,418

NOTE 14 – FIXED ASSETS

Merced County Community Action Board, Inc.'s fixed assets are listed as follows:

Item		Accumulated Depreciation	Net Book Value
Land	344,847	-0-	344,847
Building	671,140	(124,262)	546,878
Leasehold Improvement	20,448	(1,022)	19,426
Computer	26,950	(24,661)	2,289
Office Equipment	14,300	(10,050)	4,250
Furniture & Fixture	46,370	(33,131)	13,239
Vehicle	22,817	(4,945)	17,872
Total	1,146,872	(198,071)	948,801

- Government owned assets totals $202,562, that belong to Department of Education Child Care & Preschool program.

Fixed Assets by Location

Housing	251,900
Office	109,437
	361,337

A homeless shelter is under construction and the construction in progress totaled in the amount of $233,619 in 06/07 year.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Merced County Community Action Board, Inc., has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 16 – PRIOR YEAR ADJUSTMENT

The beginning year net asset has been adjusted in the amount of $187,538 because the decrease of income in the prior year after 05-06 closed, California Department of Education requested $260,082 to be in the cash reserve account to accommodate the Fund under spent, the income was adjusted accordingly. The $72,544 difference was the combination of expenses and income adjusted back to prior year.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Merced County Community Action Board, Inc.

Our report on our audit of the accompanying financial statements of Merced County Community Action Board, Inc. appears at the beginning of these financial statements. This audit was made primarily for the purpose of expressing an opinion on the basic financial statements, taken as a whole. The data included in the accompanying schedules, although not considered necessary for a fair presentation of the financial statements, are presented for supplemental analysis purposes. This supplementary information has been subjected to the audit procedures applied in the audit of the basic financial statements and is subject to the same opinion.

Watts, Campbell, Chi & Baker

Watts, Campbell, Chi & Baker
Accountancy Corporation
January 25, 2008

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MERCED COUNTY COMMUNITY ACTION AGENCY

Schedule of Expenditures of Federal Award

For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US Department of Agriculture			
Pass-Through Program from California Department of Health Services			
Special Supplemental Nutrition Program for women, infants and children	10.557	05-45779	2,166,105
Pass-Through Program from California Department of Education			
Child and Adult Food Program	10.558	24-1400-0J	82,178
Total Pass-Through Program			2,248,283
Total US Department of Agriculture			2,248,283
US Department of Energy			
Pass-Through Program from California Department of Community Service and Development			
Weatherization Assistance for Low-Income Persons	81.042	06C-1622	91,172
Total Pass-Through Program			91,172
Total US Department of Energy			91,172

MERCED COUNTY COMMUNITY ACTION AGENCY

Schedule of Expenditures of Federal Award

For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US Department of Health and Human Services			
Pass-Through Program from Merced County			
Elderly Nutrition-congregate meals	93.045	C1	301,147
Elderly Nutrition-home delivered meals	93.045	C2	350,317
Pass-Through Program from California Department of Community Service and Development			651,464
Low Income Home Energy Assistance	93.568	07B-5424 LIHEAP	153,711 ✓
Low Income Home Energy Assistance	93.568	06B-5374 LIHEAP	475,861 ✓
Low Income Home Energy Assistance	93.568	05P-6120 Madera PREA	7,986
Low Income Home Energy Assistance	93.568	07B-5421 Madera LIHEAP	39,934
Low Income Home Energy Assistance	93.568	06B-5371 Madera LIHEAP	160,244
			837,736
Community Service Block Grant	93.569	06 ~~07~~F-4727	162,717 } 370,906 ✓
Community Service Block Grant	93.569	06F-4727	208,189
			370,906
Total Pass-Through Program			1,860,106
Total Department of Health and Human Services			1,860,106

MERCED COUNTY COMMUNITY ACTION AGENCY

Schedule of Expenditures of Federal Award

For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US Department of Homeland Security			
Direct Program			
Emergency Food and Shelter National Board Program	97.024	FEMA	26,384
			26,384
Total Direct Program			26,384
Total US Department of Homeland Security			26,384
US Department of Housing and Urban Development			
Total Pass-Through Programs from California Department of Housing and Community Development			
Federal Emergency Shelter Grant	14.228	FESG 1341	44,253
Federal Emergency Shelter Grant	14.228	FESG 1349	30,599
Federal Emergency Shelter Grant	14.228	FESG 2293	5,000
Emergency Housing and Assistance Program	14.228	04-EHAP-0683	17,700
Homeless Management Information System	14.228	HMIS	47,155
Emergency Housing and Assistance Program	14.228	05-EHAP-1592	31,444
			176,151
Pass-Through Program from Merced County			
Community Development Block Grant/Transitional Housing	14.218	CWS County	37,000
Pass-Through Program from Merced County			
Community Development Block/Grant/Transitional Housing	14.218	CWS City	44,000
			81,000
Total Pass-Through Program			257,151
Total US Department of Housing and Urban Development			257,151
Total Expenditure of Federal Award			4,483,096

Merced County Community Action Board, Inc.

Schedule of Revenue and Expense by Individual Fund

June 30, 2007

	Income	Expense	Revenue over (under) expense
Housing			
FESG 1341	44,253	44,253	0
FESG 1349	30,599	30,599	0
FESG 2293	5,000	5,000	0
EHAP 04-0683	17,700	17,700	0
EHAP 05-1912	31,444	31,444	0
HMIS	47,155	47,155	0
CWS County	37,000	37,000	0
CWS City	44,000	44,000	0
FEMA	26,384	26,384	0
Home Start	20,567	20,567	0
Support	2,973	0	2,973
Misc.	1,429	0	1,429
Total Housing	**308,504**	**304,102**	4,402
Weatherization			
LIHEAP07B-5424	183,630	153,711	29,919
LIHEAP06B-5374	574,250	475,861	98,389
MaderaLIHEAP 07B-5424	56,451	39,934	16,517
MaderaLIHEAP 06B-5371	239,948	160,244	79,704
DOE 06C-1622	100,032	91,172	8,860
Turlock	35,635	27,500	8,135
CARE	1,080		1,080
Flex the Power	10,500	7,571	2,929
Total Weatherization	**1,201,526**	**955,993**	**245,533**
WIC			0
WIC	2,112,482	2,131,381	(18,899)
Supplement	34,724	34,724	0
Total WIC	**2,147,206**	**2,166,105**	(18,899)
Cherish			0
Cherish C1	301,147	301,147	0
Cherish C2	350,317	350,317	0

Merced County Community Action Board, Inc.

Schedule of Revenue and Expense by Individual Fund

June 30, 2006

	Income	Expense	Revenue over (under) expense
Cherish (con't)			
UnitedWay	214	214	0
Support	22	22	0
Senior Meals	100,190	179,709	(79,519)
Misc.	1,500	1,500	0
Total Cherish	**753,390**	**832,909**	(79,519)
Child Care			
Fed Food Program #24-1400-(	82,178	82,178	0
State meals	5,984	5,984	0
Child Care CCTR-6220	777,652	790,125	(12,473)
State Preschool CPRE-6207	162,647	176,561	(13,914)
Intructional Mate: CIMS-6321	3,719	3,719	0
Infant Toddler Resource CPK	750	750	0
Prekindergarten Resource			0
CPKR-5350	6,440	6,440	0
Parent Fees	24,879	24,879	0
Interest income	12,876		12,876
Total Child Care	**1,077,125**	**1,090,636**	(13,511)
CSBG			
CSBG 07F-4727	162,717	162,717	0
CSBG 06F-4727	208,189	208,189	0
Total CSBG	**370,906**	**370,906**	**0**
Non Program			
G&A, Other	354,210	781,693	(427,483)
Total Non-Program	**354,210**	**781,693**	**(427,483)**
Grand Total	**6,212,866**	**6,119,345**	**93,521**

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

PART 1: Summary of Auditor's Results

Financial Statements
Type of auditor's report issued: unqualified opinion
Internal control over financial reporting:

- Material weakness(es) identified? _____yes _X_ no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____yes _X_ none reported

Noncompliance material to financial Statements noted? _____yes _X_ no

Federal Awards
Internal control over major programs:

- Material weakness(es) identified? _____yes _X_ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes _X_ none reported

Type of auditor's report issued on compliance for major programs: unqualified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes _X_ no

Type A and type B programs:
Auditee qualified as low-risk auditee? _____yes _X_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
93.568	Low Income Home Energy Assistance
93.045	Elder Nutrition

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

See accompanying auditors' report.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

PART 2: Finding – Financial Statement Audit (GAGAS)

No Reportable Conditions

PART 3: Audit Findings and Questioned Costs (Major Programs – Circular A-133, Section __.510) (a)

No Reportable Conditions

PART 4: Status of Prior Year Findings

No Reportable Conditions

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Revenue & Expense
CSD Contract 07F-4727
Contract Period: January 1, 2007 – December 31, 2007

		Current Period July 06 – June 07	Total to Date	Total Budget
A. Administrative Costs				
1.1	Salaries & Wages	80,348	80,348	168,822
1.2	Fringe Benefits	11,412	11,412	38,261
1.3	Operating Expenses & Equipment	70,957	70,957	152,005
1.4	Out-of-State Travel	-0-	-0-	7,000
1.5	Subcontractor Services	-0-	-0-	-0-
1.6	Other Costs	-0-	-0-	-0-
1.70	**Subtotal Section A. Administrative Costs**	162,717	162,717	366,088
B. Program Costs				
2.1	Salaries & Wages	-0-	-0-	21,869
2.2	Fringe Benefits	-0-	-0-	4,957
2.3	Operating Expenses & Equipment	-0-	-0-	-0-
2.4	Out-of-State Travel	-0-	-0-	-0-
2.5	Subcontractor Services	-0-	-0-	-0-
2.6	Other Costs	-0-	-0-	-0-
2.70	**Subtotal Section B: Program Costs**	-0-	-0-	26,826
	C. Total Costs	162,717	162,717	392,914
Revenue				
Contract: 07F-4727		162,717	162,717	392,914

See accompanying auditors' report.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Revenue & Expense
CSD Contract 07B-5424
Contract Period: January 1, 2007 – April 30, 2008

			Current Period July 06 – June 07	Total to Date	Total Budgeted
LIHEAP ENERGY					
10		ASSURANCE 16 PROGRAM COSTS			
	1	Assurance 16 Activities	27,891	27,891	54,742
20		INTAKE PROGRAM COSTS			
	2	Intake	5,398	5,398	14,204
30		ADMINISTRATIVE COSTS			
	3	Administrative Costs	6,023	6,023	33,113
40		ECIP PROGRAM COSTS			
	4	Cooling Service Repair/Repl	-0-	-0-	-0-
	5	Heating Service Repair/Repl	-0-	-0-	-0-
	6	Other ECIP Heat & Cool Program Costs	-0-	-0-	-0-
	7	Transportation Services	543	543	1,429
	8	Outreach	10,988	10,988	28,915
	9	Wood/Propane/Oil Payment	-0-	-0-	-0-
	10	Other ECIP Heat & Cool Program Costs	-0-	-0-	-0-
	11	Liability Insurance	457	457	1,202
	12	Training	-0-	-0-	-0-
	13	Vehicle & Equipment	-0-	-0-	-0-
	14	Workers' Compensation	6,908	6,908	18,179
50		HEAP OUTREACH WOP COSTS			
	16	Outreach	2,506	2,506	6,594
	17	Wood/Propane/Oil Payments	2,308	2,308	6,074
		Total Costs	63,022	63,022	164,454
LIHEAP WEATHERIZATION					
10		ADMINISTRATIVE COSTS			
	1	Administrative Costs	8,667	8,667	21,693
20		OTHER PROGRAM COSTS			
	2	Liability Insurance	686	686	1,960
	3	Training	1,898	1,898	5,423
	4	Vehicle & Equipment (Duct Blasters)	-0-	-0-	-0-
30		PROGRAM COSTS			
	6	Intake (Eligibility Determination)	1,898	1,898	5,423
	7	Direct Program Activities	62,414	62,414	193,470
	8	Outreach	4,745	4,745	13,557
	9	Workers' Compensation	10,381	10,381	29,661
			90,689	90,689	271,187
			153,711	153,711	435,641
Revenues					
Energy			74,734	74,734	164,454
Wx Revenue			108,896	108,896	271,187
			183,630	183,630	435,641

See accompanying auditors' report.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Revenue & Expense

CSD Contract 06F-4727 Community Service Block Grant

Contract Period: January 1, 2006 – December 31, 2006

		Current Period July 06 – June 07	Total to Date	Total Budgeted	Difference
A. Administrative Costs					
1.1	Salaries & Wages	88,805	177,506	177,506	
1.2	Fringe Benefits	23,861	40,015	52,813	
1.3	Operating Expenses & Equipment	82,067	130,994	135,591	
1.4	Out of State Travel	-0-	851	5,000	
1.5	Subcontractor Services	-0-	-0-	-0-	
1.6	Other Costs	-0-	-0-	-0-	
1.70	**Subtotal Section A. Administrative Costs**	194,733	349,366	370,910	
B. Program Costs					
2.1	Salaries & Wages	11,116	21,955	21,955	
2.2	Fringe Benefits	2,340	4,833	4,466	
2.3	Travel (Out of State)	-0-	-0-	-0-	
2.4	Space	-0-	-0-	-0-	
2.5	Consumable Supplies	-0-	-0-	-0-	
2.6	Equipment Lease/Purchase	-0-	-0-	-0-	
2.7	**Subtotal Section B. Program Costs**	13,456	26,788	26,421	
	C. Total Expenses	208,189	376,154	397,331	*21,177
Revenue					
Contract: 06F-4727		208,189	376,413	397,311	20,898

See accompanying auditors' report.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Revenue & Expense
CSD Contract 06C-1622 DOE Weatherization
Contract Period: April 1, 2006 – January 31, 2007

	DOE Weatherization	Current Period July 06 – June 07	Total to Date	Total Budgeted	Difference
10	ADMINISTRATIVE COSTS				
1	Administrative Costs	4,290	5,974	5,974.00	
20	OTHER PROGRAM COSTS				
2	Financial Audit	-0-	-0-	150.00	
3	Health & Safety Measures	-0-	9,713	2,300.00	
4	Leveraging	-0-	-0-	-0-	
5	Liability Insurance	-0-	307	2,000.00	
6	Other Labor Costs	836	1,336	6,000.00	
7	Other Misc Program Costs	-0-	-0-	-0-	
8	Training and Technical Assistance	1,200	1,200	1,200.00	
9	Vehicle & Equipment (Acquisition Costs)	-0-	-0-	-0-	
30	PROGRAMS COSTS				
11	Client Education	-0-	167	2,000.00	
12	Direct Program Activities	79,437	93,130	86,597.00	
13	Intake	424	818	2,389.00	
14	Outreach	306	770	2,389.00	
15	Workers' Compensation	4,679	6,423	8,500.00	
	Total Costs	91,172	119,838	119,499	*339
	Revenue				
	Contract: 06C-1622	1,000,032	119,838	119,499	339

*over expense
reimbursement received

See accompanying auditors' report.

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Schedule of Revenue & Expense
CSD Contract ~~07B-5424~~ S/B 06B-5374
Contract Period: January 1, 2006 – December 31, 2007

	Current Period July 06 – June 07	Total to Date	Total Budgeted
LIHEAP ENERGY			
10 ASSURANCE 16 PROGRAM COSTS			
1 Assurance 16 Activities	85,785	104,944	93,941
20 INTAKE PROGRAM COSTS			
2 Intake	19,874	24,966	24,966
30 ADMINISTRATIVE COSTS			
3 Administrative Costs	19,295	27,899	42,191
3a Energy Automation Set Aside	12,307	15,460	15,460
40 ECIP PROGRAM COSTS			
4 Cooling Service Repair/Repl	-0-	-0-	-0-
5 Heating Service Repair/Repl	-0-	-0-	-0-
6 Other ECIP Heat & Cool Program Costs	-0-	-0-	-0-
8 Outreach	10,920	13,718	13,718
9 Wood/Propane/Oil Payment	-0-	-0-	-0-
10 Other ECIP Heat & Cool Program Costs	14,330	18,000	18,000
11 Liability Insurance	860	1,080	1,080
12 Training	1,194	1,500	1,500
13 Vehicle & Equipment	-0-	-0-	-0-
14 Workers' Compensation	7,960	10,000	10,000
50 HEAP OUTREACH WOP COSTS			
16 Outreach	14,885	18,699	18,699
17 Wood/Propane/Oil Payments	8,813	11,071	11,071
60 ENERGY EDUCATION WORKSHOPS			
19 Energy Education Workshop Program Costs	3,638	4,570	4,570
Total Costs Energy	199,861	251,907	255,196
LIHEAP WEATHERIZATION			
10 ADMINISTRATIVE COSTS			
1 Administrative Costs	26,645	33,581	37,946 ✓ = 06,07 & 08 OK
20 OTHER PROGRAM COSTS			
2 Liability Insurance	1,635	2,000	2,000
3 Training	7,677	9,393	9,393
4 Vehicle & Equipment (Duct Blasters)	-0-	-0-	-0-
30 PROGRAM COSTS			
6 Intake (Eligibility Determination)	7,677	9,393	9,393
7 Direct Program Activities	196,039	263,927	371,517
8 Outreach	19,190	23,481	23,483
9 Workers' Compensation	17,137	20,968	20,968
Total Costs - Weatherization	276,000	362,743	474,700
Total Costs	475,861	614,650	729,896
Revenues			
Energy	242,304	294,352	255,196
Wx Revenue	331,946	418,689	474,700
	574,250	713,041	729,896

See accompanying auditors' report.

Watts, Campbell, Chi & Baker
Accountancy Corporation

Waymon E. Watts, CPA
Carl M. Campbell, Jr., CPA
Angela Chi, CPA
Timothy Baker, CPA

D. Duane Anderson, Ret.

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
Merced County Community Action Board, Inc.
Merced, CA

We have audited the financial statements of Merced County Community Action Board, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Merced County Community Action Board, Inc.'s financial statements are free of 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 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 or other matters that are required to be reported under *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit, we considered Merced County Community Action Board, Inc.'s internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud 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 solely for the use of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be used by anyone other than these specified parties.

Watts, Campbell, Chi & Baker

Watts, Campbell, Chi & Baker
Accountancy Corporation
January 25, 2008

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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
Merced County Community Action Board, Inc.
Merced, CA

Compliance

We have audited the compliance of Merced County Community Action Board, 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, 2007. Merced County Community Action Board, Inc.'s major federal programs are identified in the summary of auditor's results section of 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 Merced County Community Action Board, Inc.'s management. Our responsibility is to express an opinion on Merced County Community Action Board, 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 Merced County Community Action Board, 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 of Merced County Community Action Board, Inc.'s compliance with those requirements.

In our opinion, Merced County Community Action Board, 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 June 30, 2007.

Internal Control over Compliance

The management of Merced County Community Action Board, 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 Merced County Community Action Board, 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.

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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 reportable 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 caused by error or fraud 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 being material weaknesses.

This report is intended solely for the information of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Watts, Campbell, Chi & Baker

Watts, Campbell, Chi & Baker
Accountancy Corporation
January 25, 2008

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

Status of Prior Year Findings

June 30, 2007

NONE