
CODA

FINANCIAL STATEMENTS

Year Ended June 30, 2008

with

Independent Auditors' Report

CODA

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Independent Auditors' Report

The Board of Directors
CODA

We have audited the accompanying statement of financial position of CODA as of June 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CODA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CODA's 2007 financial statements and, in our report dated February 11, 2008, we expressed an unqualified opinion on those financial statements.

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 CODA as of June 30, 2008, and the changes in its net assets and its 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 March 27, 2009, on our consideration of CODA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hoffman, Stewart & Schmidt, P.C.

March 27, 2009

CODA
Statement of Financial Position

June 30, 2008 <i>(With Comparative Amounts for 2007)</i>	2008	2007
ASSETS		
Cash and cash equivalents	\$ 1,414,057	\$ 1,289,713
Accounts receivable - net of allowance for doubtful accounts of \$335,026 in 2008 and \$304,187 in 2007	1,107,382	828,479
Development fees due from CODA Alpha Apartments Limited Partnership <i>(Note 12)</i>	52,087	52,087
Prepaid expenses and deposits	330,294	348,096
Property and equipment - net <i>(Notes 3, 6 and 8)</i>	3,124,670	2,918,283
Accrued interest on notes receivable from CODA Alpha Apartments Limited Partnership <i>(Note 4)</i>	236,457	208,637
Notes receivable from CODA Alpha Apartments Limited Partnership <i>(Note 4)</i>	679,423	679,423
Investment in CODA Alpha Apartments Limited Partnership <i>(Note 5)</i>	<u>263,780</u>	<u>263,789</u>
Total assets	<u>\$ 7,208,150</u>	<u>\$ 6,588,507</u>

The accompanying notes are an integral part of the financial statements.

	2008	2007
LIABILITIES AND UNRESTRICTED NET ASSETS		
Liabilities:		
Accounts payable	\$ 157,107	\$ 101,790
Accrued payroll and related expenses	460,970	392,371
Accrued vacation and employee benefits	231,704	144,005
Deferred revenue	210,017	27,336
Long-term debt (<i>Note 6</i>)	1,239,058	1,291,662
Trust deeds payable (<i>Note 7</i>)	492,390	509,889
Accrued interest	2,414	2,543
Capital lease obligations (<i>Note 8</i>)	<u>77,586</u>	<u>116,167</u>
Total liabilities	2,871,246	2,585,763
Commitments and contingencies (<i>Notes 7, 8, 9 and 10</i>)		
Unrestricted net assets	<u>4,336,904</u>	<u>4,002,744</u>
Total liabilities and unrestricted net assets	<u><u>\$ 7,208,150</u></u>	<u><u>\$ 6,588,507</u></u>

CODA
Statement of Activities

Year Ended June 30, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
Revenue and other support:		
Multnomah County - A&D	\$ 2,195,642	\$ 2,236,268
Multnomah County:		
Community Corrections	822,109	533,048
PSRB	1,400,863	978,543
Washington County - A&D	902,662	781,991
U.S. Probation and Pretrial	119,219	116,172
Research grants	329,084	259,566
Program service fees	2,866,990	2,628,661
Contributions and grants	80,776	117,066
Interest income <i>(Note 4)</i>	49,446	71,593
Other	91,760	33,268
Total revenue and other support	8,858,551	7,756,176
Expenses:		
Program services	6,103,689	5,131,649
Supporting services	2,420,693	2,297,609
Total expenses	8,524,382	7,429,258
Excess of revenue and other support over expenses	334,169	326,918
Loss from CODA Alpha Apartments Limited Partnership <i>(Note 5)</i>	(9)	(9)
Increase in unrestricted net assets	334,160	326,909
Unrestricted net assets, beginning of year	4,002,744	3,675,835
Unrestricted net assets, end of year	\$ 4,336,904	\$ 4,002,744

The accompanying notes are an integral part of the financial statements.

CODA

Statement of Functional Expenses

Year Ended June 30, 2008 *(With Comparative Totals for 2007)*

	Program Services				
	Portland Recovery Center Outpatient and Detox	Portland Recovery Center Outpatient Mental Health	Gresham Recovery Men's Treatment Center	Gresham Recovery Women's Treatment Center	Gresham Recovery Outpatient Treatment Center
Salaries	\$ 802,433	\$ 68,640	\$ 458,416	\$ 394,750	\$ 252,777
Employee benefits and payroll taxes	175,478	11,252	105,912	101,965	61,450
Total salaries and related expenses	977,911	79,892	564,328	496,715	314,227
Occupancy	103,202	5	56,122	27,772	19,165
Professional fees	29,157	-	2,469	901	462
Specific assistance (medication and food)	209,875	111	89,839	52,015	12,935
Insurance	38,965	2,056	27,801	26,155	11,428
Office expense	15,793	1,687	8,638	6,099	7,361
Equipment rental and maintenance	4,714	108	15,396	7,638	1,504
Travel	4,618	411	4,342	1,912	2,422
Bad debts <i>(Note 13)</i>	42,768	264	3,828	8,448	792
Advertising	6,652	345	2,790	1,339	2,252
Interest	-	-	14,077	8,267	-
Fund-raising	-	-	-	-	-
Miscellaneous	-	50	248	146	-
Depreciation and amortization	9,245	-	46,764	25,269	3,858
Total expenses	\$ 1,442,900	\$ 84,929	\$ 836,642	\$ 662,676	\$ 376,406

The accompanying notes are an integral part of the financial statements.

Program Services						
Tigard Recovery Center Residential and Detox	Tigard Recovery Center Outpatient	Tigard Transitional Housing	Rolfson House	8041 Recovery House	Hillsboro Recovery Center Outpatient	Hillsboro Recovery Center Community Center
\$ 339,355	\$ 212,146	\$ 23,663	\$ 484,787	\$ 306,079	\$ 24,981	\$ 10,012
103,032	44,595	5,652	106,701	75,065	149	-
442,387	256,741	29,315	591,488	381,144	25,130	10,012
60,297	37,728	73,568	26,098	25,690	5,446	7
2,436	2,197	2,215	3,040	1,389	-	-
37,442	45,784	22,488	25,396	19,124	-	-
21,337	8,240	1,874	27,895	18,015	-	-
8,014	5,301	1,909	8,677	4,680	912	172
6,271	3,180	1,890	3,760	4,272	360	-
1,909	940	3,043	19,628	1,831	911	360
19,272	13,200	132	2,112	-	-	-
1,569	527	40	7,383	2,496	210	-
-	-	-	22,930	28,190	-	-
-	-	-	-	-	-	-
-	-	-	920	-	-	-
6,779	2,561	-	18,890	17,974	-	-
\$ 607,713	\$ 376,399	\$ 136,474	\$ 758,217	\$ 504,805	\$ 32,969	\$ 10,551

Research	Total	Supporting Services			Total	
		Clinical Support Services	Management and General	Total	2008	2007
\$ 178,188	\$ 3,556,227	\$ 587,318	\$ 775,355	\$ 1,362,673	\$ 4,918,900	\$ 4,273,997
31,347	822,598	168,740	206,460	375,200	1,197,798	923,447
209,535	4,378,825	756,058	981,815	1,737,873	6,116,698	5,197,444
25,315	460,415	41,122	108,148	149,270	609,685	549,588
598	44,864	56,227	110,683	166,910	211,774	319,301
28,218	543,227	37	-	37	543,264	430,010
5,250	189,016	8,014	20,894	28,908	217,924	229,843
2,730	71,973	33,101	66,022	99,123	171,096	138,756
971	50,064	33,435	14,296	47,731	97,795	87,605
212	42,539	14,678	18,965	33,643	76,182	72,674
-	90,816	-	41,184	41,184	132,000	132,000
179	25,782	1,332	13,283	14,615	40,397	48,225
-	73,464	-	6,429	6,429	79,893	55,631
-	-	-	195	195	195	-
-	1,364	-	117	117	1,481	8,164
-	131,340	80,952	13,706	94,658	225,998	160,017
\$ 273,008	\$ 6,103,689	\$ 1,024,956	\$ 1,395,737	\$ 2,420,693	\$ 8,524,382	\$ 7,429,258

CODA
Statement of Cash Flows

Year Ended June 30, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 334,160	\$ 326,909
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Loss from CODA Alpha Apartments Limited Partnership	9	9
Depreciation and amortization	225,998	160,017
(Increase) decrease in:		
Accounts receivable	(278,903)	(94,822)
Prepaid expenses and deposits	17,802	(50,038)
Accrued interest on notes receivable from CODA Alpha Apartments Limited Partnership	(27,820)	(27,820)
Increase (decrease) in:		
Accounts payable	55,317	1,467
Accrued payroll and related expenses	68,599	12,234
Accrued vacation and employee benefits	87,699	972
Deferred revenue	182,681	(802)
Accrued interest	(129)	889
Net cash provided by operating activities	665,413	329,015
Cash flows from investing activities:		
Purchases of property and equipment	(432,385)	(1,335,530)
Net cash used by investing activities	(432,385)	(1,335,530)
Carried forward	233,028	(1,006,515)

The accompanying notes are an integral part of the financial statements.

CODA

Statement of Cash Flows - Continued

Year Ended June 30, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
Brought forward	\$ 233,028	\$ (1,006,515)
Cash flows from financing activities:		
Proceeds from long-term debt and trust deed	-	780,000
Payments on long-term debt and trust deeds	(70,103)	(86,757)
Payments on capital lease obligations	(38,581)	(36,155)
Net cash provided (used) by financing activities	(108,684)	657,088
Net increase (decrease) in cash and cash equivalents	124,344	(349,427)
Cash and cash equivalents, beginning of year	1,289,713	1,639,140
Cash and cash equivalents, end of year	\$ 1,414,057	\$ 1,289,713
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 80,022	\$ 54,742

The accompanying notes are an integral part of the financial statements.

CODA

Notes to Financial Statements

1. Nature of Activities

CODA is the oldest and most comprehensive not-for-profit drug abuse treatment corporation in Oregon, providing direct treatment via a full range of services and sites to over 3,000 individuals and families each year. CODA was formed as a state agency in 1969, and became a private, nonprofit company in 1979. CODA is state-approved for alcohol and drug treatment in outpatient, residential and detox settings.

CODA's mission is to significantly reduce mental health, alcohol and drug problems and their social, health and behavioral consequences through use of evidence-based practices, partnerships with other social and health care providers, and advocacy for effective public policy. CODA programs are designed to provide assistance with a broad range of concerns, including medical, vocational and psychological issues.

CODA envisions a community in which mental illness, alcohol and drug problems are recognized as public health issues that are preventable and treatable.

CODA envisions a society in which people with a history of alcohol and drug problems and mental illness, people in recovery, and people at risk for these problems are valued and treated with dignity and respect and where stigma, prejudice and discrimination and other barriers to prevention and treatment are eliminated.

CODA envisions a society in which high quality services for prevention and treatment are widely available.

Staff credentials include licensed physicians, psychologists, nurse practitioners, registered nurses, marriage and family counselors, social workers and certified alcohol and drug counselors.

CODA's experienced staff is dedicated to providing quality and flexible professional services with the goal of reducing future occurrences of these drug, alcohol and mental health problems. This is accomplished through the monitoring of the standards and implementation of any research projects that improve the treatment services.

CODA provides various services from locations as described below:

Portland Recovery Center

Outpatient Services: Providing methadone and buprenorphine replacement therapy to individuals dependent on opioid drugs. CODA provides recovery-based counseling and care coordination, including an emphasis on obtaining and maintaining employment, accessing health care and housing.

Outpatient Mental Health: Services include individual and group treatment as well as psychiatric care for clients with Verity insurance coverage.

CODA

Notes to Financial Statements - Continued

1. Nature of Activities - Continued

Portland Recovery Center - Continued

Research Services: CODA participates in the Clinical Trials Network looking to bridge the gap between research and medical treatment of substance abuse disorders. CODA is currently involved in a 3-year FDA study on methadone and buprenorphine treatment. Participation in these studies is voluntary and medication costs are covered for the client.

Gresham Recovery Center

Men's Residential Treatment: Specializing in substance abuse treatment for adult men involved with the child welfare or criminal justice systems. Gaining employment and housing are two primary goals of treatment.

Women's Residential Treatment: Gender specific substance abuse treatment services for pregnant and parenting women involved with child welfare or criminal justice. Children may reside on site with their mothers. Improving parenting skill and housing are key targets.

Outpatient Services: Offering a range of services including assessment, group, family and individual treatment, DUII services as well as case management.

Tigard Recovery Center

Detoxification Services: Specializing in providing medication assisted detoxification and after care planning in a safe and comfortable setting.

Men's Residential Treatment: Offering evidence based treatment to adult men with substance abuse issues who are involved in the criminal justice system. Gaining employment and housing are two primary goals of treatment.

Outpatient Services: Services for substance abuse include assessments, drug screening, day and evening treatment groups, parenting classes, individual and family counseling as well as case management services.

Hillsboro Recovery Center

Outpatient Services: Offering a range of services including assessment, drug screening, day and evening treatment groups, family and individual counseling, and DUII services, as well as case management. Population includes Washington County Drug Court clients.

Community Corrections: Services include assessment, drug screening, day and evening treatment groups, individual and family counseling, and DUII services for clients housed in the Washington County Community Corrections Center.

CODA

Notes to Financial Statements - Continued

1. Nature of Activities - Continued

Residential Mental Health Services

CODA provides residential mental health recovery services at two group home locations. The Roflson House is for men who are transitioning from the State hospital back into the community and are under the jurisdiction of the Psychiatric Security Review Board. The 8041 Recovery House is for both men and women who were civilly committed to the State hospital and are also transitioning back into the community. The integrated clinical model is particularly relevant to people with co-occurring disorders (substance abuse and mental health issues).

At the heart of this work is a long-term approach that is based on the ability to engage individuals in the treatment process.

CODA's mental health treatment is recovery-focused using the latest in evidence-based practices. Outcomes of the integrated services include competitive jobs and housing.

In addition, the CODA Alpha Apartments, located in Gresham, provide drug-free, low-income housing to anyone who meets these criteria. They are partially owned by CODA through a Limited Partnership and are managed by Central City Concern.

2. Significant Accounting Policies

The significant accounting policies followed by CODA are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CODA and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of CODA and/or the passage of time. There were no temporarily restricted net assets at June 30, 2008 and 2007.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

CODA

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash Equivalents - CODA considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Significant Revenue Sources and Credit Risk - The majority of CODA's revenues are generated from contracts with Multnomah County and Washington County, fees paid under the Medicaid and Medicare programs, and other program service fees. CODA grants credit for services provided to clients who are not insured.

Prepaid Expenses and Deposits - Prepaid expenses and deposits include a replacement reserve, required by the terms of the note payable to Oregon Housing and Community Services Department (*Note 6*) of \$71,742 and \$58,769 at June 30, 2008 and 2007, respectively. Monthly deposits of \$942 are required until the deposit is fully funded at \$135,600.

Accounts Receivable - Accounts receivable are recognized as services are provided. Interest is not charged on past due accounts.

CODA uses the allowance method to account for uncollectible accounts. The allowance for doubtful accounts is estimated by management based on various factors, including past history and current economic conditions.

Accounts receivable at June 30, 2008, include approximately \$529,000 in billings that are at least 60 days old.

Unemployment Benefits - CODA is subject to the unemployment statutes of the State of Oregon. Under those statutes, CODA has the option of paying a premium to the State based on a percentage of salaries paid to individual employees, up to a maximum, or being self-insured. CODA has elected to be self-insured and has established an unemployment deposit. Included in accrued payroll and related expenses at both June 30, 2008 and 2007 are estimated accruals totaling \$35,879 related to claims from normal workforce turnover. Management has estimated this liability using information it believes to be most relevant; however, it is reasonably possible that this estimate will change by an amount that could be material to the financial statements. Unemployment expenses are included as a component of employee benefits and payroll taxes in the statement of functional expenses.

CODA

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Contribution Recognition - Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

CODA reports gifts of cash and other assets as 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

CODA reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CODA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Depreciation and Amortization - CODA follows the practice of capitalizing major expenditures for land, buildings, equipment, and leasehold improvements at cost when purchased or estimated fair market value at date of donation. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives (or lease term, if shorter and applicable):

Buildings	30 years
Leasehold improvements	5 - 10 years
Furniture and equipment	3 - 5 years

Income Taxes - Income taxes are not provided for in the financial statements since CODA is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. CODA is not classified as a private foundation.

Donated Services - Donated services have not been reflected in the accompanying financial statements since the appropriate criteria for recording these services have not been met. Nevertheless, a number of volunteers have donated their time to CODA's program and supporting services.

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 functional expenses. Operating expenses are allocated between program and support services utilizing actual direct expenses when identifiable. Various overhead items are allocated utilizing the full-time equivalency employee (FTE) method.

CODA

Notes to Financial Statements - Continued

2. Significant Accounting Policies - Continued

Advertising - CODA charges all nondirect advertising costs to expense as they are incurred.

Summarized Financial Information - The financial information for the year ended June 30, 2007 is presented for comparative purposes, and is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with CODA's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

Reclassification - Certain 2007 comparative amounts herein have been reclassified to conform with the 2008 presentation.

3. Property and Equipment

	2008	2007
Land	\$ 282,630	\$ 282,630
Buildings and improvements	2,701,748	2,540,342
Leasehold improvements	623,350	489,736
Furniture and equipment	<u>1,248,627</u>	<u>1,093,763</u>
	4,856,355	4,406,471
Less accumulated depreciation and amortization	<u>(1,731,685)</u>	<u>(1,488,188)</u>
Net property and equipment	<u>\$ 3,124,670</u>	<u>\$ 2,918,283</u>

4. Notes Receivable

	2008	2007
Note receivable from CODA Alpha Apartments Limited Partnership, with interest at 6.39 percent per annum. ^A	\$ 75,000	\$ 75,000
Note receivable from CODA Alpha Apartments Limited Partnership, with interest at 5.74 percent per annum.	43,531	43,531
Note receivable from CODA Alpha Apartments Limited Partnership, with interest at 3.66 percent per annum. ^A	<u>560,892</u>	<u>560,892</u>
	<u>\$ 679,423</u>	<u>\$ 679,423</u>

CODA

Notes to Financial Statements - Continued

4. Notes Receivable - Continued

As of June 30, 2008 and 2007, no payments had been received on any of the outstanding notes. Accrued interest of \$236,457 and \$208,637 has been recorded as of June 30, 2008 and 2007, respectively. Interest income of \$27,820 has been recognized from these notes for both years ended June 30, 2008 and 2007.

^AThe terms of these notes stipulate that the entire unpaid balance of principal and interest shall be repaid on or before the earliest of: (a) November 30, 2029; (b) the date that is 15 years after the close of the compliance period under Internal Revenue Code Section 42(i)(1) for the Alpha Apartments project; (c) the date the Alpha Apartments are no longer a qualified low-income property under Internal Revenue Code Section 42(c)(2); or (d) the date the Alpha Apartments are sold or these notes are refinanced.

5. Investment in CODA Alpha Apartments Limited Partnership

In May 1999, CODA entered into a limited partnership agreement to form the CODA Alpha Apartments Limited Partnership (the Partnership). The Partnership is an Oregon limited partnership formed for the purpose of construction of low income housing located in Gresham, Oregon, in conformity with the provisions of Section 42 of the Internal Revenue Code which include, but are not limited to, compliance with tenant eligibility and rent restrictions. CODA is the general partner under the agreement and has a 0.01 percent ownership interest. CODA's interest in the Partnership is recorded using the equity method. Under the partnership agreement, CODA is obligated to provide funding to cover any operating deficits of the Partnership. In accordance with Section 42 of the Internal Revenue Code, CODA, as general partner, has the right of first refusal to purchase the limited partner's interest at the end of a 15-year compliance period plus a 3-year audit period. Generally, the purchase price is an amount equal to the greater of the appraised value of the limited partner's interest in the Partnership or the sum of any taxes owed by the limited partner as a result of the sale as well as remuneration for any benefits anticipated but not yet received by the limited partner.

The following is summarized audited financial information on the Partnership as of and for its years ended December 31, 2007 and 2006, the Partnership's most recently completed fiscal years:

	2007	2006
Balance Sheets:		
Assets	<u>\$ 1,877,885</u>	<u>\$ 1,934,210</u>
Liabilities	\$ 1,184,799	1,155,062
Partners' capital	<u>693,086</u>	<u>779,148</u>
	<u>\$ 1,877,885</u>	<u>\$ 1,934,210</u>

CODA

Notes to Financial Statements - Continued

**5. Investment in CODA Alpha Apartments
Limited Partnership - Continued**

Statements of Income and Expense:

Total income	\$ 101,815	\$ 95,161
Total expense	<u>(194,729)</u>	<u>(190,149)</u>
Net loss	<u>\$ (92,914)</u>	<u>\$ (94,988)</u>

CODA's share of the Partnership's capital and net loss is as follows:

Beginning investment balance	\$ 263,789	\$ 263,798
Equity in loss	<u>(9)</u>	<u>(9)</u>
Ending investment balance	<u>\$ 263,780</u>	<u>\$ 263,789</u>

In accordance with the Partnership agreement, equity in loss is allocated to the limited partner at 99.99 percent and to CODA at 0.01 percent.

6. Long-Term Debt

2008

2007

Note payable to Portland Development Commission, in monthly installments of \$237 including interest at 3 percent per annum. Final payment due August, 2021, secured by real property.

	\$ 31,068	\$ 33,048
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Note payable to Oregon Housing and Community Services Department (serviced by Siuslaw Valley Bank) in monthly installments of \$3,342 including interest at 4 percent per annum. Final payment due February, 2027, secured by real property.

	526,819	545,443
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Note payable to Wells Fargo Bank, in monthly installments of \$3,272 including interest at 6.44 percent per annum. Final payment due June 10, 2020, secured by real property.

	<u>325,971</u>	<u>342,771</u>
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Carried forward

	883,858	921,262
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CODA

Notes to Financial Statements - Continued

6. Long-Term Debt - Continued	2008	2007
Brought forward	\$ 883,858	\$ 921,262
Note payable to Wells Fargo Bank, in variable monthly installments including interest at 7.64 percent per annum. Final payment due October 15, 2021, secured by real property.	<u>355,200</u>	<u>370,400</u>
	<u>\$ 1,239,058</u>	<u>\$ 1,291,662</u>

Future principal maturities are as follows:

Years Ending June 30,	Amount
2009	\$ 56,920
2010	60,169
2011	63,451
2012	68,769
2013	72,523
Thereafter	<u>917,226</u>
	<u>\$ 1,239,058</u>

7. Trust Deeds Payable

CODA was provided \$125,000 on June 16, 2005 by the State of Oregon Department of Human Services, Office of Mental Health and Addiction Services, to complete the purchase of the Rolfson House program building. The State of Oregon will reduce the amount due under the trust deed by \$347 per month for as long as CODA operates the Rolfson House program. Repayment of the balance of the trust deed will be required should CODA cease operation of the program during the 30-year term of the trust deed. The amortized balance at June 30, 2008 and 2007 is \$112,500 and \$116,667, respectively.

CODA was provided \$60,000 on May 31, 2007 by the State of Oregon Department of Human Services, Office of Mental Health and Addiction Services, to complete the purchase of the 8041-8045 East Burnside building. The State of Oregon will reduce the amount due under the trust deed by \$166 per month for as long as CODA operates the rehabilitation program. Repayment of the balance of the trust deed will be required should CODA cease operation of the program during the 30-year term of the trust deed. The amortized balance at June 30, 2008 and 2007 is \$57,885 and \$59,834, respectively.

CODA

Notes to Financial Statements - Continued

7. Trust Deeds Payable - Continued

CODA was provided \$340,000 on December 14, 2006 by the State of Oregon Department of Human Services, Office of Mental Health and Addiction Services, to complete the purchase of the 8041-8045 East Burnside building. The State of Oregon will reduce the amount due under the trust deed by \$944 per month for as long as CODA operates the rehabilitation program. Repayment of the balance of the trust deed will be required should CODA cease operation of the program during the 30-year term of the trust deed. The amortized balance at June 30, 2008 and 2007 is \$322,005 and \$333,388, respectively.

8. Capital Lease Obligations

CODA leases equipment costing \$191,638, with accumulated amortization of \$122,219 at June 30, 2008, payable in installments totaling \$3,751 per month including interest at 6.75 percent per annum. The leases expire through 2010. Future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments, are as follows at June 30, 2008:

Years Ending June 30,	Amount
2009	\$ 45,012
2010	<u>41,261</u>
Total minimum lease payments	86,273
Less amount representing interest	<u>(8,687)</u>
Present value of net minimum lease payments	<u>\$ 77,586</u>

9. Operating Lease Commitments

CODA leases certain facilities under operating lease agreements that expire through 2011. Rent expense for the years ended June 30, 2008 and 2007 was \$354,651 and \$318,640, respectively.

The following is a schedule of future minimum rental payments required:

Years Ending June 30,	Amount
2009	\$ 468,952
2010	422,098
2011	410,384
2012	98,775
2013	<u>41,567</u>
	<u>\$ 1,441,776</u>

CODA

Notes to Financial Statements - Continued

10. Contingencies

Certain amounts received or receivable under CODA's contracts with various state and county agencies are subject to audit and adjustment by the contracting agencies and by various agencies of the U.S. government. Any expenditures or claims disallowed as a result of such audits would become a liability of CODA's unrestricted fund. In the opinion of CODA's management, any adjustments that might result from such audits would not be material to CODA's overall financial statements as of June 30, 2008 and 2007.

Management estimates that between 25 percent and 30 percent of employees are subject to collective bargaining agreements, which are typically renegotiated on an annual basis.

11. Retirement Plan

CODA has a 401(k) retirement plan for substantially all employees who are over 21 years of age and have completed their first year of employment (with at least 1,000 hours), except for leased employees. Matching contributions may be made for all eligible employees as determined each year at the discretion of the Board of Directors. Pension expense for the years ended June 30, 2008 and 2007 was \$33,820 and \$36,667 respectively.

12. Development Fees Due From CODA Alpha Apartments Limited Partnership

According to the partnership agreement, CODA, the general partner in CODA Alpha Apartments Limited Partnership, is entitled to receive development fees for services performed during the apartment construction period. Development fees due to CODA as of June 30, 2008 and 2007 totaled \$52,087, as follows:

- Development fees totaling \$165,671 are to be paid as construction progresses. As of June 30, 2001, construction was substantially completed. Unpaid development fees as of June 30, 2008 and 2007 were \$28,503.
- Deferred development fees as of June 30, 2008 and 2007 of \$23,584 earned upon completion of the project are to be paid to CODA as follows:

\$3,000 annually in 2002 through 2006	\$ 12,000
\$2,000 annually in 2007 through 2009	9,000
\$2,584 in 2010	<u>2,584</u>
	<u>\$ 23,584</u>

Management's expectation is that all of the above development fees will be collected, including past due development fees.

CODA

Notes to Financial Statements - Continued

13. Bad Debt Expense

Bad debt expense of \$132,000 for the years ended June 30, 2008 and 2007, consists of doubtful accounts resulting from the extension of credit to patients.

14. Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject CODA to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. At June 30, 2008 and 2007 and frequently during those fiscal years, CODA maintained cash balances in excess of Federal Deposit Insurance Corporation (FDIC) insurable limits.