

The KBOO Foundation
Audit Letters
September 30, 2010 and 2009

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Governance Letter

To the Board of Directors of
The KBOO Foundation
Portland, Oregon

We have audited the financial statements of The KBOO Foundation for the years ended September 30, 2010 and 2009, and have issued our report thereon dated below. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter to you dated April 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The KBOO Foundation are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended September 30, 2010 and 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive accounting estimates affecting the financial statements are the valuation of beneficial interest in assets held by others, in-kind donations, and the useful lives of long-lived assets.

Management's estimate of the valuation of beneficial interest in assets held by others is based upon management's gathering of third-party statements and likelihood of realization. Management's estimate of the valuation of in-kind donations is based on management's consideration of the building costs, interest rates and return on builder's investment for fair market value of donated rents, and third party estimates of volunteer labor fair market values. Other materials and services are estimated based on amounts provided by donors or management's comparison to similar type activities and costs. The useful lives of assets are considered in relation to industry standards and reasonableness. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements related to revenue recognition, fair value estimates and concentrations of credit risk.

To the Board of Directors of
The KBOO Foundation

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of those in charge of governance and management of The KBOO Foundation and is not intended to be and should not be used by anyone other than these specified parties.



Portland, Oregon
September 15, 2011

THE KBOO FOUNDATION
Adjusting Journal Entries
9/30/2009

Acct #	Description	Debit	Credit	Net Income Effect
	KT 1			
2181.00	Accrued payroll		5,331.14	
5001.01	Payroll taxes	1,490.05		
5000.01	Salaries	3,841.09		
	Post accrued payroll related expenses at year-end			-5,331.14
	KT 2			
2185.00	Accrued vacation		11,440.51	
5000.01	Salaries	11,440.51		
	Post accrued vacation at year-end			-11,440.51
	KT 3			
4075.00	In-kind donations		63,000.00	
5100.02	Transmitter space rental	63,000.00		
	Book in-kind donations of transmitter space rent at Stonehege towers which lease is below market rate			0.00
	KT 4			
2201.01	Deferred revenue	21,799.47		
4071.00	Development income		21,799.47	
3000.01	Fund balance-Unrestricted	200,000.00		
3000.05	Board designated-Operating reserve		200,000.00	
	Recognize capital campaign funds recorded as deferred revenue as restricted funds			21,799.47
	KT 5			
4060.00	Contributions	64,280.00		
4071.00	Development income		64,280.00	
	Reclassify bequest from membership income to development income			0.00
	Total	<u>301,571.12</u>	<u>301,571.12</u>	<u>5,027.82</u>

THE KBOO FOUNDATION
Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
KT1	Adjusting	09/30/10				
		2181.00	Accrued Payroll		4,847.87	
		5001.01	Payroll Taxes	1,377.33		
		5000.01	Salaries	3,470.54		
			Post accrued payroll related expenses at year-end			(4,847.87)
KT2	Adjusting	09/30/10				
		2185.00	Accrued Vacation		9,855.91	
		5000.01	Salaries	9,855.91		
			Post accrued vacation at year-end			(9,855.91)
KT3	Adjusting	09/30/10				
		4075.00	In-kind Donations		9,975.00	
		5020.01	Contract Services	9,975.00		
			Post in-kind expenses used for Special Opportunity Grant regarding RACC contract			0.00
KT4	Adjusting	09/30/10				
		4075.00	In-kind Donations		63,000.00	
		5100.02	Transmitter Space Rental	63,000.00		
			Record in-kind donations of transmitter space rent at Stonehenge Towers which lease is below market rate.			0.00
KT5	Adjusting	09/30/10				
		2201.01	Deferred Revenue	11,304.55		
		3000.01	Fund Balance Unrestricted	250,352.52		
		3000.02	Fund Balance Temp Restricted		11,305.56	
		3000.04	Fund Balance Perm Restricted		60,129.03	
		3000.05	Board Designated-Operating Reser		200,000.00	
		3000.02	Fund Balance Temp Restricted	9,777.52		
			Record Cap Campaign unspent funds as TRNA, adjust other NA to actual-T0			0.00

THE KBOO FOUNDATION
Adjusting Journal Entries

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
KT6	Adjusting	09/30/10				
		4100.00	Grant Income	5,079.65		
		3000.01	Fund Balance Unrestricted		5,079.65	
						(5,079.65)
			Reverse PY restricted grants (07 Kaylene, Grassroots 09 Volunteer Equipment) that recognized as restricted funds in PY.			
		TOTAL		<u>364,193.02</u>	<u>364,193.02</u>	<u>(19,783.43)</u>



Communication Letter

To the Board of Directors of
The KBOO Foundation
Portland, Oregon

In planning and performing our audit of the financial statements of The KBOO Foundation as of and for the years ended September 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered The KBOO Foundation' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Organization's internal control to be significant deficiencies:

SD-1 Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles

While it is common for organizations of your size to engage their auditors to provide certain non-attest services including preparation of the financial statements, this condition may represent a control deficiency over the financial reporting process that is required to be reported under professional auditing standards. The non-attest activities performed by the auditor are allowable as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements.

Effective internal controls over financial reporting consist of procedures that ensure misstatements in the financial statements and related notes are detected and prevented, the underlying financial records are complete and accurate, related disclosures are proper, and the financial statements overall are prepared in accordance with generally accepted accounting principles (GAAP). During the audit, we noted several adjustments that needed to be recorded in order for the financial statements to be presented on a GAAP basis. These adjustments were not material, but were significant, and primarily related to the accrual of payroll and vacation payables, and revenue recognition for temporarily restricted contributions.

KERN & THOMPSON, LLC

To the Board of Directors of
The KBOO Foundation

Recommendation

We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, the Finance Committee can mitigate the impact of this deficiency by monitoring the application of its existing accounting controls, keeping informed about changes in GAAP, studying the amounts and related notes, and recording all known accruals, and requesting assistance as necessary.

This communication is intended solely for the information and use of management, the Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Kern & Thompson, LLC

Portland, Oregon
September 15, 2011



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Management Representation Letter

Kern & Thompson, LLC
1618 S.W. First Avenue, Suite 215
Portland, OR 97201

We are providing this letter in connection with your audits of the statements of financial position of The KBOO Foundation as of September 30, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of The KBOO Foundation in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date below, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
2. We have made available to you all -
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

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5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
 7. We have no knowledge of any fraud or suspected fraud affecting the Organization involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
 8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
9. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
10. The following, if any, have been properly recorded or disclosed in the financial statements.
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
 - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB Accounting Standards Codification 275, *Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets for which events could occur that would significantly disrupt normal finances within the year. We have identified the key factors and assumptions underlying those estimates, and we believe the estimates and assumptions are reasonable in the circumstances.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
12. The KBOO Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

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13. There are no -
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB *Accounting Standards Codification 450, Contingencies* (formerly Statement of Financial Accounting Standards No. 5).
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB *Accounting Standards Codification 450, Contingencies* (Formerly Statement of Financial Accounting Standards No. 5).
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
15. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
16. No events have occurred subsequent to the Statement of Financial Position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
17. As part of your audit, you prepared the draft financial statements and related notes from the trial balance. We have reviewed and approved those financial statements and related notes and believe they are adequately supported by the books and records of the Organization.
18. In regard to the other nonattest services performed by you, we have:
 - a. Made all management decisions and performed all management functions.
 - b. Designated a management-level individual with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.

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- e. Established and maintained internal controls, including monitoring ongoing activities.

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The KBOO Foundation

By: C.W. Merrick
Signature

Date: September 15, 2011

Print name and title:

C.W. MERRICK • PROGRAM DIRECTOR

By: Debbie Rabidue
Signature

Date: 9-15-11

Print name and title:

Debbie Rabidue, Finance Coordinator