

**OREGON CHILD DEVELOPMENT
COALITION, INC. AND AFFILIATE**

FINANCIAL STATEMENTS

December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oregon Child Development Coalition, Inc. and Affiliate
Wilsonville, Oregon

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Oregon Child Development Coalition, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, statement of activities by funding source, and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oregon Child Development Coalition, Inc. and Affiliate as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Oregon Child Development Coalition, Inc. and Affiliate

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Requirement by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting and compliance.

Supplementary Information

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

Emphasis of Matter

As discussed in Note B, the Oregon Child Development Coalition, Inc. and Affiliate adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.



Portland, Oregon
September 25, 2019

OCDC and Affiliate
Consolidated Statement of Financial Position
December 31, 2018

Assets

Current Assets	
Cash and Cash Equivalents	\$ 1,154,059
Restricted Cash	227,558
Investments	179,118
Grants Receivable	2,066,266
Prepaid Expenses and Other Assets	519,349
Total Current Assets	<u>4,146,350</u>
Deposits	44,974
Notes Receivable	7,408,457
Property and Equipment, Net	<u>23,339,664</u>
Total Assets	<u><u>\$ 34,939,445</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 1,395,453
Accrued Liabilities	2,274,866
Current Portion Of Long-term Debt and Capital Leases	10,427,244
Total Current Liabilities	<u>14,097,563</u>
Deferred Revenue	704,296
Deferred Lease Incentive	118,384
Other Liabilities - Investment in QALICB	-
Long-term Debt and Capital Leases, Net	7,357,402
Total Liabilities	<u>22,277,645</u>
Net Assets	
Without Donor Restrictions	148,629
Without Donor Restrictions - Subject To Conditions	12,513,171
Total Net Assets, All Without Donor Restrictions	<u>12,661,800</u>
Total Liabilities and Net Assets	<u><u>\$ 34,939,445</u></u>

OCDC and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2018

Revenues

Grant and Contract Revenue:	
U.S. Department of Health and Human Services	\$ 47,929,924
Donated Goods and Professional Services - for DHHS Programs	1,503,546
U.S.D.A. - Food & Nutrition Services	2,938,399
State of Oregon - Department of Education - OPK	6,624,684
State of Oregon - Department of Education - EHS	108,653
State of Oregon - Early Learning Hub - Preschool Promise	1,465,562
State of Oregon - Oregon Health Authority - MIECHV	381,764
Other Grant and Contracts	245,912
Total Grant And Contract Revenue	<u>61,198,444</u>
Investment Income	455,123
Other Non-governmental	<u>33,232</u>
Total Revenues	61,686,799

Expenses

Program Services:	
U.S. Department of Health and Human Services	\$ 50,521,241
USDA - Food and Nutrition Services	2,942,904
State of Oregon - Department of Education - OPK	6,581,288
State of Oregon - Department of Education - EHS	113,192
State of Oregon - Early Learning Hub - Preschool Promise	1,548,070
State of Oregon - Oregon Health Authority - MIECHV	381,764
Other Grant and Contracts	239,723
Total Program Services:	<u>62,328,182</u>
Other Non-governmental	<u>1,411,292</u>
Total Expenses	<u>63,739,474</u>
Change In Net Assets, All Without Donor Restrictions	(2,052,675)
Net Assets, Beginning of Year	<u>14,714,475</u>
Net Assets, End of Year	<u><u>\$ 12,661,800</u></u>

See accompanying notes to consolidated financial statements.

OCDC and Affiliate
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2018

	DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON - DEPT OF EDUCATION OPK	STATE OF OREGON - DEPT OF EDUCATION EHS	STATE OF OREGON-EARLY LEARNING HUB PRESCHOOL PROMISE	STATE OF OREGON-OR HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON- GOVERNMENTAL	TOTAL
REVENUES									
Grant and contract revenues	\$ 47,968,112	\$ 2,938,399	\$ 6,625,474	\$ 108,653	\$ 1,465,562	\$ 381,764	\$ 245,671	\$ -	\$ 59,733,635
Donated services	4,778,431	-	-	-	-	-	-	-	4,778,431
Dividends and interest income (loss)	-	-	-	-	-	-	-	455,123	455,123
Other Nongovernmental	-	-	-	-	-	-	241	33,232	33,473
Total revenues	52,746,543	2,938,399	6,625,474	108,653	1,465,562	381,764	245,912	488,355	65,000,662
Less Adjustments (Note 1):									
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(3,274,885)	-	-	-	-	-	-	-	(3,274,885)
Encumbrances	(38,188)	-	(790)	-	-	-	-	-	(38,978)
Total Adjusted Revenues in Accordance with Accounting Principles Generally Accepted in the United States of America	49,433,470	2,938,399	6,624,684	108,653	1,465,562	381,764	245,912	488,355	61,686,799
EXPENSES									
Subcontractor and other contracted service payments									
U.S.D.A. - food and nutrition services	-	1,723,988	-	-	-	-	108	-	1,724,096
Other contracted services	4,807,932	283	279,121	813	56,931	13,759	7,555	5,785	5,172,179
Total subcontractor and other contracted service payments	4,807,932	1,724,271	279,121	813	56,931	13,759	7,663	5,785	6,896,275

See accompanying notes to consolidated financial statements.

OCDC and Affiliate
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2018

	DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON - DEPT OF EDUCATION OPK	STATE OF OREGON - DEPT OF EDUCATION EHS	STATE OF OREGON-EARLY LEARNING HUB PRESCHOOL PROMISE	STATE OF OREGON-OR HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON- GOVERNMENTAL	TOTAL
Administrative and program expenses:									
Salaries and benefits	\$ 37,897,421	\$ 1,105,749	\$ 5,258,788	\$ 78,910	\$ 1,293,891	\$ 279,031	\$ 182,228	\$ 27,846	\$ 46,123,864
Building and equipment expense	76,264	-	-	-	-	-	-	-	76,264
Repairs and maintenance	2,121,374	200	184,322	(3,237)	39,513	12,768	1,258	4,362	2,360,560
Supplies	1,307,457	2,384	134,416	8,208	30,014	9,963	5,502	35	1,497,979
Rent	1,540,631	11,739	137,348	3,636	21,678	5,750	21,209	5,821	1,747,812
Travel	1,234,872	22,080	117,760	1,381	14,985	14,486	5,779	99	1,411,442
Telephone and utilities	1,434,200	7,374	129,807	4,162	25,029	14,992	928	1,137	1,617,629
Training	216,031	-	40,194	3,241	27,698	10,540	1,200	-	298,904
Parent activities and involvement	83,112	-	36,211	2,227	2,757	4,862	3,115	-	132,284
Adult food costs	304,043	-	61,531	-	12,558	-	1,336	310	379,778
Insurance	437,733	739	41,534	4,731	4,272	2,259	2,004	11	493,283
Printing and promotion	314,975	4,302	32,980	1,047	6,982	2,734	265	57	363,342
Professional	102,475	-	9,797	200	2,732	737	496	1,431	117,868
Depreciation	303,524	112	35,681	2,914	5,536	8,418	28	369,797	726,010
Amortization of deferred financing costs reported as interest	-	-	-	-	-	-	-	101,761	101,761
Postage	50,227	884	5,312	100	1,343	372	201	41	58,480
Interest and other	514,272	63,070	120,672	320	9,907	1,093	2,367	892,799	1,604,500
Total administrative and program expenses	\$ 47,938,611	1,218,633	6,346,353	107,840	1,498,895	368,005	227,916	1,405,507	59,111,760
Less Adjustments (Note 1):									
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(3,274,885)	-	-	-	-	-	-	-	(3,274,885)
Encumbrances	(38,188)	-	(790)	-	-	-	-	-	(38,978)
Subtotal expenses	49,433,470	2,942,904	6,624,684	108,653	1,555,826	381,764	235,579	1,411,292	62,694,172
Change in net assets as reported to cognizant agencies	-	(4,505)	-	-	(90,264)	-	10,333	(922,937)	(1,007,373)
Purchases of property and equipment included in repairs and maintenance	(229,429)	-	-	-	-	-	-	-	(229,429)
Principal repayment on notes payable included in rent	(114,477)	-	-	-	-	-	-	-	(114,477)
Principal repayment on leased equipment included in rent	(274,999)	-	-	-	-	-	-	-	(274,999)
Other eliminations	(385,536)	-	(100,700)	-	(7,756)	-	-	-	(493,992)
Less depreciation of property and equipment	2,092,212	-	57,304	4,539	-	-	4,144	-	2,158,199
Total Adjusted Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	50,521,241	2,942,904	6,581,288	113,192	1,548,070	381,764	239,723	1,411,292	63,739,474
Change in Net Assets, All Without Donor Restrictions	\$ (1,087,771)	\$ (4,505)	\$ 43,396	\$ (4,539)	\$ (82,508)	\$ -	\$ 6,189	\$ (922,937)	\$ (2,052,675)

See accompanying notes to consolidated financial statements.

OCDC and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows From Operating Activities	
Change in net assets	\$ (2,052,675)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,884,210
Amortization of deferred financing costs reported as interest expense	101,761
Deferred lease expense	(140,074)
Unrealized loss on investments	1,431
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	1,045,508
Prepaid expenses and other assets	39,693
Increase (decrease) in:	
Accounts payable	(596,460)
Accrued liabilities	458,916
Deferred revenues	(152,391)
Net cash provided by operating activities	<u>1,589,919</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(322,212)
Repayment of note receivable	19,703
Decrease in restricted cash	<u>51,788</u>
Net cash used in investing activities	(250,721)
Cash Flows From Financing Activities	
Principal payments on mortgages and notes payable	(514,549)
Principal payments on capitalized equipment leases	<u>(274,999)</u>
Net cash used in financing activities	<u>(789,548)</u>
Net increase in cash and cash equivalents	549,650
Cash And Cash Equivalents	
Beginning of Year	<u>604,409</u>
End of Year	<u><u>\$ 1,154,059</u></u>
Supplemental Disclosure of Cash Flow Information	
Other Cash activities:	
Mortgages and notes payable interest paid and expensed	<u><u>\$ 787,493</u></u>
Capital lease interest paid for acquisition of buses	<u><u>\$ 22,390</u></u>

See accompanying notes to consolidated financial statements.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies

OCDC and Affiliate is comprised of two entities: Oregon Child Development Coalition, Inc. (the Coalition) and OCDC QALICB. The Coalition, a private not-for-profit corporation founded in 1971, has evolved into the largest child development and childcare network in the state of Oregon. In the accompanying notes to the consolidated financial statements, OCDC and Affiliate are collectively referred to as OCDC.

The Coalition provides a program of family focused comprehensive child development services for children up to six years old. Services are provided through a comprehensive approach to collaboration and partnership with a variety of private and public organizations in the many communities the Coalition serves throughout Oregon.

The Coalition is funded primarily by the of U.S. Department of Health and Human Services, Administration for Children and Families, Office of Head Start, Migrant and Seasonal Program Region XII to operate Head Start and Early Head Start programs in Oregon.

Other sources of funding received by the Coalition include:

- ◆ Region X Early Head Start – Child Care Partnerships to share trainings and technical assistance with existing child care providers to elevate the quality of childcare for infants and toddlers to meet the same high standards as Early Head Start classrooms in nine Oregon Counties;
- ◆ The Oregon Department of Education to operate the Oregon Head Start Program in Marion, Washington, Multnomah, Klamath and Jackson Counties;
- ◆ The Oregon Department of Education Early Learning Division to provide wrap around and after school child care, including infant and toddler child care and a network of family child care provider programs in Clackamas and Jackson Counties;
- ◆ The U.S. Department of Agriculture to provide meals to children participating in Coalition programs;
- ◆ The Oregon Department of Education Early Learning Division to operate Preschool Promise through Clackamas, Washington County, and Marion & Polk Early Learning Hub regions;
- ◆ Miscellaneous grants from various federal, state, local and private sources to provide services to children and families.

On October 4, 2012, the Coalition entered into a transaction structured to qualify for the New Markets Tax Credit (NMTC), as outlined in Internal Revenue Code (IRC) Section 45D. As part of the transaction, the Coalition formed OCDC QALICB, Inc. a Qualified Active Low-Income Community Business (QALICB), to meet the necessary structuring requirements to qualify for the New Markets Tax Credit. QALICB is a non-profit corporation formed under the laws of the State of Oregon.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

QALICB was established to fund the development and renovation of the property located at 1635, 1657, 1665 and 1679 S.E. Enterprise Circle in Hillsboro, Oregon (the "Enterprise Property") to provide Migrant Head Start, Seasonal Head Start, and Oregon Prekindergarten educational services and related services including a transportation division.

The development and renovation of the Enterprise Property was completed in 2013, and these costs were funded by a combination of restricted capital campaign donations, the issuance of long-term notes by QALICB payable to the NFF New Markets Fund XVII, LLC (NFF) totaling \$10,560,000, and the issuance of a long-term note by the Coalition payable to US Bank totaling \$7,060,000 of which \$5,227,335 was advanced and payable at December 31, 2018. The proceeds of the US Bank note payable were advanced to the OCDC Investment Fund LLC (an unaffiliated entity) as a note receivable to the Coalition at the same time they were drawn down from US Bank, and the Fund contributed a qualified equity investment to NFF using the proceeds along with other funds as New Market Tax Credits.

Basis of accounting – The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Coalition and OCDC QALICB. All significant intercompany balances and transactions have been eliminated in the consolidation.

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the OCDC and Affiliate implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 ("ASU 2016-14")*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity and functional expenses have been added and the expansion of disclosures regarding cost allocation methods, and the nature of donor restrictions have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets Without Donor Restrictions – subject to conditions** – Certain net assets are classified as subject to conditions. These amounts represent unrestricted net assets purchased with Federal funds and are subject to reimbursement to the Federal awarding agency in the event of disposition.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure. There were no net assets with donor restrictions at December 31, 2018 or 2017.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (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.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of estimates – The preparation of the consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash equivalents – Cash equivalents are generally all short-term investments with a maturity of three months or less.

Grants receivables – Receivables are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary as nearly all are due from federal, state, county and local government agencies.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Notes receivables – As of December 31, 2018, there are notes receivable from OCDC Investment Fund which is part of the NMTC transaction. The notes are secured by the Fund’s interest in NFF New Markets Fund XVII LLC, and bear interest at 6.15%.

- Note A – Balance due in the amount \$6,178,857 is payable monthly installments of \$33,363 including principal and interest are payable. All unpaid amounts are due October 2041.
- Note B – Balance due in the amount of \$1,229,600 is payable interest only starting November 2013, and each month through and until October 2019. Principal and interest is payable starting November 2019 in monthly installments of \$10,080. All unpaid amounts are due October 2041.

Fair value measurement – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date – is used by the Coalition on certain assets. For its investments, the Coalition obtains quoted prices in active markets using the market approach to valuation.

Description	Carrying Amount at Year Ended 12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets Measured at Fair Value on a Recurring Basis</u>				
Putnam US Govt. Mutual Funds	\$ 179,118	\$ 179,118	\$ -	\$ -

Investments income (loss) is as follows:

Notes receivable interest, and dividends	\$ 463,461
Unrealized loss on investments	(8,338)
	\$ 455,123

Property and equipment – Property and equipment are stated at cost or, for donated items, estimated value at the date of donation. Property and equipment purchased with federal awards are reported as net assets without donor restrictions, subject to conditions. Should federal funding related to the acquisition of such assets be discontinued, these assets may revert to the federal funding agency. Conditions on such assets are released over the estimated useful life of the assets, which range from 5 to 30 years. Depreciation on property and equipment is calculated using the straight-line method. New equipment and expenditures for repairs and improvements which extend the useful life of an asset exceeding \$5,000 are capitalized; conversely, expenditures for routine repairs and maintenance costs are expensed when incurred. Property and equipment are depreciated over the useful lives of the related assets, which range from 15 to 30 years, using the straight-line method.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Donated goods and professional services – A substantial number of volunteers donate significant amounts of their time to the Coalition’s program services. Additionally, various vendors provide support by discounting their fees and charges to the Coalition. These donated services and fees are a necessary part of the Coalition’s activities and have been reported as revenue without donor restrictions to the extent that the donated materials and services create or enhance non-financial assets or require specialized skills typically purchased if not originally provided through donation. State of Oregon Department of Education Head Start and Early Learning Hub in-kind contributions totaling \$3,274,885 have been allocated to the various expense classifications below. These contributions do not meet the criteria for recognition under FASB ASC 958-605, *Revenue Recognition* (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*), and are removed from total revenues and expenses in the accompanying statement of activities and funding source and schedule of functional expenses (Note 5).

Donated materials and services for the year ended December 31, 2018, were as follows:

	State of Oregon Department of Education and Early Learning Hub	Other	Total
Salary and Fringe	\$ 2,422,792	\$ 355,992	\$ 2,778,784
Rent	230,366	277,705	508,071
Telephone and Utilities	142,104	-	142,104
Equipment and Supplies	87,265	153,781	241,046
Professional Services	228,630	714,490	943,120
Building Repair and Maintenance	121,848	-	121,848
Travel	29,635	1,578	31,213
Training	12,245	-	12,245
Total Donated Goods and Professional Services	<u>\$ 3,274,885</u>	<u>\$ 1,503,546</u>	<u>\$ 4,778,431</u>

Deferred revenue – Deferred revenue represents grant funds received but not earned. These amounts will be recognized as revenue over the remaining grant period to the extent allowable grant expenditures are incurred.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in Note 5. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort, square-footage usage estimates, and contact hours and program slots.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Encumbrances – Encumbrances represent commitments by the Coalition for the purchase of goods and services. These are removed from the financial statement amounts.

Income taxes – the Coalition is a qualified charitable corporation under provisions of the Internal Revenue Code Section 501(c)(3) and is, therefore, exempt from federal and state taxation and has been classified as an organization that is not a private foundation under Section 509(a)(2). If applicable, any unrelated business taxable income reportable on IRS Form 990-T will be offset by a net operating loss carry forward in the amount of \$29,257 that is valid through 2023. QALICB is a State of Oregon non-profit corporation and has received tax-exempt status under Section 501(c)(3) of the IRC.

Restricted cash – Under the terms of certain notes payable and construction agreements, OCDC QALICB is required to maintain minimum balances with financial institutions. In addition, unspent proceeds from notes payable are restricted for specific purposes. At December 31, 2018, \$227,558 in cash equivalents was restricted for these purposes.

Note 2 – Property and Equipment

Property and equipment is as follows:

Land	\$ 3,898,653
Buildings	41,565,570
Equipment	8,804,644
Leasehold improvements	<u>1,445,926</u>
Total property and equipment	55,714,793
Less accumulated depreciation	<u>(32,943,462)</u>
	22,771,331
Construction in progress	<u>568,333</u>
Property and equipment, net	<u>\$ 23,339,664</u>

Equipment includes buses held under a capital lease agreement with a cost basis of \$858,362 and accumulated depreciation and amortization of \$210,837. Depreciation expense was \$2,884,209 for the year ended December 31, 2018.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 3 – Operating Leases

The Coalition has entered into operating lease agreements for its administrative office, several child care facilities, and office equipment. The office and facility leases extend for various periods up to 20 years, while the office equipment leases expire in 1 to 3 years. Future minimum lease payments are as follows:

Years ending December 31,	2019	\$	979,046
	2020		465,748
	2021		308,144
	2022		84,424
	2023		70,653
	Thereafter		<u>215,659</u>
		\$	<u>2,123,674</u>

Rent expense for the year ended December 31, 2018, was \$1,127,970.

Deferred lease incentive – On July 1, 2009, the Coalition entered into an operating lease agreement with its administrative office landlord for expansion space at the current location, 9140 SW Pioneer Court, Wilsonville, Oregon. Included in this agreement, scheduled to expire September 30, 2019, was a lease incentive in which the lessor agreed to pay \$868,675 for tenant improvements. This is recorded as deferred lease incentives and is amortized over the term of the lease. The deferred lease incentive balance for the year ended December 31, 2018:

Balance at the receipt of incentive, July 1, 2009	\$	868,675
Less amortization to date		<u>(803,525)</u>
Balance at December 31, 2018	\$	<u>65,150</u>

Also included in deferred lease incentive on page 3 is \$53,234 representing the adjustment made to present the lease payments on a straight line basis in accordance with GAAP.

Note 4 – Long-term Debt and Capital Leases

Notes payable to US Bank maturing in 2019 to 2021 contain restrictive financial covenants related to fixed charges. OCDC paid certain customary fees as required to acquire the notes payable used to finance construction of the Enterprise property Head Start center. These fees have been capitalized and are being amortized using the effective interest method.

Unamortized costs and amortization reported as interest expense were \$76,320 and \$101,761 respectively, as of and for the year ended December 31, 2018.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 4 – Long-term Debt and Capital Leases (Continued)

Notes payable:

The Coalition:

Note payable #323 US Bank, 4.31% interest rate, secured by real property, due October 4, 2019, payable in monthly installments of \$44,187 including interest.	5,227,334
Note payable #349 US Bank, 4.00% interest rate, secured by real property, due July 15, 2021, payable in monthly installments of \$15,112 including interest.	1,787,657

OCDC QALICB:

Note payable – QLICI Loan A, NFF New Markets Fund XVII, LLC, loan secured by real property and all QALICB's rights, title and interest in and to the NMTC Loan Disbursement Account, rights to various sources of receipts and income; fixed interest at 4.508% commencing October 1, 2012, payable monthly. Balance due in full on October 4, 2019.	4,775,842
Note payable – QLICI Loan B, NFF New Markets Fund XVII, LLC, promissory note, secured by real property and all QALICB's rights, title and interest in and to the NMTC Loan Disbursement Account, rights to various sources of receipts and income; fixed interest at 4.508% commencing October 1, 2012, payable monthly. Principal and interest is payable starting November 2019 in monthly installments of \$34,579 through October 2041.	5,784,158
Less unamortized debt issuance costs on both loans	(76,320)

Total notes payable \$17,498,671

Capital lease obligation:

Capitalized equipment lease, U.S. Bank Equipment Finance, payable in three annual installments of \$297,388, with \$1 purchase option at the end of lease for two 2018 Blue Bird Vision Propane school buses and six 2018 Blue Bird Vision Gas school buses. Final payment due October 2019.	\$285,975
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	Notes Payable	Capital Lease	Total
Years ending December 31, 2019	\$10,141,269	\$297,389	\$10,438,658
2020	273,960	-	273,960
2021	1,727,469	-	1,727,469
2022	173,621	-	173,621
2023	181,612	-	181,612
Thereafter	5,000,740	-	5,000,740
	<u>\$17,498,671</u>	<u>\$297,389</u>	<u>\$17,796,060</u>
Less: Amount of interest at 3.99%		(11,414)	(11,414)
Less: Current portion of long-term debt	(10,141,269)	(285,975)	(10,427,244)
	<u>\$7,357,402</u>	<u>-</u>	<u>\$7,357,402</u>

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 5 - Functional Expenses

EXPENSES	TOTAL	Child		Fundraising
		Development Services Program	Management & General	
Subcontractors for U.S.D.A. - food and nutrition services	\$ 1,724,096	\$ 1,724,096	\$ -	\$ -
Other contracted services	5,172,179	4,868,274	303,550	355
Salaries and benefits	46,123,864.00	42,430,948	3,352,114	340,802
Building and equipment expense	76,264	76,264	-	-
Repairs and maintenance	2,360,560	2,188,254	172,056	250
Supplies	1,497,979	1,461,451	36,407	121
Rent	1,747,812	1,576,409	167,755	3,648
Travel	1,411,442	1,314,012	96,501	929
Telephone and utilities	1,617,629	1,551,860	64,700	1,069
Training	298,904	298,904	-	-
Parent activities and involvement	132,284	132,252	32	-
Adult food costs	379,778	379,468	310	-
Insurance	493,283	481,609	11,417	257
Printing and promotion	363,342	301,031	59,088	3,223
Professional	117,868	105,955	11,913	-
Depreciation	726,010	719,654	6,216	140
Amortization of deferred financing costs reported as interest	101,761	101,761	-	-
Postage	58,480	15,327	43,148	5
Interest and other	1,604,500	1,212,852	391,417	231
Less adjustments:				
Contributions - State of Oregon Department of Education and Early Learning Hub In-kind	(3,274,885)	(3,274,885)	-	-
Encumbrances	(38,978)	(38,978)	-	-
Purchases of property and equipment included in repairs and maintenance	(229,429)	(229,429)	-	-
Principal repayment on notes payable included in rent	(114,477)	(114,477)	-	-
Principal repayment on leased equipment included in rent	(274,999)	(274,999)	-	-
Other eliminations	(493,992)	(493,992)	-	-
Depreciation of property and equipment	2,158,199	2,158,199	-	-
Total Adjusted Functional Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	\$ 63,739,474	\$ 58,671,820	\$ 4,716,624	\$ 351,030

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 6 – Contingencies

Grant receipts from funding agencies and related expenditures may be audited by federal and state government representatives to determine if the monies are expended in accordance with the appropriate statutes, grant terms, and regulations. Management believes the Coalition has been in compliance with all grant requirements and that any expenditure which may be disallowed would be immaterial in the event that an audit by federal or state representatives is conducted.

Note 7 – Employee Benefit Plan

The Coalition has established an elective deferred compensation plan pursuant to Section 401(k) of the Internal Revenue Code. In 2007 the Plan was changed to a Safe Harbor Plan. All employees of the Coalition are eligible to join the plan and participate in the elective deferral contributions upon date of employment. To be eligible for Employer Matching and Discretionary Contributions employees must complete one year of service. Employees electing to participate may contribute up to their total salary, though not to exceed the maximum allowed by government regulations. The Coalition, at its discretion, contributes five percent of each employee's annual plan compensation and has a mandatory match on participants' elective deferral up to five percent of eligible annual plan compensation of each participant. All contributions are immediately 100 percent vested. The Coalition contributed \$2,460,070 to the plan for the year ending December 31, 2018.

Note 8 – Concentrations

Uninsured Cash Risk – All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Coalition maintains its cash and sweep investment accounts with one FDIC-insured bank located in Portland, Oregon. Deposits to these accounts exceed the limits of depository insurance. However, the Coalition considers such deposits as made with a highly-rated financial institution that has not historically incurred any significant credit-related losses.

Revenues – The majority of the Coalition's revenues comes from a grant with the Department of Health and Human Services. The grant is renewed on an annual basis.

OCDC and Affiliate
Year Ended December 31, 2018
Notes to Consolidated Financial Statements

Note 9 – Liquidity

The following represents the OCDC's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*		
Cash and cash equivalents	\$	1,381,617
Grants receivables		2,066,266
Investments		179,118
Note receivable		7,408,457
		<u>7,408,457</u>
Total financial assets		<u>11,035,458</u>
Less amounts unavailable for use within one year:		
Contractual or donor-imposed restrictions:		
Timing restrictions and receivables due beyond one year		7,408,457
Restricted by lender with purpose restriction		227,558
		<u>7,636,015</u>
Total unavailable financial assets		<u>7,636,015</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>3,399,443</u></u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the OCDC policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the OCDC invests cash in excess of current requirements in short-term investments.

Note 10 – Subsequent Events

The Coalition has evaluated contingencies according to FSB ASC 450-20 (*formerly SFAS No. 5*) for subsequent events as of September 25, 2019, which is the date the financial statements were available to be issued. As such, only uncertainties about whether a liability has been incurred or reduced or an asset acquired or impaired give rise to contingencies. There are no known events that have occurred which will materially affect and require recognition in the financial statements for the period ended December 31, 2018.

In February 2019, the Coalition entered into an \$800,000 revolving line of credit in connection with a real property transaction in Ontario, Oregon. There were no amounts outstanding as of the report date.

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

To the Board of Directors
Oregon Child Development Coalition, Inc. and Affiliate
Wilsonville, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Child Development Coalition, Inc. and Affiliate (nonprofit organizations), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, statement of activities by funding source and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

To the Board of Directors
Oregon Child Development Coalition, Inc. and Affiliate

Purpose of this Report

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

A handwritten signature in blue ink that reads "Kern & Thompson, LLC". The signature is written in a cursive, flowing style.

Portland, Oregon
September 25, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Oregon Child Development Coalition, Inc.
Wilsonville, Oregon

Report on Compliance for Each Major Federal Program

We have audited Oregon Child Development Coalition, Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oregon Child Development Coalition, Inc. major federal programs for the year ended December 31, 2018. Oregon Child Development Coalition, Inc. major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Oregon Child Development Coalition, Inc. and Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Oregon Child Development Coalition, Inc. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Oregon Child Development Coalition, Inc. compliance.

Opinion on Each Major Federal Program

In our opinion, Oregon Child Development Coalition, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

To the Board of Directors
Oregon Child Development Coalition, Inc

Report on Internal Control Over Compliance

Management of Oregon Child Development Coalition, Inc. and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oregon Child Development Coalition, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oregon Child Development Coalition, Inc. and Affiliate's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Portland, Oregon
September 25, 2019

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Section 1 – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued – **Unmodified**
2. Significant deficiencies identified during the audit of the financial statements – **None reported**
3. Material weaknesses identified during the audit of the financial statements – **None**
4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

5. Significant deficiencies in internal control over major programs – **None reported**
6. Material weaknesses in internal control over major programs – **None**
7. The type of auditors’ report issued on compliance for major programs – **Unmodified**
8. Audit findings disclosed that are required to be reported in accordance with the 2 CFR Part 200.516(a) – **None**

Identification of Major Programs

- **Head Start:**
 - Head Start - CFDA No. 93.600
9. Dollar threshold used to distinguish between Type A and Type B programs –**\$1,545,034.**
 10. The auditee qualified as a low-risk auditee under the Uniform Guidance.

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

Section 2 – Financial Statement Findings

11. Findings relating to the financial statements reported in accordance with *Government Auditing Standards* – **None**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards – **None**

SUPPLEMENTAL INFORMATION – FEDERAL AWARDS

Oregon Child Development Coalition, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Administration for Children and Families, Office of Head Start :			
Direct award			
Full-year and full-day Head Start Program	93.600	90CM9810/04	\$ 34,390,195
Migrant & Seasonal Early Head Start	93.600	90CM9810/04	5,944,265
Migrant Early Head Start RXII 2017-2018	93.600	90HM0006/03	2,890,891
Migrant Early Head Start RXII 2018-2019	93.600	90HM0006/04	1,406,932
Early Head Start Child Care Partnership RX 2016-2017	93.600	10HP0006/02	99,927
Early Head Start Child Care Partnership RX 2017-2018	93.600	10HP0006/03	2,231,292
Early Head Start Child Care Partnership RX 2018-2019	93.600	10HP0006/04	1,104,537
Pass-through from Clackamas County Children's Commission	93.600	20-106	25,351
Subtotal - Head Start			48,093,390
Pass-through from State of Oregon - Public Health Division			
Maternal, Infant and Early Childhood Home Visiting Cluster 2017-2018	93.505	145571	305,597
Maternal, Infant and Early Childhood Home Visiting Cluster 2018-2019	93.870	158940	76,167
Subtotal - Maternal, Infant and Early Childhood Home Visiting Cluster			381,764
Total U.S. Department of Health and Human Services			48,475,154
U.S. Department of Education:			
Pass-through from Klamath/Jefferson/Jackson County School Districts, Oregon			
Migrant Education Programs:			
High Desert ESD	84.011	20-080/10-067	22,303
Southern Oregon ESD	84.011	05-039/13-049	58,871
Multnomah and Clackamas County Migrant Education	84.011	06-050	1,910
Subtotal - Migrant Education			83,084
Total U.S. Department of Education			83,084
U.S. Department of Agriculture:			
Pass-through from State of Oregon Department of Education:			
Family Day Care Homes Program	10.558	03-15001	1,210,311
Child and Adult Care Food Program	10.558	03-15004	1,603,022
Cash in Lieu of Commodities	10.558	03-15004	69,843
Clackamas County Children's Commission Vended Meals Contract	10.558	20-106	31,935
The Klamath Tribes Early Childhood Development Center Vended Meals Contra	10.558	N/A	14,092
Subtotal Child and Adult Care Food			2,929,203
Summer Food Services Program - Child Nutrition Cluster	10.559	03-15004	13,701
Total U.S. Department of Agriculture			2,942,904
Total Expenditures of Federal Awards			\$ 51,501,142

OCDC
Year Ended December 31, 2018
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oregon Child Development Coalition, Inc. and is presented on the accrual basis of accounting, consistent with generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Matching Requirement

The Coalition meets the 10% in-kind matching requirements by the Department of Health and Human Services Migrant Head Start Program, through inclusion of resources relating to the State of Oregon Department of Education Head Start Program. While these contributions are not considered to be in accordance with generally accepted accounting principles (GAAP), management asserts they have been allowable by the granting agency.

Note 3 – Indirect Cost Rate

The Coalition is not using the 10% de minimis indirect cost rate under the Uniform Guidance.

SUPPLEMENTAL INFORMATION – OTHER

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Financial Position
December 31, 2018

Assets	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Current Assets				
Cash and Cash Equivalents	\$ 1,154,059	\$ -	\$ -	\$ 1,154,059
Restricted Cash		227,558		227,558
Investments	179,118			179,118
Grants Receivable	2,132,785	158,824	(225,343)	2,066,266
Prepaid Expenses and Other Assets	519,299	50	-	519,349
Total Current Assets	<u>3,985,261</u>	<u>386,432</u>	<u>(225,343)</u>	<u>4,146,350</u>
Deposits	44,974			44,974
Note Receivable	7,408,457			7,408,457
Property and Equipment, Net	<u>16,352,659</u>	<u>6,987,005</u>	<u>-</u>	<u>23,339,664</u>
Total Assets	<u>\$ 27,791,351</u>	<u>\$ 7,373,437</u>	<u>\$ (225,343)</u>	<u>\$ 34,939,445</u>
Liabilities and Net Assets				
Liabilities				
Accounts Payable	\$ 1,512,107	\$ 108,689	\$ (225,343)	\$ 1,395,453
Accrued Liabilities	2,274,866			2,274,866
Current Portion Of Long-term Debt and Capital Leases	5,624,199	4,803,045	-	10,427,244
Total Current Liabilities	<u>9,411,172</u>	<u>4,911,734</u>	<u>(225,343)</u>	<u>14,097,563</u>
Deferred Revenue	704,296			704,296
Deferred Lease Incentive	118,384			118,384
Other Liabilities - Investment in QALICB	3,218,932		(3,218,932)	-
Long-term Debt and Capital Leases, Net	<u>1,676,767</u>	<u>5,680,635</u>	<u>-</u>	<u>7,357,402</u>
Total Liabilities	<u>15,129,551</u>	<u>10,592,369</u>	<u>(3,444,275)</u>	<u>22,277,645</u>
Net Assets				
Without Donor Restrictions	148,629			148,629
Without Donor Restrictions - Subject To Conditions	<u>12,513,171</u>	<u>(3,218,932)</u>	<u>3,218,932</u>	<u>12,513,171</u>
Total Net Assets, All Without Donor Restrictions	<u>12,661,800</u>	<u>(3,218,932)</u>	<u>3,218,932</u>	<u>12,661,800</u>
Total Liabilities and Net Assets	<u>\$ 27,791,351</u>	<u>\$ 7,373,437</u>	<u>\$ (225,343)</u>	<u>\$ 34,939,445</u>

See accompanying notes to consolidated financial statements and accompanying auditor's report.

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2018

Revenues	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Grant and Contract Revenue:				
U.S. Department of Health and Human Services	\$ 47,929,924	\$ -	\$ -	\$ 47,929,924
Donated Goods and Professional Services - DHHS	1,503,546			1,503,546
U.S.D.A. - Food & Nutrition Services	2,938,399			2,938,399
State of Oregon - Department of Education - OPK	6,624,684			6,624,684
State of Oregon - Department of Education - EHS	108,653			108,653
State of Oregon - Early Learning Hub - Preschool Promise	1,465,562			1,465,562
State of Oregon - Oregon Health Authority - MIECHV	381,764			381,764
Other Grant and Contracts	<u>245,912</u>	<u>-</u>	<u>-</u>	<u>245,912</u>
Total Grant and Contract Revenue	61,198,444	-	-	61,198,444
Rental Income		493,992	(493,992)	-
Investment Income (loss)	(81,129)	-	536,252	455,123
Other Nongovernmental	<u>33,232</u>	<u>-</u>	<u>-</u>	<u>33,232</u>
Total Revenues	61,150,547	493,992	42,260	61,686,799
Expenses				
Program Services:				
U.S. Department of Health and Human Services	\$ 50,906,777	\$ -	\$ (385,536)	\$ 50,521,241
USDA - Food and Nutrition Services	2,942,904			2,942,904
State of Oregon - Department of Education - OPK	6,681,988		(100,700)	6,581,288
State of Oregon - Department of Education - EHS	113,192			113,192
State of Oregon - Early Learning Hub - Preschool Promise	1,555,826		(7,756)	1,548,070
State of Oregon - Oregon Health Authority - MIECHV	381,764			381,764
Other Grant and Contracts	<u>239,723</u>	<u>-</u>	<u>-</u>	<u>239,723</u>
Total Program Services	62,822,174	-	(493,992)	62,328,182
Other Nongovernmental	<u>381,048</u>	<u>1,030,244</u>	<u>-</u>	<u>1,411,292</u>
Total Expenses	<u>63,203,222</u>	<u>1,030,244</u>	<u>(493,992)</u>	<u>63,739,474</u>
Change In Net Assets, All Without Donor Restrictions	(2,052,675)	(536,252)	536,252	(2,052,675)
Net Assets, Beginning of Year	<u>14,714,475</u>	<u>(2,682,680)</u>	<u>2,682,680</u>	<u>14,714,475</u>
Net Assets, End of Year	<u>\$ 12,661,800</u>	<u>\$ (3,218,932)</u>	<u>\$ 3,218,932</u>	<u>\$ 12,661,800</u>

See accompanying notes to consolidated financial statements and accompanying auditor's report.

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Cash Flows
Year Ended December 31, 2018

	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Cash Flows From Operating Activities				
Change in net assets	\$ (2,052,675)	\$ (536,252)	\$ 536,252	\$ (2,052,675)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,514,418	369,792		2,884,210
Amortization of deferred financing costs reported as interest expense		101,761		101,761
Deferred lease expense	(140,074)			(140,074)
Unrealized loss on investments	537,683	-	(536,252)	1,431
Changes in assets and liabilities:				
(Increase) decrease in:				
Grants receivable	1,045,508	-		1,045,508
Prepaid expenses and other assets	39,743	(50)		39,693
Increase (decrease) in:				
Accounts payable	(609,421)	12,961		(596,460)
Accrued liabilities	458,916		-	458,916
Deferred revenues	(152,391)	-	-	(152,391)
Net cash provided by / (used in) operating activities	1,641,707	(51,788)	-	1,589,919
Cash Flows From Investing Activities				
Purchase of property and equipment	(322,212)		-	(322,212)
Repayment of note receivable	19,703			19,703
Decrease in restricted cash	-	51,788	-	51,788
Net cash provided by / (used in) investing activities	(302,509)	51,788	-	(250,721)
Cash Flows From Financing Activities				
Principal payments on mortgages and notes payable	(514,549)			(514,549)
Principal payments on capitalized equipment leases	(274,999)			(274,999)
Net cash used in financing activities	(789,548)			(789,548)
Net increase in cash and cash equivalents	549,650			549,650
Cash And Cash Equivalents				
Beginning of Year	604,409			604,409
End of Year	\$ 1,154,059	\$ -	\$ -	\$ 1,154,059
Supplemental Disclosure of Cash Flow Information				
Other Cash activities:				
Mortgages and notes payable interest paid and expensed	\$ 311,448	\$ 476,045	\$ -	\$ 787,493
Capital lease interest paid for acquisition of buses	\$ 22,390	\$ -	\$ -	\$ 22,390

See accompanying notes to consolidated financial statements and accompanying auditor's report.