OREGON CHILD DEVELOPMENT COALITION, INC. & AFFILIATE

FINANCIAL STATEMENTS

December 31, 2013

CONTENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Oregon Child Development Coalition, Inc. & Affiliate (nonprofit organizations), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Oregon Child Development Coalition, Inc. & Affiliate as of December 31, 2013, 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.

1800 S.W. First Avenue, Suite 410 • Portland, Oregon 97201-5333 • Phone: (503) 222-3338 • Fax: (503) 222-7819 • www.kern-thompson.com

To the Board of Directors of
Oregon Child Development Coalition, Inc. & 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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 4, 2014, on our consideration of Oregon Child Development Coalition, Inc. & 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 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 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. & Affiliate's internal control over financial reporting and compliance.

Report on 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.

Kern & Thompson, LLC

Portland, Oregon
September 4, 2014

OCDC And Affiliate
Consolidated Statement of Financial Position
December 31, 2013

Assets

Current Assets		
Cash And Cash Equivalents	$	651,252
Restricted Cash		1,651,795
Investments		280,633
Grants Receivable		789,006
Prepaid Expenses And Other Assets		207,792
Total Current Assets		3,580,478
Deposits		45,391
Donation Receivable		700,000
Note Receivable		7,038,481
Deferred Financing Costs		585,125
Property And Equipment, Net		26,397,801
Total Assets	$	38,347,276

Liabilities and Net Assets

Liabilities		
Accounts Payable	$	1,065,913
Accrued Liabilities		1,073,582
Current Portion Of Long-term Debt		737,866
Total Current Liabilities		2,877,361
Deferred Revenue		290,069
Deferred Lease Incentive		660,686
Long-term Debt, Net Of Current Portion		20,130,483
Total Liabilities		23,958,599
Net Assets		
Unrestricted Net Assets		1,675,038
Unrestricted Net Assets - Subject To Conditions		12,013,639
		13,688,677
Temporarily Restricted Net Assets		700,000
Total Net Assets		14,388,677
	$	38,347,276

See accompanying notes.

OCDC And Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2013

Revenues

Grant And Contract Revenue:		
U.S. Department of Health and Human Services	$	30,936,792
Donated Goods and Professional Services - DHHS		4,198,232
State of Oregon - Employment Department		272,010
U.S.D.A. - Food & Nutrition Services		2,335,181
State of Oregon - Department of Education		6,872,831
Migrant Education Programs		62,803
Other Grant and Contracts		317,871
Participant Co-payments		18,484
Investment Income (loss)		284,526
Other Nongovernmental		148,387
Total Support And Revenue		45,447,117

Expenses

Program services:		
U.S. Department of Health and Human Services		34,531,412
State of Oregon - Employment Department		297,418
USDA - Food and Nutrition Services		2,334,915
State of Oregon - Department of Education		6,813,862
Migrant Education Programs		53,118
Other Grant and Contracts		325,181
Other Nongovernmental		657,994
Total Expenses		45,013,900
Total Change In Net Assets, Unrestricted		433,217
Net Assets:		
Beginning of Period		13,955,460
Net Assets End of Period	$	14,388,677

See accompanying notes.

OCDC And Affiliate
Consolidated Statement Of Functional Expenses
Year Ended December 31, 2013

	DHHS HEAD START PROGRAM BRANCH	STATE OF OREGON EMPLOYMENT DEPARTMENT	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON-DEPT OF EDUCATION OPK	STATE OF OREGON-DEPT OF EDUCATION EHS	MIGRANT EDUCATION PROGRAMS	OTHER GRANTS AND CONTRACTS	OTHER NON-GOVERNMENTAL	TOTAL
REVENUES									
Grant and contract revenues	$ 34,479,938	$ 272,010	$ 2,335,181	$ 6,730,464	$ 142,367	$ 62,803	$ 317,871	$ -	$ 44,340,634
Donated services	4,198,232	-	-	-	-	-	-	-	4,198,232
Participant co-payments	-	18,484	-	-	-	-	-	-	18,484
Dividends and interest income (loss)	-	-	-	-	-	-	-	284,526	284,526
Temporarily restricted - Capital campaign	-	-	-	-	-	-	-	-	-
Other Nongovernmental	-	-	-	-	-	-	-	148,387	148,387
Total revenues	38,678,170	290,494	2,335,181	6,730,464	142,367	62,803	317,871	432,913	48,990,263
Contributions - State of Oregon Department of Education In-kind	(3,289,524)	-	-	-	-	-	-	-	(3,289,524)
Encumbrances	(253,622)	-	-	-	-	-	-	-	(253,622)
Total Adjusted Revenues in Accordance with Accounting Principles Generally Accepted in the United States of America	35,135,024	290,494	2,335,181	6,730,464	142,367	62,803	317,871	432,913	45,447,117
EXPENSES									
Subcontractor and other contracted service payments									
U.S.D.A. - food and nutrition services	-	-	1,222,693	-	-	-	10,854	-	1,233,547
Other contracted services	1,282,195	20,755	212	298,797	1,384	1,865	9,037	45,775	1,660,020
Total subcontractor and other contracted service payments	1,282,195	20,755	1,222,905	298,797	1,384	1,865	19,891	45,775	2,893,567

See accompanying notes.

OCDC And Affiliate
Consolidated Statement Of Functional Expenses
Year Ended December 31, 2013

	DHHS HEAD START PROGRAM BRANCH	STATE OF OREGON EMPLOYMENT DEPARTMENT	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON-DEPT OF EDUCATION OPK	STATE OF OREGON-DEPT OF EDUCATION EHS	MIGRANT EDUCATION PROGRAMS	OTHER GRANTS AND CONTRACTS	OTHER NON-GOVERNMENTAL	TOTAL
Administrative and program expenses:									
Salaries and benefits	$ 28,470,878	$ 268,396	$ 1,009,119	$ 5,093,186	$ 121,213	$ 47,860	$ 248,199	$ 5,768	$ 35,264,619
Building and equipment expense	24,857	26	-	109,227	32	5	818	1,113	136,078
Repairs and maintenance	2,189,227	1,057	8,787	255,640	6,021	579	2,589	-	2,463,900
Supplies	892,285	784	1,502	280,882	1,284	1,687	19,945	1,857	1,200,226
Rent	2,819,091	4,327	7,072	239,204	7,871	-	5,735	-	3,083,300
Travel	611,456	558	10,363	88,172	862	53	14,975	3,809	730,248
Telephone and utilities	986,892	457	5,028	100,423	3,250	19	2,518	952	1,099,539
Training	181,565	-	240	30,410	555	-	2,927	629	216,326
Parent activities and involvement	140,846	-	-	37,113	2,453	-	4,468	-	184,880
Adult food costs	264,689	327	-	65,597	-	922	-	-	331,535
Insurance	261,615	6	593	28,984	2,358	-	-	-	293,556
Printing and promotion	61,646	118	280	4,606	126	22	1,944	212	68,954
Professional	81,739	299	-	7,914	279	56	275	823	91,385
Property use allowance	270,385	-	-	63,627	-	-	-	-	334,012
Postage	44,958	154	1,594	5,411	125	21	654	563	53,480
Other	93,846	154	67,432	21,271	214	29	243	377,523	560,712
Total administrative and program expenses	$ 37,395,975	276,663	1,112,010	6,431,667	146,643	51,253	305,290	393,249	46,112,750
Contributions - State of Oregon Department of Education In-kind	(3,289,524)	-	-	-	-	-	-	-	(3,289,524)
Encumbrances	(253,622)	-	-	-	-	-	-	-	(253,622)
Total expenses	**35,135,024**	**297,418**	**2,334,915**	**6,730,464**	**148,027**	**53,118**	**325,181**	**439,024**	**45,463,171**
Change in net assets as reported to cognizant agencies	-	(6,924)	266	-	(5,660)	9,685	(7,310)	(6,111)	(16,054)
Purchases of property and equipment	(60,725)	-	-	(100,485)	-	-	-	-	(161,210)
Principal repayment on notes payable	(2,062,165)	-	-	-	-	-	-	-	(2,062,165)
Principal repayment on leased equipment	(89,325)	-	-	-	-	-	-	-	(89,325)
Other	(202,315)	-	-	(48,086)	-	-	-	-	(250,401)
Less amortization of deferred financing costs	-	-	-	-	-	-	-	127,201	127,201
Less depreciation of property and equipment	1,810,918	-	-	74,468	9,474	-	-	91,769	1,986,629
Total Adjusted Expenses in Accordance with Accounting	34,531,412	297,418	2,334,915	6,656,361	157,501	53,118	325,181	657,994	45,013,900
Change in net assets	$ 603,612	$ (6,924)	$ 266	$ 74,103	$ (15,134)	$ 9,685	$ (7,310)	$ (225,081)	$ 433,217

See accompanying notes.

OCDC And Affiliate
Consolidated Statements Of Cash Flows
Year Ended December 31, 2013

Cash Flows From Operating Activities		
Change in net assets	$	433,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and property use allowance		2,131,831
Amortization of deferred financing costs		127,201
Deferred lease expense		(59,207)
Unrealized loss on investments		(40,631)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable		(655,659)
Prepaid expenses and other assets		(1,127)
Increase (decrease) in:		
Accounts payable		440,683
Accrued liabilities		17,738
Deferred revenues		(109,131)
Net cash provided by operating activities		2,284,915
Cash Flows From Investing Activities		
Purchase of property and equipment		(6,716,683)
Proceeds of property and equipment		-
Issuance of note receivable		(5,808,881)
Proceeds from sale of investments		-
Decrease in restricted cash		6,276,956
Net cash used in investing activities		(6,248,608)
Cash Flows From Financing Activities		
Proceeds from mortgages and notes payable		5,808,881
Principal payments on mortgages and notes payable		(2,168,060)
Capitalized equipment leases		(89,324)
Net cash provided by financing activities		3,551,497
Net (decrease) increase in cash and cash equivalents		(412,196)
Cash And Cash Equivalents		
Beginning		1,063,448
Ending	$	651,252
Supplemental Disclosure of Cash Flow Information		
Other Cash activities:		
Mortgages and notes payable interest paid and expensed	$	562,432
Capital lease interest paid and expensed	$	2,735

See accompanying notes.

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.

The Coalition provides 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:

- The Oregon Department of Education to operate the Oregon Head Start Program in Marion, Washington, Multnomah, Klamath and Jackson Counties;
- The Oregon Child Care 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;
- Miscellaneous grants from various federal, state, local and private sources to provide services to children and families.

On October 4, 2012, OCDC 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, OCDC 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. The 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 are being funded by a combination of restricted capital campaign donations, the issuance of long-term notes by the 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 $6,358,881 was advanced and payable at December 31, 2013. The proceeds of the US Bank note payable will be advanced to the OCDC Investment Fund LLC (an unaffiliated entity) as a note receivable to the Coalition at the same time they are drawn

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

down from US Bank, and the Fund will contribute a qualified equity investment to NFF using the proceeds along with other funds as New Market Tax Credits.

In the accompanying notes to the consolidated financial statements, OCDC and Affiliate are collectively referred to as OCDC.

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 OCDC and OCDC QALICB. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of presentation – Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Coalition and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations
- *Unrestricted net assets – 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.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of OCDC and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by OCDC.

OCDC 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other 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 reclassifications between the applicable classes of net assets. There were no permanently restricted net assets at December 31, 2013.

Deferred financing costs – 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. Accumulated amortization and amortization expense were $127,201 as of and for the year ended December 31, 2013.

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

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

Grant receivables – Receivables are reported at their outstanding principal amount. 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.

Note receivables – As of December 31, 2013, 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 $5,808,881 is payable interest only starting November 2013, and each month through and until maximum borrowing of $6,510,000 was reached on March 13, 2014. Interest only payments continue through September 2014. In September 2014, a lump sum principal payment of $255,147 is required. Commencing October 15, 2014 monthly installments of $33,363 including 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.

Fair Value Measurements at Reporting Date Using

Description	Carrying Amount at Year Ended 12/31/2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value on a Recurring Basis				
Putnam US Govt. Mutual Funds	$ 169,333	$ 169,333	$ 0	$ 0
Stancorp Common Stock	111,300	111,300	0	0
Total Investments	$ 280,633	$ 280,633	$ 0	$ 0

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

Investments – Equity securities with readily determinable fair values are stated at fair values as determined by quoted market prices, in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments income (loss) is as follows:

Interest and dividends	$ 246,441
Unrealized loss on investments	38,085
	$ 284,526

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 unrestricted assets, 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 3 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. Construction interest of $357,033 was capitalized in 2013. Property and equipment purchased with unrestricted funds of the Coalition or received as contributions are depreciated over the useful lived of the related assets, which range from 15 to 30 years, using the straight-line method. Property use allowance relates primarily to depreciation on Coalition-owned assets utilized in program activities.

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 unrestricted revenue 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 in-kind contributions totaling $3,289,524 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 adjusted from total revenues and expenses in the accompanying statement of functional revenues and expenses.

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

Donated materials and services for the year ended December 31, 2013, were as follows:

	State of Oregon Department of Education	Other	Total
Salary and Fringe	$ 2,405,029	$ 319,780	$ 2,724,809
Rent	375,657	321,274	696,931
Telephone and Utilities	98,495	-	98,495
Equipment and Supplies	73,688	58,348	132,036
Professional Services	191,476	201,657	393,133
Building Repair and Maintenance	94,669	-	94,669
Travel	33,167	7,649	40,816
Training	17,343	-	17,343
Total Donated Goods and Professional Services	$ 3,289,524	$ 908,708	$ 4,198,232

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.

Encumbrances – Encumbrances represent commitments by the Coalition for the purchase of goods and services.

Promises to give – The Coalition received a pledge commitment in the amount of $700,000 from the 2012 USB State Tax Credit Fund, LLC ("2012 USB State Fund"). The Donor will provide the charitable donation on April 15, 2017, or earlier at the donor's discretion and provided no events cause a disallowance or recapture of all or any portion of the tax credits provided for under the NMTC pertaining to the Enterprise property.

Income taxes – OCDC 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 filed for tax-exempt status under Section 501(c)(3) of the IRC. Tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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, 2013, $1,651,795 in cash and cash equivalents was restricted for these purposes.

Note 2 – Property and Equipment

Property and equipment is as follows:

Land	$ 3,747,472
Buildings	36,382,941
Equipment	6,039,124
Leasehold improvements	1,752,523
Total property and equipment	47,922,060
Less accumulated depreciation	(21,613,570)
	26,308,490
Construction in progress	89,311
Property and equipment, net	$ 26,397,801

Depreciation expense of $1,986,629 and property use allowance of $334,012, together total $2,320,641 for the year ended December 31, 2013.

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 3 to 5 years. Future minimum lease payments are as follows:

Years ending December 31,	2014	$ 905,589
	2015	574,835
	2016	473,880
	2017	428,135
	2018	422,918
	Thereafter	550,720
		$ 3,356,077

For the year ended December 31, 2013, rent expense was $3,083,300 of which $696,931 was donated in-kind rent and $2,168,060 was principal and interest payments on property and equipment.

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, 2013:

Balance at the receipt of incentive, July 1, 2009	$ 868,675
Less amortization to date	(369,187)
Balance at December 31, 2013	$ 499,488

Also included in deferred lease incentive is $161,198 representing the adjustment made to present the lease payments on a straight line basis in accordance with GAAP.

Note 4 – Long-term Debt

Mortgages and notes payable to US Bank maturing in 2017 to 2025 contain restrictive financial covenants related to fixed charges.

Mortgages and notes payable:

Note payable #190, US Bank, payable in monthly installments of $21,022, including interest at 6.52%, secured by real property, due September 15, 2019.	417,261
Note payable #224 US Bank, payable in monthly installments of $24,835, including interest at 5.91%, secured by real property, due January 1, 2024.	1,990,819
Note payable #257 US Bank, payable in monthly installments of $15,278, including interest at 6.09%, secured by real property, due August 1, 2025.	1,355,819
Note payable #299 US Bank, interest at 3.22% payable in monthly installments of $4,884 beginning May 2012, secured by real property, due March 30, 2017.	185,570
Note payable #323 US Bank, interest at the lesser of 3.5%, or prime plus .25% payable in monthly installments beginning November 15, 2012 secured by real property, with loan maturity date April 4, 2014. The financing agreement provides for maximum borrowings of $7,060,000, and was converted to a term loan of $7,060,000 on March 13, 2014, at 4.31% interest, due October 4, 2019, payable in monthly installments of $44,187 including interest.	6,358,881
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. Balance due in full on October 4, 2041.	5,784,157
Total mortgages and notes payable	$20,868,349

Note 4 – Long-term Debt (Continued)

Long-term debt principal maturities as follows:

	Mortgages and Notes Payable
Years ending December 31, 2014	$737,866
2015	778,461
2016	622,709
2017	618,181
2018	630,732
Thereafter	17,480,400
	$20,868,349
Less: Current portion of long-term debt	(737,866)
	$20,130,483

Note 5 – Contingent Liabilities

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 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 in the amount of $700,000 remain available for the purpose of the capital campaign.

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 $1,757,281 to the plan for the year ending December 31, 2013.

Note 8 – Concentrations

Credit risk – Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be 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.

Note 9 – Subsequent Events

The Coalition has evaluated contingencies according to FSB ASC 450-20 (*formerly SFAS No. 5*) for subsequent events as of September 4, 2014, which is the date the financial statements were available to be issued. As such, only uncertainties about whether a liability has 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, 2013.

Enterprise Tenant Improvements - In May 2014 the Coalition entered into a contract with Payne Construction Company in the amount of $643,873 to convert and renovate a portion of the Enterprise Facility into administrative offices. Substantial completion of the project is scheduled for September 2014.

Capitalized Equipment Lease - On July 31, 2014 the coalition entered into a 3 year lease with U.S. Bank Equipment Finance, a division of U.S. Bank National Association for eight school busses. The net equipment cost was $837,388. The lease is payable in three advance annual installments of $289,024 each with a $1 buy-out. The first lease payment was paid July 31, 2014 and shall continue on the same day each year thereafter until the end of term.

KERN & THOMPSON, LLC
Certified Public Accountants

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.
Portland, 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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Child Development Coalition, Inc.'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.

1800 S.W. First Avenue, Suite 410 • Portland, Oregon 97201-5333 • Phone: (503) 222-3338 • Fax: (503) 222-7819 • www.kern-thompson.com

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

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*.

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.

Kern & Thompson, LLC

Portland, Oregon
September 4, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Oregon Child Development Coalition, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Oregon Child Development Coalition, Inc.'s major federal programs for the year ended December 31, 2013. Oregon Child Development Coalition, Inc.'s 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Oregon Child Development Coalition, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oregon Child Development Coalition, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oregon Child Development Coalition, Inc.'s 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, 2013.

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

Report on Internal Control Over Compliance

Management of Oregon Child Development Coalition, Inc. 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.'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 OMB Circular A-133, 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.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kern & Thompson, LLC

Portland, Oregon
September 4, 2014

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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 identified in the audit of the financial statements – **None reported**

6. Material weaknesses in internal control over major programs identified in the audit of the financial statements – **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 Section 510(a) of OMB Circular A-133 – **None**

Identification of Major Programs

- **Head Start Cluster:**
  - Head Start 93.600
  - Child & Adult Care Food 10.558

9. Dollar threshold used to distinguish between Type A and Type B programs **–$1,123,866.**

10. The auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133.

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

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

Oregon Child Development Coalition, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Grant Number	Federal Expenditures
U.S. Office of Human Development Services,			
Department of Health and Human Services Head Start Cluster:			
Direct award			
Full-year and full-day Head Start Program	93.600	90CM0995/42	29,557,640
Migrant & Seasonal Early Head Start	93.600	90CM0995/42	4,922,298
Pass-through from Department of Health and Human Services			
Clackamas County Children's Commission	93.600	20-106	11,304
Subtotal - Head Start Cluster			$ 34,491,242
Pass-through from State of Oregon - Employment Department			
Child Care and Development Block Grant	93.575	Various	88,059
Pass-through from State of Oregon - Oregon Department of Education			
Child Care and Development Block Grant	93.575	Various	209,360
Pass-through from State of Oregon Department of Health and Human Services			
Healthy Kids	93.767	130924	41,778
Pass-through from Multnomah/Malheur County Health Departments, Oregon			
Maternal, Infant and Early Childhood Home Visiting Program	93.505	Various	203,197
Total U.S. Department of Health and Human Services			$ 35,033,636
U.S. Department of Education:			
Pass-through from Wasco/Jefferson/Jackson County School Districts, Oregon			
Migrant Education Programs:			
Columbia Gorge ESD	84.011	Various	19,162
High Desert ESD	84.011	Various	8,361
Southern Oregon ESD	84.011	Various	25,595
Total U.S. Department of Education			$ 53,118
U.S. Department of Agriculture:			
Pass-through from State of Oregon Department of Education:			
Family Day Care Homes Program	10.558	03-15001	810,578
Child and Adult Care Food Program	10.558	03-15004	887,855
Cash in Lieu of Commodities	10.558	03-15004	46,966
Summer Food Services Program	10.559	03-15004	589,516
Child Care Wellness Grant	10.579	03-15004	4,691
Clackamas County Children's Commission Vended Meals Contract	10.558	20-106	10,204
Total U.S. Department of Agriculture			$ 2,349,809
U.S. Department of Housing and Urban Development:			
Pass through from Washington County:			
Even Start - Parent Support	14.218	Various	25,648
Total U.S. Department of Housing & Urban Development			$ 25,648
Total Expenditures of Federal Awards			$ 37,462,212

See accompanying 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* 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.

OCDC And Affiliate
Consolidating Statement of Financial Position
December 31, 2013

Assets	OCDC, Inc.	OCDC QALICB	Eliminations	
Current Assets				
Cash And Cash Equivalents	$ 651,252	$ -	$ -	$ 651,252
Restricted Cash	-	1,651,795	-	1,651,795
Investments	280,633	-	-	280,633
Grants Receivable	1,254,148	158,824	(623,966)	789,006
Prepaid Expenses And Other Assets	207,792	-	-	207,792
Total Current Assets				3,580,478
Deposits	45,391	-	-	45,391
Donation Receivable	700,000	-	-	700,000
Note Receivable	7,038,481	-	-	7,038,481
Other Assets - Investment in QALICB	112,052	-	(112,052)	-
Deferred Financing Costs	-	585,125	-	585,125
Property And Equipment, Net	17,616,681	8,781,120	-	26,397,801
Total Assets	$ 27,906,430	$ 11,176,864	$ (736,018)	$38,347,276
Liabilities and Net Assets				
Liabilities				
Accounts Payable	$ 1,185,067	$ 504,812	$ (623,966)	$ 1,065,913
Accrued Liabilities	1,073,582	-	-	1,073,582
Current Portion Of Long-term Debt	737,866	-	-	737,866
Total Current Liabilities				2,877,361
Deferred Revenue	290,069	-	-	290,069
Deferred Lease Incentive	660,686	-	-	660,686
Long-term Debt, Net Of Current Portion	9,570,483	10,560,000	-	20,130,483
Total Liabilities	13,517,753	11,064,812	(623,966)	23,958,599
Net Assets				
Unrestricted Net Assets	1,675,038	-	-	1,675,038
Unrestricted Net Assets - Subject To Conditions	12,013,639	112,052	(112,052)	12,013,639
	13,688,677	112,052	(112,052)	13,688,677
Temporarily Restricted Net Assets	700,000	-	-	700,000
Total Net Assets	14,388,677	112,052	(112,052)	14,388,677
	$ 27,906,430	$ 11,176,864	$ (736,018)	$38,347,276

The accompanying notes and independent auditor's report should be read with the supplemental schedules.

OCDC And Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2013

Revenues	OCDC, Inc.	OCDC QALICB	Eliminations	
Grant And Contract Revenue:				
U.S. Department of Health and Human Services	$30,936,792	$ -	$ -	$30,936,792
Donated Goods and Professional Services - DHHS	4,198,232	-	-	4,198,232
State of Oregon - Employment Department	272,010	-	-	272,010
U.S.D.A. - Food & Nutrition Services	2,335,181	-	-	2,335,181
State of Oregon - Department of Education	6,872,831	-	-	6,872,831
Migrant Education Programs	62,803	-	-	62,803
Other Grant and Contracts	317,871	-	-	317,871
Participant Co-payments	18,484	-	-	18,484
Rental Income	-	123,500	(123,500)	-
Investment Income (loss)	79,775	-	204,751	284,526
Net assets released from restrictions	-		-	-
Other Nongovernmental	148,387	95,470	(95,470)	148,387
				-
Total Support And Revenue	45,242,366	218,970	(14,219)	45,447,117
Expenses				
Program services:				
U.S. Department of Health and Human Services	34,702,296	-	(170,884)	34,531,412
State of Oregon - Employment Department	297,418	-	-	297,418
USDA - Food and Nutrition Services	2,334,915	-	-	2,334,915
State of Oregon - Department of Education	6,861,948	-	(48,086)	6,813,862
Migrant Education Programs	53,118	-	-	53,118
Other Grant and Contracts	325,181	-	-	325,181
Other Nongovernmental	234,273	423,721	-	657,994
Total Expenses	44,809,149	423,721	(218,970)	45,013,900
Change In Net Assets, Unrestricted	433,217	(204,751)	204,751	433,217
Temporarily Restricted Revenues - Capital Campaign	-	-	-	-
Less Net Assets Released from Restrictions - Capital campaign	-	-	-	-
Change In Net Assets, Temporarily Restricted	-			-
Total Change In Net Assets	433,217	(204,751)	204,751	433,217
Net Assets:				
Beginning of Period	13,955,460	316,803	(316,803)	13,955,460
Net Assets End of Period	$14,388,677	$ 112,052	$ (112,052)	$14,388,677

The accompanying notes and independent auditor's report should be read with the supplemental schedules.

OCDC And Affiliate
Consolidating Statements Of Cash Flows
Year Ended December 31, 2013

	OCDC, Inc.	OCDC QALICB	Eliminations	
Cash Flows From Operating Activities				
Change in net assets	$ 433,217	$ (204,751)	$ 204,751	$ 433,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and property use allowance	2,040,062	91,769	-	2,131,831
Amortization of deferred financing costs	-	127,201	-	127,201
Deferred lease expense	(59,207)	-	-	(59,207)
Unrealized loss on investments	164,120	-	(204,751)	(40,631)
Changes in assets and liabilities:				
(Increase) decrease in:				
Grants receivable	(884,185)	(138,133)	366,659	(655,659)
Prepaid expenses and other assets	(1,127)	-	-	(1,127)
Increase (decrease) in:				
Accounts payable	586,473	220,869	(366,659)	440,683
Accrued liabilities	17,738	-	-	17,738
Deferred revenues	(109,131)	-	-	(109,131)
Net cash provided by operating activities	2,187,960	96,955	-	2,284,915
Cash Flows From Investing Activities				
Purchase of property and equipment	(342,772)	(6,373,911)	-	(6,716,683)
Proceeds of property and equipment	-	-	-	-
Issuance of note receivable	(5,808,881)	-	-	(5,808,881)
Proceeds from sale of investments	-	-	-	-
Decrease in restricted cash	-	6,276,956	-	6,276,956
Net cash used in investing activities	(6,151,653)	(96,955)	-	(6,248,608)
Cash Flows From Financing Activities				
Proceeds from mortgages and notes payable	5,808,881	-	-	5,808,881
Principal payments on mortgages and notes payable	(2,168,060)	-	-	(2,168,060)
Capitalized equipment leases	(89,324)	-	-	(89,324)
Net cash provided by financing activities	3,551,497	-	-	3,551,497
Net (decrease) increase in cash and cash equivalents	(412,196)	-	-	(412,196)
Cash And Cash Equivalents				
Beginning	1,063,448	-	-	1,063,448
Ending	$ 651,252	$ -	$ -	$ 651,252
Supplemental Disclosure of Cash Flow Information				
Other Cash activities:				
Mortgages and notes payable interest paid and expensed	$ 443,421	$ 119,011	$ -	$ 562,432
Capital lease interest paid and expensed	$ 2,735	$ -	$ -	$ 2,735

The accompanying notes and independent auditor's report should be read with the supplemental schedules.