

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

FINANCIAL STATEMENTS

December 31, 2017



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, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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. and Affiliate as of December 31, 2017, 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 20, 2018, on our consideration of Oregon Child Development Coalition, Inc.'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.'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.



Portland, Oregon
September 20, 2018

OCDC and Affiliate
Consolidated Statement of Financial Position
December 31, 2017

Assets

Current Assets	
Cash and Cash Equivalents	\$ 604,409
Restricted Cash	279,346
Investments	180,549
Grants Receivable	3,122,235
Prepaid Expenses and Other Assets	558,742
Total Current Assets	<u>4,745,281</u>
Deposits	45,274
Note Receivable	7,428,160
Property and Equipment, Net	<u>25,901,661</u>
Total Assets	<u><u>\$ 38,120,376</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 2,002,373
Accrued Liabilities	1,815,950
Current Portion Of Long-term Debt and Capital Leases	790,826
Total Current Liabilities	<u>4,609,149</u>
Deferred Revenue	856,687
Deferred Lease Incentive	258,458
Other Liabilities - Investment in QALICB	-
Long-term Debt and Capital Leases, Net	17,681,607
Total Liabilities	<u>23,405,901</u>
Net Assets	
Unrestricted Net Assets	662,011
Unrestricted Net Assets - Subject To Conditions	14,052,464
Total Net Assets, All Unrestricted	<u>14,714,475</u>
Total Liabilities and Net Assets	<u><u>\$ 38,120,376</u></u>

OCDC and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2017

Revenues

Grant and Contract Revenue:	
U.S. Department of Health and Human Services	\$ 44,246,617
Donated Goods and Professional Services - DHHS	4,952,534
State of Oregon - Employment Department	250,562
U.S.D.A. - Food & Nutrition Services	2,831,193
State of Oregon - Department of Education - OPK	7,418,123
State of Oregon - Department of Education - EHS	127,207
State of Oregon - Early Learning Hub - Preschool Promise	1,692,768
State of Oregon - Oregon Health Authority - MIECHV	404,624
Other Grant and Contracts	222,266
Total Grant And Contract Revenue	62,145,894
Participant Co-payments	9,938
Investment Income (loss)	459,378
Other Non-governmental	19,929
Total Revenues	62,635,139

Expenses

Program Services:	
U.S. Department of Health and Human Services	\$ 46,917,183
State of Oregon - Employment Department	260,500
USDA - Food and Nutrition Services	2,829,711
State of Oregon - Department of Education - OPK	7,135,829
State of Oregon - Department of Education - EHS	131,742
State of Oregon - Early Learning Hub - Preschool Promise	1,692,196
State of Oregon - Oregon Health Authority - MIECHV	405,100
Other Grant and Contracts	215,483
Total Program Services:	59,587,744
Other Non-governmental	1,416,815
Total Expenses	61,004,559
Change In Net Assets, All Unrestricted	1,630,580
Net Assets, Beginning of Year	13,083,895
Net Assets, End of Year	\$ 14,714,475

See accompanying notes.

**OCDC and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017**

	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	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	\$ 48,441,359	\$ 250,562	\$ 2,831,193	\$ 7,419,620	\$ 127,207	\$ 1,692,792	\$ 404,707	\$ 222,011	\$ -	\$ 61,389,451
Donated services	4,952,534									4,952,534
Participant co-payments		9,938								9,938
Dividends and interest income (loss)									459,378	459,378
Other Nongovernmental	-	-	-	-	-	-	-	255	19,929	20,184
Total revenues	53,393,893	260,500	2,831,193	7,419,620	127,207	1,692,792	404,707	222,266	479,307	66,831,485
Contributions - State of Oregon Department of Education and Early Learning Hub In-kind	(3,925,992)	-	-	-	-	-	-	-	-	(3,925,992)
Encumbrances	(268,750)	-	-	(1,497)	-	(24)	(83)	-	-	(270,354)
Total Adjusted Revenues in Accordance with Accounting Principles Generally Accepted in the United States of America	49,199,151	260,500	2,831,193	7,418,123	127,207	1,692,768	404,624	222,266	479,307	62,635,139
EXPENSES										
Subcontractor and other contracted service payments										
U.S.D.A. - food and nutrition services			1,795,777					8,831		1,804,608
Other contracted services	3,848,222	1,398	81	288,907	414	66,987	14,627	23,905	1,595	4,246,136
Total subcontractor and other contracted service payments	3,848,222	1,398	1,795,858	288,907	414	66,987	14,627	32,736	1,595	6,050,744

See accompanying notes.

OCDC and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	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	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	\$ 35,327,376	\$ 252,403	\$ 935,621	\$ 5,636,000	\$ 89,669	\$ 1,391,760	\$ 323,602	\$ 126,737	\$ 13,427	\$ 44,096,595
Building and equipment expense	2,719,534	-	-	219,530	-	-	-	24,875	-	2,963,939
Repairs and maintenance	2,864,278	2,247	169	196,349	(4,756)	47,469	10,109	2,040	3,327	3,121,232
Supplies	1,475,897	372	1,823	129,871	18,923	63,834	4,436	24,321	82	1,719,559
Rent	2,256,026	1,082	9,969	219,194	4,234	25,262	6,191	18,749	3,477	2,544,184
Travel	1,261,805	732	15,577	157,735	1,748	17,798	10,111	1,837	313	1,467,656
Telephone and utilities	1,368,720	431	5,629	141,700	4,312	23,539	12,984	530	3,037	1,560,882
Training	225,987	-	-	46,889	1,662	15,030	4,256	1,009	1,797	296,630
Parent activities and involvement	117,553	2	-	43,237	2,989	3,845	8,403	3,760	-	179,789
Adult food costs	273,547	-	-	67,821	-	14,367	-	367	-	356,102
Insurance	415,796	-	-	39,274	3,769	2,826	798	146	-	462,609
Printing and promotion	269,476	339	2,558	32,667	1,150	5,884	2,051	176	235	314,536
Professional	107,084	729	-	10,867	205	3,316	966	379	26	123,572
Depreciation	325,673	88	71	44,780	2,381	6,485	4,839	46	369,941	754,304
Amortization of deferred financing costs reported as interest				-					101,761	101,761
Postage	49,122	258	1,090	5,321	129	1,598	432	166	32	58,148
Interest and other	487,797	419	61,346	139,478	378	13,319	1,378	2,484	917,765	1,624,364
Total administrative and program expenses	\$ 49,545,671	259,102	1,033,853	7,130,713	126,793	1,636,332	390,556	207,622	1,415,220	61,745,862
Contributions - State of Oregon Department of Education and Early Learning Hub In-Kind	(3,925,992)	-	-	-	-	-	-	-	-	(3,925,992)
Encumbrances	(268,750)	-	-	(1,497)	-	(24)	(83)	-	-	(270,354)
Total expenses	49,199,151	260,500	2,829,711	7,418,123	127,207	1,703,295	405,100	240,358	1,416,815	63,600,260
Change in net assets as reported to cognizant agencies	-	-	1,482	-	-	(10,527)	(476)	(18,092)	(937,508)	(965,121)
Purchases of property and equipment included in repairs and maintenance	(2,604,184)	-	-	(219,530)	-	-	-	(24,875)	-	(2,848,589)
Principal repayment on notes payable included in rent	(802,284)	-	-	-	-	-	-	-	-	(802,284)
Principal repayment on leased equipment included in rent	(297,389)	-	-	-	-	-	-	-	-	(297,389)
Other eliminations	(367,126)	-	-	(115,767)	-	(11,099)	-	-	-	(493,992)
Less depreciation of property and equipment	1,789,015	-	-	53,003	4,535	-	-	-	-	1,846,553
Total Adjusted Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	46,917,183	260,500	2,829,711	7,135,829	131,742	1,692,196	405,100	215,483	1,416,815	61,004,559
Change in Net Assets, All Unrestricted	\$ 2,281,968	\$ -	\$ 1,482	\$ 282,294	\$ (4,535)	\$ 572	\$ (476)	\$ 6,783	\$ (937,508)	\$ 1,630,580

See accompanying notes.

OCDC and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows From Operating Activities	
Change in net assets	\$ 1,630,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,600,856
Amortization of deferred financing costs reported as interest expense	101,761
Deferred lease expense	(123,797)
Unrealized loss on investments	(1,468)
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	(703,936)
Prepaid expenses and other assets	(331,695)
Increase (decrease) in:	
Accounts payable	638,744
Accrued liabilities	117,280
Deferred revenues	(171,951)
	<u>3,756,374</u>
Net cash provided by operating activities	3,756,374
Cash Flows From Investing Activities	
Purchase of property and equipment	(3,029,676)
Repayment of note receivable	18,530
Decrease in restricted cash	51,775
	<u>(2,959,371)</u>
Net cash used in investing activities	(2,959,371)
Cash Flows From Financing Activities	
Principal payments on mortgages and notes payable	(1,206,975)
Principal payments on capitalized equipment leases	(297,389)
	<u>(1,504,364)</u>
Net cash used in financing activities	(1,504,364)
Net (decrease) increase in cash and cash equivalents	(707,361)
Cash And Cash Equivalents	
Beginning of Year	<u>1,311,770</u>
End of Year	<u>\$ 604,409</u>
Supplemental Disclosure of Cash Flow Information	
Other Cash activities:	
Mortgages and notes payable interest paid and expensed	<u>\$ 838,319</u>
Supplemental Disclosure of Noncash Investing and Financing Transaction	
Capital lease for acquisition of buses	<u>\$ 858,362</u>

See accompanying notes.

OCDC and Affiliate
Year Ended December 31, 2017
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.

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:

- ◆ 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, 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.

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

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

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 were 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 \$5,520,916 was advanced and payable at December 31, 2017. 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.

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.

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

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

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 temporarily or permanently restricted net assets at December 31, 2017.

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, 2017, 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 \$6,198,560 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 continued through September 2014. In September 2014, a lump sum principal payment of \$255,147 was made. Commencing October 15, 2014 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.

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

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

Fair Value Measurements at Reporting Date Using

Description	Carrying Amount at Year Ended 12/31/2017	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	\$ 180,549	\$ 180,549	\$ -	\$ -

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	\$ 463,299
Unrealized loss on investments	(3,921)
	<u>\$ 459,378</u>

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 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 purchased with unrestricted funds of the Coalition or received as contributions are depreciated over the useful lives of the related assets, which range from 15 to 30 years, using the straight-line method.

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 and Early Learning Hub in-kind contributions totaling \$3,925,992 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.

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

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

Donated materials and services for the year ended December 31, 2017, were as follows:

	State of Oregon Department of Education and Early Learning Hub	Other	Total
Salary and Fringe	\$ 2,893,074	\$ 255,699	\$ 3,148,773
Rent	333,511	300,202	633,713
Telephone and Utilities	148,127	-	148,127
Equipment and Supplies	103,160	34,291	137,451
Professional Services	252,674	434,974	687,648
Building Repair and Maintenance	131,635	-	131,635
Travel	43,189	1,376	44,565
Training	20,622	-	20,622
Total Donated Goods and Professional Services	<u>\$ 3,925,992</u>	<u>\$ 1,026,542</u>	<u>\$ 4,952,534</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.

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

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 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, 2017, \$279,346 in cash and cash equivalents was restricted for these purposes.

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

Note 2 – Property and Equipment

Property and equipment is as follows:

Land	\$ 3,898,653
Buildings	41,486,251
Equipment	8,808,744
Leasehold improvements	<u>1,445,926</u>
Total property and equipment	55,639,574
Less accumulated depreciation	<u>(30,198,004)</u>
	25,441,570
Construction in progress	<u>460,091</u>
Property and equipment, net	<u><u>\$ 25,901,661</u></u>

Equipment includes buses held under a capital lease agreement with a cost basis of \$858,362 and accumulated amortization of \$39,164. Depreciation expense was \$2,600,857 for the year ended December 31, 2017.

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,	2018	\$ 1,109,911
	2019	887,145
	2020	222,207
	2021	79,838
	2022	30,000
	Thereafter	<u>117,500</u>
		<u><u>\$ 2,446,601</u></u>

Rent expense for the year ended December 31, 2017, was as follows:

Rent	\$ 1,072,325
Donated in-kind rent	633,713
Principal and interest payments on property and equipment	<u>838,146</u>
Total rent	<u><u>\$ 2,544,184</u></u>

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

Note 3 – Operating Leases (continued)

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, 2017:

Balance at the receipt of incentive, July 1, 2009	\$ 868,675
Less amortization to date	<u>(716,657)</u>
Balance at December 31, 2017	<u>\$ 152,018</u>

Also included in deferred lease incentive on page 3 is \$106,440 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

Mortgages and notes payable to US Bank maturing in 2019 to 2025 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 \$178,081 and \$101,761 respectively, as of and for the year ended December 31, 2017.

Mortgages and notes payable:

The Coalition:

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.	<u>\$114,477</u>
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.	<u>5,520,916</u>
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.	<u>1,894,147</u>

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

Note 4 – Long-term Debt (continued)

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	(178,081)
Total mortgages and notes payable	<u>\$17,911,459</u>

Capital lease obligation:

Capitalized equipment lease, U.S. Bank Equipment Finance, a division of U.S. Bank National Association 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.	\$560,974
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Long-term debt principal maturities and future minimum payments under capital lease are as follows:

	Mortgages and Notes Payable	Capital Lease	Total Long- Term Debt
Years ending December 31, 2018	\$515,827	\$297,388	\$813,215
2019	10,139,991	297,389	10,437,380
2020	273,960	-	273,960
2021	1,727,469	-	1,727,469
2022	173,621	-	173,621
Thereafter	5,080,591	-	5,080,591
	<u>\$17,911,459</u>	<u>\$594,777</u>	<u>\$18,506,236</u>
Less: Amount of interest at 3.99%		(33,803)	(33,803)
Less: Current portion of long-term debt	(515,827)	(274,999)	(790,826)
	<u>\$17,395,632</u>	<u>285,975</u>	<u>\$17,681,607</u>

OCDC and Affiliate
Year Ended December 31, 2017
Notes to Consolidated Financial Statements

Note 5 – 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.

Other claims arising in the normal course of operations have been filed against the Organization. Certain claims are covered by insurance and have been tendered to the Organization's public liability insurer. In management's opinion, these claims will not result in material losses to the Organization.

Note 6 – 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 \$2,253,055 to the plan for the year ending December 31, 2017.

Note 7 – Concentrations

Credit 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.

Note 8 – Subsequent Events

The Coalition has evaluated contingencies according to FSB ASC 450-20 (*formerly SFAS No. 5*) for subsequent events as of September 20, 2018, 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, 2017.

**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.
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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2018.

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.

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.

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.



Portland, Oregon
September 20, 2018

**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.'s 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.'s major federal programs for the year ended December 31, 2017. 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 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.'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.'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, 2017.

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 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.'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 20, 2018

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

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 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 –**\$1,560,983.**
- 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, 2017

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, 2017

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	90CM9810/03	\$ 35,509,836
Migrant & Seasonal Early Head Start	93.600	90CM9810/03	5,509,976
Migrant Early Head Start RXII 2016-2017	93.600	90HM0006/02	3,165,562
Migrant Early Head Start RXII 2017-2018	93.600	90HM0006/03	1,249,048
Early Head Start Child Care Partnership RX 2016-2017	93.600	10HP0006/02	1,929,433
Early Head Start Child Care Partnership RX 2017-2018	93.600	10HP0006/03	1,077,504
Pass-through from Clackamas County Children's Commission	93.600	20-106	27,944
Subtotal - Head Start			48,469,303
Pass-through from State of Oregon - Department of Education			
Migrant and Seasonal Family Child Care CCDF Cluster	93.575	N/A	100,310
Migrant and Seasonal Family Child Care CCDF Cluster	93.596	N/A	160,190
Subtotal - CCDF Cluster			260,500
Pass-through from State of Oregon - Public Health Division			
Maternal, Infant and Early Childhood Home Visiting Cluster	93.505	145571	405,183
Total U.S. Department of Health and Human Services			49,134,986
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	10,911
Southern Oregon ESD	84.011	20-080	48,500
Subtotal - Migrant Education			59,411
Total U.S. Department of Education			59,411
U.S. Department of Agriculture:			
Pass-through from State of Oregon Department of Education:			
Family Day Care Homes Program	10.558	03-15001	1,307,953
Child and Adult Care Food Program	10.558	03-15004	1,442,951
Cash in Lieu of Commodities	10.558	03-15004	63,860
Clackamas County Children's Commission Vended Meals Contract	10.558	20-106	8,660
The Klamath Tribes Early Childhood Development Center Vended Meals Contra	10.558	N/A	1,639
Subtotal Child and Adult Care Food			2,825,063
Summer Food Services Program - Child Nutrition Cluster	10.559	03-15004	14,948
Total U.S. Department of Agriculture			2,840,011
U.S. Department of Transportation:			
Pass-through from State of Oregon Department of Transportation:			
Transportation Safety Division:			
OCDL Child Seat Curriculum - Highway Safety Cluster	20.616	M1CPS-17-45-01	3,253
Total Expenditures of Federal Awards			\$ 52,037,661

See accompanying notes.

OCDC and Affiliate
Year Ended December 31, 2017
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

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

SUPPLEMENTAL INFORMATION – OTHER

OCDC and Affiliate
Consolidating Statement of Financial Position
December 31, 2017

Assets	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Current Assets				
Cash and Cash Equivalents	\$ 604,409	\$ -	\$ -	\$ 604,409
Restricted Cash		279,346		279,346
Investments	180,549			180,549
Grants Receivable	3,178,293	158,824	(214,882)	3,122,235
Prepaid Expenses and Other Assets	558,742	-	-	558,742
Total Current Assets	4,521,993	438,170	(214,882)	4,745,281
Deposits	45,274			45,274
Note Receivable	7,428,160			7,428,160
Property and Equipment, Net	18,544,865	7,356,796	-	25,901,661
Total Assets	<u>\$ 30,540,292</u>	<u>\$ 7,794,966</u>	<u>\$ (214,882)</u>	<u>\$ 38,120,376</u>
Liabilities and Net Assets				
Liabilities				
Accounts Payable	\$ 2,121,528	\$ 95,727	\$ (214,882)	\$ 2,002,373
Accrued Liabilities	1,815,950			1,815,950
Current Portion Of Long-term Debt and Capital Leases	790,826	-	-	790,826
Total Current Liabilities	4,728,304	95,727	(214,882)	4,609,149
Deferred Revenue	856,687			856,687
Deferred Lease Incentive	258,458			258,458
Other Liabilities - Investment in QALICB	2,682,680		(2,682,680)	-
Long-term Debt and Capital Leases, Net	7,299,688	10,381,919	-	17,681,607
Total Liabilities	15,825,817	10,477,646	(2,897,562)	23,405,901
Net Assets				
Unrestricted Net Assets	662,011			662,011
Unrestricted Net Assets - Subject To Conditions	14,052,464	(2,682,680)	2,682,680	14,052,464
Total Net Assets, All Unrestricted	14,714,475	(2,682,680)	2,682,680	14,714,475
Total Liabilities and Net Assets	<u>\$ 30,540,292</u>	<u>\$ 7,794,966</u>	<u>\$ (214,882)</u>	<u>\$ 38,120,376</u>

See accompanying notes.

OCDC and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2017

Revenues	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Grant and Contract Revenue:				
U.S. Department of Health and Human Services	\$ 44,246,617	\$ -	\$ -	\$ 44,246,617
Donated Goods and Professional Services - DHHS	4,952,534			4,952,534
State of Oregon - Employment Department	250,562			250,562
U.S.D.A. - Food & Nutrition Services	2,831,193			2,831,193
State of Oregon - Department of Education - OPK	7,418,123			7,418,123
State of Oregon - Department of Education - EHS	127,207			127,207
State of Oregon - Early Learning Hub - Preschool Promise	1,692,768			1,692,768
State of Oregon - Oregon Health Authority - MIECHV	404,624			404,624
Other Grant and Contracts	<u>222,266</u>	-	-	<u>222,266</u>
Total Grant and Contract Revenue	62,145,894	-	-	62,145,894
Participant Co-payments	9,938			9,938
Rental Income		493,992	(493,992)	-
Investment Income (loss)	(79,128)	-	538,506	459,378
Other Nongovernmental	<u>19,929</u>	-	-	<u>19,929</u>
Total Revenue	62,096,633	493,992	44,514	62,635,139
Expenses				
Program Services:				
U.S. Department of Health and Human Services	\$ 47,284,309	\$ -	\$ (367,126)	\$ 46,917,183
State of Oregon - Employment Department	260,500			260,500
USDA - Food and Nutrition Services	2,829,711			2,829,711
State of Oregon - Department of Education - OPK	7,251,596		(115,767)	7,135,829
State of Oregon - Department of Education - EHS	131,742			131,742
State of Oregon - Early Learning Hub - Preschool Promise	1,703,295		(11,099)	1,692,196
State of Oregon - Oregon Health Authority - MIECHV	405,100			405,100
Other Grant and Contracts	<u>215,483</u>	-	-	<u>215,483</u>
Total Program Services	60,081,736	-	(493,992)	59,587,744
Other Nongovernmental	<u>384,317</u>	<u>1,032,498</u>	-	<u>1,416,815</u>
Total Expenses	<u>60,466,053</u>	<u>1,032,498</u>	<u>(493,992)</u>	<u>61,004,559</u>
Change In Net Assets, All Unrestricted	1,630,580	(538,506)	538,506	1,630,580
Net Assets, Beginning of Year	<u>13,083,895</u>	<u>(2,144,174)</u>	<u>2,144,174</u>	<u>13,083,895</u>
Net Assets, End of Year	<u>\$ 14,714,475</u>	<u>\$ (2,682,680)</u>	<u>\$ 2,682,680</u>	<u>\$ 14,714,475</u>

See accompanying notes.

OCDC and Affiliate
Consolidating Statement of Cash Flows
Year Ended December 31, 2017

	OCDC, OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Cash Flows From Operating Activities				
Change in net assets	\$ 1,630,580	\$ (538,506)	\$ 538,506	\$ 1,630,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,231,065	369,791		2,600,856
Amortization of deferred financing costs reported as interest expense		101,761		101,761
Deferred lease expense	(123,797)			(123,797)
Unrealized loss on investments	537,038	-	(538,506)	(1,468)
Changes in assets and liabilities:				
(Increase) decrease in:				
Grants receivable	(703,936)	-		(703,936)
Prepaid expenses and other assets	(331,695)			(331,695)
Increase (decrease) in:				
Accounts payable	623,565	15,179		638,744
Accrued liabilities	117,280		-	117,280
Deferred revenues	(171,951)	-	-	(171,951)
Net cash provided by operating activities	<u>3,808,149</u>	<u>(51,775)</u>	<u>-</u>	<u>3,756,374</u>
Cash Flows From Investing Activities				
Purchase of property and equipment	(3,029,676)		-	(3,029,676)
Repayment of note receivable	18,530			18,530
Decrease in restricted cash	<u>-</u>	<u>51,775</u>	<u>-</u>	<u>51,775</u>
Net cash used in investing activities	<u>(3,011,146)</u>	<u>51,775</u>	<u>-</u>	<u>(2,959,371)</u>
Cash Flows From Financing Activities				
Proceeds from mortgages and notes payable	-	-		-
Principal payments on mortgages and notes payable	(1,206,975)			(1,206,975)
Capitalized equipment leases	-			-
Principal payments on capitalized equipment leases	<u>(297,389)</u>	<u>-</u>	<u>-</u>	<u>(297,389)</u>
Net cash provided by financing activities	<u>(1,504,364)</u>	<u>-</u>	<u>-</u>	<u>(1,504,364)</u>
Net (decrease) increase in cash and cash equivalents	<u>(707,361)</u>	<u>-</u>	<u>-</u>	<u>(707,361)</u>
Cash And Cash Equivalents				
Beginning of Year	<u>1,311,770</u>	<u>-</u>	<u>-</u>	<u>1,311,770</u>
End of Year	<u>\$ 604,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,409</u>
Supplemental Disclosure of Cash Flow Information				
Other Cash activities:				
Mortgages and notes payable interest paid and expensed	<u>\$ 362,274</u>	<u>\$ 476,045</u>	<u>\$ -</u>	<u>\$ 838,319</u>
Supplemental Disclosure of Noncash Investing and Financing Transaction				
Capital lease for acquisition of buses	<u>\$ 858,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 858,362</u>

See accompanying notes.