

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

FINANCIAL STATEMENTS

December 31, 2019



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1 – 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities	4
Consolidated Statement of Activities by Funding Source.....	5 – 6
Consolidated Statement of Cash Flows.....	7
Notes to Consolidated Financial Statements	8 – 18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19-20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21-22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	23
SUPPLEMENTAL INFORMATION – FEDERAL AWARDS	
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards.....	25
SUPPLEMENTAL INFORMATION - OTHER	
Supplemental Consolidating Statements.....	26-28

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Oregon Child Development Coalition, Inc. and Affiliates (nonprofit organizations and LLC), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, activities by funding source, and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Child Development Coalition, Inc. and Affiliates as of December 31, 2019, 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 Affiliates

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 December 18, 2020, on our consideration of Oregon Child Development Coalition, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oregon Child Development Coalition, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oregon Child Development Coalition, Inc. and Affiliates' 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 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.



Portland, Oregon
December 18, 2020

OCDC and Affiliates
Consolidated Statement of Financial Position
December 31, 2019

Assets

Current Assets	
Cash and Cash Equivalents	\$ 1,233,708
Investments	201,323
Grants Receivable	2,069,565
Prepaid Expenses and Other Assets	548,012
Total Current Assets	<u>4,052,608</u>
Deposits	32,273
Property and Equipment, Net	<u>20,788,255</u>
Total Assets	<u><u>\$ 24,873,136</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 1,182,815
Accrued Liabilities	2,591,091
Current Portion Of Long-term Debt and Capital Leases	416,108
Total Current Liabilities	<u>4,190,014</u>
Refundable Advances	701,272
Deferred Lease	25,967
Long-term Debt and Capital Leases, Net	6,168,495
Total Liabilities	<u>11,085,748</u>
Net Assets	
Without Donor Restrictions	2,960,070
Without Donor Restrictions - Subject To Conditions	10,827,318
Total Net Assets, All Without Donor Restrictions	<u>13,787,388</u>
Total Liabilities and Net Assets	<u><u>\$ 24,873,136</u></u>

OCDC and Affiliates
Consolidated Statement of Activities
Year Ended December 31, 2019

Revenues

Grant and Contract Revenue:	
U.S. Department of Health and Human Services	\$ 49,566,731
Donated Goods and Professional Services - for DHHS Programs	1,410,895
U.S.D.A. - Food & Nutrition Services	2,838,008
State of Oregon - Department of Education - OPK	6,632,056
State of Oregon - Department of Education - EHS	111,140
State of Oregon - Early Learning Hub - Preschool Promise	1,561,327
State of Oregon - Oregon Health Authority - MIECHV	369,651
Other Grant and Contracts	241,585
Total Grant And Contract Revenue	62,731,393
Investment loss	(2,247)
Gain from Debt Conversion (Note 1)	3,667,113
Other Non-governmental	13,637
Total Revenues	66,409,896

Expenses

Program Services:	
U.S. Department of Health and Human Services	\$ 52,269,888
USDA - Food and Nutrition Services	2,846,237
State of Oregon - Department of Education - OPK	6,552,019
State of Oregon - Department of Education - EHS	115,678
State of Oregon - Early Learning Hub - Preschool Promise	1,531,449
State of Oregon - Oregon Health Authority - MIECHV	365,434
Other Grant and Contracts	243,071
Total Program Services:	63,923,776
Other Non-governmental	1,312,268
Total Expenses	65,236,044
Change In Net Assets, All Without Donor Restrictions	1,173,852
Net Assets, Beginning of Year	12,613,536
Net Assets, End of Year	\$ 13,787,388

See accompanying notes to consolidated financial statements.

OCDC and Affiliates
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2019

	DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON - DEPT OF EDUCATION OPK	STATE OF OREGON - DEPT OF EDUCATION EHS	STATE OF OREGON-EARLY LEARNING HUB PRESCHOOL PROMISE	STATE OF OREGON-OR HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON- GOVERNMENTAL	TOTAL
REVENUES AND GAINS									
Grant and contract revenues	\$ 51,071,342	\$ 2,838,008	\$ 6,632,723	\$ 111,207	\$ 1,565,234	\$ 370,329	\$ 241,287	\$ -	\$ 62,830,130
Donated services	4,938,937	-	-	-	-	-	-	-	4,938,937
Gain from Debt Conversion	-	-	-	-	-	-	-	3,664,866	3,664,866
Other Nongovernmental	-	-	-	-	-	-	298	13,637	13,935
Total revenues and gains	56,010,279	2,838,008	6,632,723	111,207	1,565,234	370,329	241,585	3,678,503	71,447,868
Less Adjustments (Note 1):									
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(3,528,042)	-	-	-	-	-	-	-	(3,528,042)
Encumbrances	(1,504,611)	-	(667)	(67)	(3,907)	(678)	-	-	(1,509,930)
Total Adjusted Revenues and Gains in Accordance with Accounting Generally Accepted in the United States of America	50,977,626	2,838,008	6,632,056	111,140	1,561,327	369,651	241,585	3,678,503	66,409,896
EXPENSES									
Subcontractor and other contracted service payments									
U.S.D.A. - food and nutrition services	-	1,614,544	-	-	-	-	-	225	1,614,769
Other contracted services	4,980,365	386	250,338	920	48,470	13,400	6,553	20,958	5,321,390
Total subcontractor and other contracted service payments	4,980,365	1,614,930	250,338	920	48,470	13,400	6,553	21,183	6,936,159

OCDC and Affiliates
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2019

	DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	STATE OF OREGON - DEPT OF EDUCATION OPK	STATE OF OREGON - DEPT OF EDUCATION EHS	STATE OF OREGON-EARLY LEARNING HUB PRESCHOOL PROMISE	STATE OF OREGON-OR HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON- GOVERNMENTAL	TOTAL
Administrative and program expenses:									
Salaries and benefits	\$ 39,852,445	\$ 1,110,382	\$ 5,261,475	\$ 87,493	\$ 1,275,211	\$ 277,944	\$ 180,703	\$ 3,068	\$ 48,048,721
Building and equipment expense	906,246	-	4,500	-	-	-	-	-	910,746
Repairs and maintenance	2,570,929	532	169,872	(3,674)	75,312	10,410	2,294	4,113	2,829,788
Supplies	1,238,931	4,837	103,511	1,245	33,536	5,929	10,837	42	1,398,868
Rent	1,474,828	13,926	159,020	3,693	18,938	6,190	13,725	3,029	1,693,349
Travel	1,285,355	22,805	142,949	1,484	14,280	10,450	8,046	5,456	1,490,825
Telephone and utilities	1,435,580	7,727	136,419	3,779	24,885	14,618	976	1,233	1,625,217
Training	198,077	-	32,458	3,829	27,713	11,589	2,593	3,921	280,180
Parent activities and involvement	74,289	-	30,031	2,464	3,725	4,569	4,586	-	119,664
Adult food costs	318,455	-	62,646	-	12,799	33	2,118	-	396,051
Insurance	468,417	870	46,697	5,354	4,699	2,439	2,293	1	530,770
Printing and promotion	310,517	4,394	35,317	938	6,968	2,846	675	3	361,658
Professional	159,135	-	14,282	343	3,693	1,111	712	13,421	192,697
Depreciation	209,192	126	34,413	2,889	4,299	3,135	22	369,791	623,867
Amortization of deferred financing costs reported as interest	-	-	-	-	-	-	-	76,320	76,320
Postage	50,867	215	5,162	97	1,286	302	200	36	58,165
Interest and other	476,651	65,493	143,633	353	9,420	1,147	1,762	810,651	1,509,110
Total administrative and program expenses	\$ 51,029,914	1,231,307	6,382,385	110,287	1,516,764	352,712	231,542	1,291,085	62,145,996
Less Adjustments (Note 1):									
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(3,528,042)	-	-	-	-	-	-	-	(3,528,042)
Encumbrances	(1,504,611)	-	(667)	(67)	(3,907)	(678)	-	-	(1,509,930)
Subtotal expenses	50,977,626	2,846,237	6,632,056	111,140	1,561,327	365,434	238,095	1,312,268	64,044,183
Change in net assets as reported to cognizant agencies	-	(8,229)	-	-	-	4,217	3,490	2,366,235	2,365,713
Purchases of property and equipment included in building and equipment and repairs and maintenance	(68,171)	-	-	-	(24,580)	-	-	-	(92,751)
Principal repayment on notes payable included in rent	-	-	-	-	-	-	-	-	-
Principal repayment on leased equipment included in rent	(285,975)	-	-	-	-	-	-	-	(285,975)
Other eliminations	(362,294)	-	(123,942)	-	(7,756)	-	-	-	(493,992)
Less depreciation of property and equipment	2,008,702	-	43,905	4,538	2,458	-	4,976	-	2,064,579
Total Adjusted Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	52,269,888	2,846,237	6,552,019	115,678	1,531,449	365,434	243,071	1,312,268	65,236,044
Change in Net Assets, All Without Donor Restrictions	\$ (1,292,262)	\$ (8,229)	\$ 80,037	\$ (4,538)	\$ 29,878	\$ 4,217	\$ (1,486)	\$ 2,366,235	\$ 1,173,852

See accompanying notes to consolidated financial statements.

OCDC and Affiliates
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows From Operating Activities	
Change in net assets	\$ 1,173,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,688,446
Amortization of deferred financing costs reported as interest expense	76,320
Deferred lease expense	(92,417)
Unrealized loss on investments	2,247
Gain from debt conversion	(3,667,113)
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	(48,667)
Prepaid expenses and other assets	(15,962)
Increase (decrease) in:	
Accounts payable	(167,271)
Accrued liabilities	739,954
Deferred revenues	(3,024)
Net cash provided by operating activities	<u>686,365</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	(137,037)
Repayment of note receivable	<u>19,126</u>
Net cash used in investing activities	(117,911)
Cash Flows From Financing Activities	
Principal payments on mortgages and notes payable	(430,388)
Principal payments on capitalized equipment leases	<u>(285,975)</u>
Net cash used in financing activities	<u>(716,363)</u>
Net increase in cash and cash equivalents	(147,909)
Cash And Cash Equivalents	
Beginning of Year	<u>1,381,617</u>
End of Year	<u><u>\$ 1,233,708</u></u>
Supplemental Disclosure of Cash Flow Information	
Other Cash activities:	
Mortgages and notes payable interest paid and expensed	<u>\$ 696,411</u>
Capital lease interest paid for acquisition of buses	<u>\$ 11,414</u>

See accompanying notes to consolidated financial statements.

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies

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

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

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

Other sources of funding received by the Coalition include:

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

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

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

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

OCDC Investment Fund, LLC (OCDC IF) was also established in 2012 as part of the NMTC transaction, and was formerly owned by two external investors.

During the year ended December 31, 2019, the NMTC compliance period ended for QALICB. This resulted in the Coalition, external investors, and lenders entering into debt conversion agreements with the QALICB. Pursuant to the debt conversion agreements, the OCDC IF external investors assigned and transferred their ownership interests to the Coalition, who then obtained a controlling interest in OCDC IF. QALICB's loans payable to the external lender of \$10,560,000 were transferred to OCDC IF at carrying value. The transfer of the loans from an external lender to OCDC IF, a wholly owned consolidated entity, resulted in a gain of \$3,667,313 as prior external debt guaranties were extinguished as part of the debt conversion. See Note 11 for additional transactions in 2020 related to the NMTC compliance period ending.

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

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

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2019, one new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2018.

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

Financial Statement Presentation

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

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets Without Donor Restrictions – subject to conditions** – Certain net assets are classified as subject to conditions. These amounts represent unrestricted net assets purchased with Federal funds and are subject to reimbursement to the Federal awarding agency in the event of disposition.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure. There were no net assets with donor restrictions at December 31, 2019 or 2018.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

Conditional Promises to Give

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions and has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has cost-reimbursable grants of \$13,544,363 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred.

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

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

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

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

Description	Carrying Amount at Year Ended 12/31/2019	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	\$ 201,323	\$ 201,323	\$ -	\$ -

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

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

Donated goods and professional services – A substantial number of volunteers donate significant amounts of their time to the Coalition’s program services. Additionally, various vendors provide support by discounting their fees and charges to the Coalition. These donated services and fees are a necessary part of the Coalition’s activities and have been reported as revenue without donor restrictions to the extent that the donated materials and services create or enhance non-financial assets or require specialized skills typically purchased if not originally provided through donation. State of Oregon Department of Education Head Start and Early Learning Hub in-kind contributions totaling \$3,528,042 have been allocated to the various expense classifications below. These contributions do not meet the criteria for recognition under FASB ASC 958-605, *Revenue Recognition* (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*), and are removed from total revenues and expenses in the accompanying statement of activities and funding source and schedule of functional expenses (Note 9).

Donated materials and services for the year ended December 31, 2019, were as follows:

	State of Oregon Department of Education and Early Learning Hub	Other	Total
Salary and Fringe	\$ 2,642,600	\$ 199,564	\$ 2,842,164
Rent	218,785	243,509	462,294
Telephone and Utilities	152,342	-	152,342
Equipment and Supplies	110,171	240,737	350,908
Professional Services	209,401	724,188	933,589
Building Repair and Maintenance	169,385	-	169,385
Travel	22,521	2,897	25,418
Training	2,837	-	2,837
Total Donated Goods and Professional Services	<u>\$ 3,528,042</u>	<u>\$ 1,410,895</u>	<u>\$ 4,938,937</u>

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

Functional Allocation of Expenses – The costs of providing the programs and supporting services have been summarized in Note 9. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort, square-footage usage estimates, and contact hours and program slots.

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

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

Note 2 – Property and Equipment

Property and equipment is as follows:

Land	\$ 3,898,653
Buildings	41,565,570
Equipment	8,870,528
Leasehold improvements	<u>1,747,555</u>
Total property and equipment	56,082,306
Less accumulated depreciation	<u>(35,631,908)</u>
	20,450,398
Construction in progress	<u>337,857</u>
Property and equipment, net	<u>\$ 20,788,255</u>

Depreciation expense was \$2,688,446 for the year ended December 31, 2019.

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

Note 3 – Operating Leases

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

Years ending December 31,	2020	\$	1,403,420
	2021		1,242,294
	2022		975,373
	2023		860,743
	2024		803,320
	Thereafter		<u>3,032,059</u>
		\$	<u>8,317,209</u>

Rent expense for the year ended December 31, 2019, was \$1,231,055.

Deferred lease and incentive – On August 16, 2019, the Coalition renewed an operating lease agreement with its administrative office landlord at the current location, 9140 SW Pioneer Court, Wilsonville, Oregon. \$25,967 represents the adjustment made to present the lease payments on a straight line basis in accordance with GAAP. The 30,000 square foot facility lease also contains a cost reimbursement tenant improvement allowance of \$30 per square foot available through April 2021, subject to certain limitations and requirements.

Note 4 – Long-term Debt and Capital Leases

Notes payable to US Bank maturing in 2019 to 2021 contain restrictive financial covenants related to fixed charges for which a bank waiver has been obtained.

Notes payable:

The Coalition:

Note payable #323 US Bank, 2.93% interest rate, secured by real property, due September 28, 2021, payable in monthly installments of \$34,349 including interest.	\$4,907,836
Note payable #349 US Bank, 4.00% interest rate, secured by real property, due July 15, 2021, payable in monthly installments of \$15,112 including interest.	1,676,767

Total notes payable \$ 6,584,603

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

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

Notes payable (Continued):

	Notes Payable
Years ending December 31, 2020	\$ 416,108
2021	6,168,495
	<u>\$ 6,584,603</u>
Less: Current portion of long-term debt	<u>(416,108)</u>
	<u>\$ 6,168,495</u>

Note 5 – Line of Credit

The Coalition has an \$800,000 revolving secured line of credit in connection with a real property transaction in Ontario, Oregon. The line bears interest at the lesser of 4% or prime plus 0.5%, and is due March 2021. There were no amounts outstanding as of December 31, 2019 or the report date.

Note 6 – Contingencies

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

Note 7 – Employee Benefit Plan

The Coalition has established an elective deferred compensation plan pursuant to Section 401(k) of the Internal Revenue Code. In 2007 the Plan was changed to a Safe Harbor Plan. All employees of the Coalition are eligible to join the plan and participate in the elective deferral contributions upon date of employment. To be eligible for Employer Matching and Discretionary Contributions employees must complete one year of service. Employees electing to participate may contribute up to their total salary, though not to exceed the maximum allowed by government regulations. The Coalition, at its discretion, contributes five percent of each employee's annual plan compensation and has a mandatory match on participants' elective deferral up to five percent of eligible annual plan compensation of each participant. All contributions are immediately 100 percent vested. The Coalition contributed \$2,663,782 to the plan for the year ending December 31, 2019.

OCD and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

Note 8 – Concentrations

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

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

OCDC and Affiliate
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

Note 9 - Functional Expenses

EXPENSES	TOTAL	Child		
		Development Services Program	Management & General	Fundraising
Subcontractors for U.S.D.A. - food and nutrition services	\$ 1,614,769	\$ 1,614,769	\$ -	\$ -
Other contracted services	5,321,390	4,909,505	410,441	1,444
Salaries and benefits	48,048,721	43,736,576	3,938,717	373,427
Building and equipment expense	910,746	910,746	-	-
Repairs and maintenance	2,829,788	2,515,396	314,147	245
Supplies	1,398,868	1,325,314	73,078	475
Rent	1,693,349	1,485,236	205,460	2,652
Travel	1,490,825	1,385,380	97,775	7,670
Telephone and utilities	1,625,217	1,557,136	66,949	1,132
Training	280,180	276,358	3,822	-
Parent activities and involvement	119,664	118,876	788	-
Adult food costs	396,051	396,051	-	-
Insurance	530,770	518,127	12,479	164
Printing and promotion	361,658	318,324	41,582	1,752
Professional	192,697	8,449	184,248	-
Depreciation	623,867	618,457	5,340	70
Amortization of deferred financing costs reported as interest	76,320	76,320	-	-
Postage	58,165	12,890	45,217	60
Interest and other	1,509,110	1,143,827	365,283	-
Less adjustments:				
Contributions - State of Oregon Department of Education and Early Learning Hub In-kind	(3,528,042)	(3,528,042)	-	-
Encumbrances	(1,509,930)	(1,509,930)	-	-
Purchases of property and equipment included in building and equipment and repairs and maintenance	(92,751)	(92,751)	-	-
Principal repayment on notes payable included in rent	-	-	-	-
Principal repayment on leased equipment included in rent	(285,975)	(285,975)	-	-
Other eliminations	(493,992)	(493,992)	-	-
Depreciation of property and equipment	2,064,579	2,064,579	-	-
Total Adjusted Functional Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	\$ 65,236,044	\$ 59,081,624	\$ 5,765,329	\$ 389,091

OCDC and Affiliates
Year Ended December 31, 2019
Notes to Consolidated Financial Statements

Note 10 – Liquidity

The following represents the OCDC's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019:

Financial assets at year-end*	
Cash and cash equivalents	\$ 1,233,708
Grants receivable	2,069,565
Investments	<u>201,323</u>
 Total financial assets	 <u>3,504,596</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u><u>3,504,596</u></u>

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

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

Note 11 – Subsequent Events

The Coalition has evaluated contingencies according to FSB ASC 450-20 (*formerly SFAS No. 5*) for subsequent events as of December 18, 2020, 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, 2019.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of facilities, activities, and entities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Such closings have impacted the ability of the Organization and its activity partners to conduct some grant activities, and may result in some ceasing or delaying of certain operations.

In November, 2020, OCDC completed transactions to transfer the NMTC real property from the QALICB to the Coalition and to assign the \$10,560,000 loans payable to OCDC IF to be payable to the Coalition. The final step of cancelling all notes payable and receivable between the Coalition, the QALICB, and OCDC IF was completed in 2020.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Child Development Coalition, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, activities by funding source and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Child Development Coalition, Inc. and Affiliates' internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

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

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

Portland, Oregon
December 18, 2020

**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, 2019. 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, 2019.

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
December 18, 2020

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section 1 – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

- Head Start Cluster - CFDA No. 93.600
 - Child and Adult Care Program – CFDA No. 10.558
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$1,631,675.**
 10. The auditee qualified as a low-risk auditee under the Uniform Guidance.

Section 2 – Financial Statement Findings

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

Section 3 – Federal Award Findings and Questioned Costs

2. 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, 2019

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	90CM9810/05	\$ 35,659,196
Migrant & Seasonal Early Head Start	93.600	90CM9810/05	6,822,750
Migrant Early Head Start RXII 2018-2019	93.600	90HM0006/04	3,252,964
Migrant Early Head Start RXII 2019-2020	93.600	90HM000018/01	1,934,415
Early Head Start Child Care Partnership RX 2018-2019	93.600	10HP0006/04	2,260,165
Early Head Start Child Care Partnership RX 2019-2020	93.600	10HP000343/01	1,141,852
Pass-through from Clackamas County Children's Commission	93.600	20-106	15,904
Subtotal - Head Start Cluster			<u>51,087,246</u>
Pass-through from State of Oregon - Public Health Division			
Maternal, Infant and Early Childhood Home Visiting 2018-2019	93.870	158940	275,650
Maternal, Infant and Early Childhood Home Visiting 2019-2020	93.870	162240	90,463
Subtotal - Maternal, Infant and Early Childhood Home Visiting			<u>366,113</u>
Total U.S. Department of Health and Human Services			51,453,359
U.S. Department of Education:			
Pass-through from Klamath/Jefferson/Jackson County School Districts, Oregon			
Migrant Education Programs:			
High Desert ESD	84.011	20-080/10-067	20,466
Southern Oregon ESD	84.011	05-039/13-049	66,623
Subtotal - Migrant Education			<u>87,089</u>
Total U.S. Department of Education			87,089
U.S. Department of Agriculture:			
Pass-through from State of Oregon Department of Education:			
Family Day Care Homes Program	10.558	03-15001	1,133,700
Child and Adult Care Food Program	10.558	03-15004	1,685,484
Pass-through from Clackamas County Children's Commission-Vended Meals Contract	10.558	20-106	18,824
Subtotal Child and Adult Care Food			<u>2,838,008</u>
Total U.S. Department of Agriculture			2,838,008
Total Expenditures of Federal Awards			<u>\$ 54,378,456</u>

See accompanying notes.

OREGON CHILD DEVELOPMENT COALITION, INC.
Year Ended December 31, 2019
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

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

Note 2 – Matching Requirement

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

Note 3 – Indirect Cost Rate

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

SUPPLEMENTAL INFORMATION – OTHER

Supplemental Disclosure of Consolidation Information
OCDC and Affiliates
Consolidating Statement of Financial Position
Year Ended December 31, 2019

Assets	OCDC, Inc.	OCDC QALICB	OCDC Investment Fund	Eliminations	Consolidated
Current Assets					
Cash and Cash Equivalents	\$ 1,228,747	\$ 4,961	\$ -	\$ -	\$ 1,233,708
Investments	201,323	-	-	-	201,323
Grants Receivable	2,069,565	270,711	-	(270,711)	2,069,565
Prepaid Expenses and Other Assets	548,012	-	-	-	548,012
Total Current Assets	<u>4,047,647</u>	<u>275,672</u>	<u>-</u>	<u>(270,711)</u>	<u>4,052,608</u>
Deposits	32,273	-	-	-	32,273
Note Receivable	7,389,331	-	10,560,000	(17,949,331)	-
Property and Equipment, Net	<u>14,171,041</u>	<u>6,617,214</u>	<u>-</u>	<u>-</u>	<u>20,788,255</u>
Total Assets	<u>\$ 25,640,292</u>	<u>\$ 6,892,886</u>	<u>\$ 10,560,000</u>	<u>\$ (18,220,042)</u>	<u>\$ 24,873,136</u>
Liabilities and Net Assets					
Liabilities					
Accounts Payable	\$ 1,453,526	\$ -	-	\$ (270,711)	\$ 1,182,815
Accrued Liabilities	2,591,091	-	-	-	2,591,091
Current Portion Of Long-term Debt and Capital Leases	416,108	4,775,842	7,389,331	(12,165,173)	416,108
Total Current Liabilities	<u>4,460,725</u>	<u>4,775,842</u>	<u>7,389,331</u>	<u>(12,435,884)</u>	<u>4,190,014</u>
Refundable Advances	701,272	-	-	-	701,272
Deferred Lease	25,967	-	-	-	25,967
Long-term Debt and Capital Leases, Net	<u>6,168,495</u>	<u>5,784,158</u>	<u>-</u>	<u>(5,784,158)</u>	<u>6,168,495</u>
Total Liabilities	<u>11,356,459</u>	<u>10,560,000</u>	<u>7,389,331</u>	<u>(18,220,042)</u>	<u>11,085,748</u>
Net Assets					
Without Donor Restrictions	3,456,515	(3,667,114)	3,170,669	-	2,960,070
Without Donor Restrictions - Subject To Conditions	<u>10,827,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,827,318</u>
Total Net Assets, All Without Donor Restrictions	<u>14,283,833</u>	<u>(3,667,114)</u>	<u>3,170,669</u>	<u>-</u>	<u>13,787,388</u>
Total Liabilities and Net Assets	<u>\$ 25,640,292</u>	<u>\$ 6,892,886</u>	<u>\$ 10,560,000</u>	<u>\$ (18,220,042)</u>	<u>\$ 24,873,136</u>

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

Supplemental Disclosure of Consolidation Information
OCDC and Affiliates
Consolidating Statement of Activities
Year Ended December 31, 2019

Revenues and Gains	OCDC, Inc.	OCDC QALICB	OCDC Investment Fund	Eliminations	Consolidated
Grant and Contract Revenue:					
U.S. Department of Health and Human Services	\$ 49,566,731	\$ -	\$ -	\$ -	\$ 49,566,731
Donated Goods and Professional Services - DHHS	1,410,895	-	-	-	1,410,895
U.S.D.A. - Food & Nutrition Services	2,838,008	-	-	-	2,838,008
State of Oregon - Department of Education - OPK	6,632,056	-	-	-	6,632,056
State of Oregon - Department of Education - EHS	111,140	-	-	-	111,140
State of Oregon - Early Learning Hub - Preschool Promise	1,561,327	-	-	-	1,561,327
State of Oregon - Oregon Health Authority - MIECHV	369,651	-	-	-	369,651
Other Grant and Contracts	241,585	-	-	-	241,585
Total Grant and Contract Revenue	62,731,393	-	-	-	62,731,393
Rental Income	-	493,992	-	(493,992)	-
Investment income (loss)	(2,247)	-	-	-	(2,247)
Gain from Debt Conversion (Note 1)	3,667,113	-	-	-	3,667,113
Other Nongovernmental	13,637	-	-	-	13,637
Total Revenues and Gains	66,409,896	493,992	-	(493,992)	66,409,896
Expenses					
Program Services:					
U.S. Department of Health and Human Services	\$ 52,632,182	\$ -	\$ -	\$ (362,294)	\$ 52,269,888
USDA - Food and Nutrition Services	2,846,237	-	-	-	2,846,237
State of Oregon - Department of Education - OPK	6,675,961	-	-	(123,942)	6,552,019
State of Oregon - Department of Education - EHS	115,678	-	-	-	115,678
State of Oregon - Early Learning Hub - Preschool Promise	1,539,205	-	-	(7,756)	1,531,449
State of Oregon - Oregon Health Authority - MIECHV	365,434	-	-	-	365,434
Other Grant and Contracts	243,071	-	-	-	243,071
Total Program Services	64,417,768	-	-	(493,992)	63,923,776
Other Nongovernmental	370,095	942,173	-	-	1,312,268
Total Expenses	64,787,863	942,173	-	(493,992)	65,236,044
Change In Net Assets, All Without Donor Restrictions	1,622,033	(448,181)	-	-	1,173,852
Net Assets, Beginning of Year	12,661,800	(3,218,933)	3,170,669	-	12,613,536
Net Assets, End of Year	\$ 14,283,833	\$ (3,667,114)	\$ 3,170,669	\$ -	\$ 13,787,388

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

Supplemental Disclosure of Consolidation Information
OCDC and Affiliates
Consolidating Statement of Cash Flows
Year Ended December 31, 2019

	OCDC, Inc.	OCDC QALICB	OCDC Investment Fund	Eliminations	Consolidated
Cash Flows From Operating Activities					
Change in net assets	\$ 1,622,033	\$ (448,181)	\$ -	\$ -	\$ 1,173,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	2,318,655	369,791	-	-	2,688,446
Amortization of deferred financing costs reported as interest expense	-	76,320	-	-	76,320
Deferred lease expense	(92,417)	-	-	-	(92,417)
Unrealized loss on investments	2,247	-	-	-	2,247
Gain from debt conversion	(3,667,113)	-	-	-	(3,667,113)
Changes in assets and liabilities:					
(Increase) decrease in:					
Grants receivable	63,220	(111,887)	-	-	(48,667)
Prepaid expenses and other assets	(16,012)	50	-	-	(15,962)
Increase (decrease) in:					
Accounts payable	(58,581)	(108,690)	-	-	(167,271)
Accrued liabilities	739,954	-	-	-	739,954
Deferred revenues	(3,024)	-	-	-	(3,024)
Net cash provided by / (used in) operating activities	908,962	(222,597)	-	-	686,365
Cash Flows From Investing Activities					
Purchase of property and equipment	(137,037)	-	-	-	(137,037)
Repayment of note receivable	19,126	-	-	-	19,126
Net cash provided by / (used in) investing activities	(117,911)	-	-	-	(117,911)
Cash Flows From Financing Activities					
Principal payments on mortgages and notes payable	(430,388)	-	-	-	(430,388)
Principal payments on capitalized equipment leases	(285,975)	-	-	-	(285,975)
Net cash used in financing activities	(716,363)	-	-	-	(716,363)
Net increase in cash and cash equivalents	74,688	(222,597)	-	-	(147,909)
Cash And Cash Equivalents					
Beginning of Year	1,154,059	227,558	-	-	1,381,617
End of Year	\$ 1,228,747	\$ 4,961	\$ -	\$ -	\$ 1,233,708
Supplemental Disclosure of Cash Flow Information					
Other Cash activities:					
Mortgages and notes payable interest paid and expensed	\$ 291,773	\$ 404,638	\$ -	\$ -	\$ 696,411
Capital lease interest paid for acquisition of buses	\$ 11,414	\$ -	\$ -	\$ -	\$ 11,414

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