

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

FINANCIAL STATEMENTS

December 31, 2020



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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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 Coalition's), which comprise the consolidated statement of financial position as of December 31, 2020, 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, 2020, 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 February 24, 2022, 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
February 24, 2022

OCDC and Affiliates
Consolidated Statement of Financial Position
December 31, 2020

Assets

| | |
|-----------------------------------|-----------------------------|
| Current Assets | |
| Cash and Cash Equivalents | \$ 3,225,410 |
| Investments | 199,900 |
| Grants Receivable | 2,427,052 |
| Prepaid Expenses and Other Assets | 631,347 |
| Total Current Assets | <u>6,483,709</u> |
| Deposits | 32,273 |
| Property and Equipment, Net | <u>22,268,840</u> |
| Total Assets | <u><u>\$ 28,784,822</u></u> |

Liabilities and Net Assets

| | |
|--|-----------------------------|
| Liabilities | |
| Accounts Payable | \$ 1,505,148 |
| Accrued Liabilities | 2,534,627 |
| Current Portion Of Long-term Debt | 410,449 |
| Total Current Liabilities | <u>4,450,224</u> |
| Refundable Advances | 3,748,466 |
| Deferred Lease | 102,124 |
| Long-term Debt, Net of Current Portion | 5,758,140 |
| Total Liabilities | <u>14,058,954</u> |
| Net Assets | |
| Without Donor Restrictions | 2,834,806 |
| Without Donor Restrictions - Subject To Conditions | 11,891,062 |
| Total Net Assets, All Without Donor Restrictions | <u>14,725,868</u> |
| Total Liabilities and Net Assets | <u><u>\$ 28,784,822</u></u> |

OCDC and Affiliates
Consolidated Statement of Activities
Year Ended December 31, 2020

Revenues

| | |
|---|-------------------|
| Grant and Contract Revenue: | |
| U.S. Department of Health and Human Services | \$ 53,922,936 |
| Donated Goods and Professional Services - for DHHS Programs | 901,467 |
| U.S.D.A. - Food & Nutrition Services | 1,669,749 |
| State of Oregon - Department of Education - OPK | 7,632,295 |
| State of Oregon - Department of Education - EHS | 60,352 |
| State of Oregon - Early Learning Hub - Preschool Promise | 1,690,705 |
| State of Oregon - Oregon Health Authority - MIECHV | 391,037 |
| Other Grant and Contracts | 367,322 |
| Total Grant And Contract Revenue | <u>66,635,863</u> |
| Investment loss | 6,402 |
| Other Non-governmental | <u>9,547</u> |
| Total Revenues | 66,651,812 |

Expenses

| | |
|--|-----------------------------|
| Program Services: | |
| U.S. Department of Health and Human Services | \$ 53,337,192 |
| USDA - Food and Nutrition Services | 1,675,955 |
| State of Oregon - Department of Education - OPK | 7,558,725 |
| State of Oregon - Department of Education - EHS | 61,865 |
| State of Oregon - Early Learning Hub - Preschool Promise | 1,687,263 |
| State of Oregon - Oregon Health Authority - MIECHV | 391,701 |
| Other Grant and Contracts | 351,759 |
| Total Program Services: | <u>65,064,460</u> |
| Other Non-governmental | <u>648,872</u> |
| Total Expenses | <u>65,713,332</u> |
| Change In Net Assets, All Without Donor Restrictions | 938,480 |
| Net Assets, Beginning of Year | <u>13,787,388</u> |
| Net Assets, End of Year | <u><u>\$ 14,725,868</u></u> |

OCDC and Affiliates
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2020

| | 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 | \$ 53,788,848 | \$ 1,669,749 | \$ 7,670,013 | \$ 60,285 | \$ 1,695,541 | \$ 393,777 | \$ 817,772 | \$ - | \$ 66,095,985 |
| Donated services | 5,022,804 | - | - | - | - | - | - | - | 5,022,804 |
| Other Nongovernmental | - | - | - | - | - | - | 108 | 15,949 | 16,057 |
| Total revenues and gains | 58,811,652 | 1,669,749 | 7,670,013 | 60,285 | 1,695,541 | 393,777 | 817,880 | 15,949 | 71,134,846 |
| Less Adjustments (Note 1): | | | | | | | | | |
| In-kind Contributions - State of Oregon Department of Education and Early Learning Hub | (4,121,336) | - | - | - | - | - | - | - | (4,121,336) |
| Net change in encumbrances | 134,087 | - | (37,718) | 67 | (4,836) | (2,740) | (450,558) | - | (361,698) |
| Total Adjusted Revenues and Gains in Accordance with Accounting Generally Accepted in the United States of America | 54,824,403 | 1,669,749 | 7,632,295 | 60,352 | 1,690,705 | 391,037 | 367,322 | 15,949 | 66,651,812 |
| EXPENSES | | | | | | | | | |
| Subcontractor and other contracted service payments | | | | | | | | | |
| Food and nutrition services | 10,142 | 1,235,680 | - | - | - | - | - | - | 1,245,822 |
| Other contracted services | 3,892,253 | 120 | 285,139 | 272 | 24,049 | 8,019 | 5,708 | 3,250 | 4,218,810 |
| Total subcontractor and other contracted service payments | 3,902,395 | 1,235,800 | 285,139 | 272 | 24,049 | 8,019 | 5,708 | 3,250 | 5,464,632 |

OCDC and Affiliates
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2020

| | 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 | \$ 42,382,381 | \$ 362,150 | \$ 6,187,747 | \$ 49,554 | \$ 1,458,720 | \$ 281,080 | \$ 148,315 | \$ - | \$ 50,869,947 |
| Building and equipment expense | 899,648 | - | 8,451 | - | 2,065 | - | - | - | 910,164 |
| Repairs and maintenance | 3,871,224 | 7,064 | 284,796 | (696) | 53,615 | 16,165 | 164,986 | 3,278 | 4,400,432 |
| Supplies | 1,972,370 | 1,643 | 172,271 | 860 | 42,546 | 55,785 | 444,391 | 1,660 | 2,691,526 |
| Rent | 1,884,376 | 11,724 | 181,638 | 1,798 | 26,872 | 6,547 | 994 | - | 2,113,949 |
| Travel | 494,280 | 6,381 | 37,144 | 218 | 6,171 | 1,932 | 8,365 | 1,463 | 555,954 |
| Telephone and utilities | 1,555,020 | 5,759 | 146,249 | 1,680 | 27,100 | 12,846 | 721 | 1,119 | 1,750,494 |
| Training | 148,302 | - | 24,665 | 500 | 11,011 | 2,378 | 10,810 | 50 | 197,716 |
| Parent activities and involvement | 40,177 | - | 14,152 | 455 | 1,588 | 649 | 2,131 | 120 | 59,272 |
| Adult food costs | 104,831 | - | 26,433 | - | 5,317 | - | 485 | - | 137,066 |
| Insurance | 474,697 | 726 | 91,710 | 3,336 | 13,160 | 2,925 | 2,988 | - | 589,542 |
| Printing and promotion | 258,588 | 3,307 | 27,875 | 426 | 6,756 | 1,655 | 5,355 | - | 303,962 |
| Professional | 119,523 | - | 10,275 | 130 | 2,998 | 771 | 411 | - | 134,108 |
| Depreciation | 213,498 | 40 | 36,701 | 1,452 | 3,738 | 2,444 | 18 | 369,791 | 627,682 |
| Amortization of deferred financing costs reported as interest | - | - | - | - | - | - | - | - | - |
| Postage | 23,488 | 239 | 2,450 | 19 | 695 | 122 | 88 | - | 27,101 |
| Interest and other | 466,854 | 41,122 | 132,317 | 281 | 9,140 | 1,123 | 1,576 | 268,141 | 920,554 |
| Total administrative and program expenses | \$ 54,909,257 | 440,155 | 7,384,874 | 60,013 | 1,671,492 | 386,422 | 791,634 | 645,622 | 66,289,469 |
| Less Adjustments (Note 1): | | | | | | | | | |
| In-kind Contributions - State of Oregon Department of Education and Early Learning Hub | (4,121,336) | - | - | - | - | - | - | - | (4,121,336) |
| Net change in encumbrances | 134,087 | - | (37,718) | 67 | (4,836) | (2,740) | (450,558) | - | (361,698) |
| Subtotal expenses | 54,824,403 | 1,675,955 | 7,632,295 | 60,352 | 1,690,705 | 391,701 | 346,784 | 648,872 | 67,271,067 |
| Change in net assets as reported to cognizant agencies | - | (6,206) | - | - | - | (664) | 20,538 | (632,923) | (619,255) |
| Purchases of property and equipment included in building and equipment and repairs and maintenance | (2,736,248) | - | (4,633) | - | (697) | - | - | - | (2,741,578) |
| Warehouse consumable supplies included in supplies | (115,626) | - | - | - | - | - | - | - | (115,626) |
| Other eliminations | (370,951) | - | (115,285) | - | (7,756) | - | - | - | (493,992) |
| Depreciation of property and equipment | 1,735,614 | - | 46,348 | 1,513 | 5,011 | - | 4,975 | - | 1,793,461 |
| Total Adjusted Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America | 53,337,192 | 1,675,955 | 7,558,725 | 61,865 | 1,687,263 | 391,701 | 351,759 | 648,872 | 65,713,332 |
| Change in Net Assets, All Without Donor Restrictions | \$ 1,487,211 | \$ (6,206) | \$ 73,570 | \$ (1,513) | \$ 3,442 | \$ (664) | \$ 15,563 | \$ (632,923) | \$ 938,480 |

See accompanying notes to consolidated financial statements.

OCDC and Affiliates
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

| | |
|---|--------------|
| Cash Flows From Operating Activities | |
| Change in net assets | \$ 938,480 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 2,421,140 |
| Deferred lease expense | 76,157 |
| Unrealized loss on investments | 1,423 |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Grants receivable | (91,518) |
| Prepaid expenses and other assets | (83,335) |
| Increase (decrease) in: | |
| Accounts payable | 56,364 |
| Accrued liabilities | (56,464) |
| Deferred revenues | 3,047,194 |
| Net cash provided by operating activities | 6,309,441 |
| Cash Flows From Investing Activities | |
| Purchase of property and equipment | (3,901,725) |
| Net cash used in investing activities | (3,901,725) |
| Cash Flows From Financing Activities | |
| Principal payments on mortgages and notes payable | (416,014) |
| Net cash used in financing activities | (416,014) |
| Net increase in cash and cash equivalents | 1,991,702 |
| Cash And Cash Equivalents | |
| Beginning of Year | 1,233,708 |
| End of Year | \$ 3,225,410 |
| Supplemental Disclosure of Cash Flow Information | |
| Other Cash activities: | |
| Mortgages and notes payable interest paid and expensed | \$ 252,009 |

See accompanying notes to consolidated financial statements.

OCDC and Affiliates

Year Ended December 31, 2020

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, Jackson, Malheur, and Polk 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, 2020

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. In November 2020, OCDC completed transactions to transfer the NMTC real property from the QALICB to the Coalition and to cancel all notes payable and receivable between the Coalition, the QALICB, and OCDC IF.

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.

Financial Statement Presentation

OCDC 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 OCDC 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 OCDC 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, 2020 or 2019.

OCDC and Affiliates

Year Ended December 31, 2020

Notes to Consolidated Financial Statements

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

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 OCDC 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.

Conditional Promises to Give

A portion of OCDC'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 OCDC 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. OCDC has cost-reimbursable grants of \$12,306,957 that have not been recognized at December 31, 2020 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.

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

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

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 12/31/2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|--|--|---|---|
| Assets Measured at Fair Value on a Recurring Basis | | | | |
| Putnam US Govt. Mutual Funds | \$199,900 | \$199,900 | \$ - | \$ - |

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 \$4,121,336 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*, and are removed from total revenues and expenses in the accompanying statement of activities and funding source and schedule of functional expenses (Note 9).

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

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

Donated goods and professional services (Continued)

Donated materials and services for the year ended December 31, 2020, were as follows:

| | State of Oregon | | |
|--|---|------------------|--------------------|
| | Department of Education and Early Learning Hub | Other | Total |
| Salary and Fringe | \$3,106,944 | \$254,669 | \$3,361,613 |
| Rent | 259,463 | 236,110 | 495,573 |
| Telephone and Utilities | 157,877 | - | 157,877 |
| Equipment and Supplies | 127,417 | 122,964 | 250,381 |
| Professional Services | 131,099 | 287,183 | 418,282 |
| Building Repair and Maintenance | 263,747 | 365 | 264,112 |
| Travel | 50,049 | 176 | 50,225 |
| Training | 24,740 | 0 | 24,740 |
| Total Donated Goods and Professional Services | <u>\$4,121,336</u> | <u>\$901,467</u> | <u>\$5,022,803</u> |

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 that do not yet meet the definition of a liability in accordance with GAAP. Accordingly, these and associated grant revenues encumbered are removed from the financial statement amounts to fairly present the financial statements in accordance with GAAP.

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.

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

Note 2 – Property and Equipment

Property and equipment is as follows:

| | |
|-------------------------------|----------------------------|
| Land | \$3,898,653 |
| Buildings | 41,634,839 |
| Equipment | 9,302,209 |
| Leasehold improvements | <u>1,273,550</u> |
| | |
| Total property and equipment | 56,109,251 |
| Less accumulated depreciation | <u>36,730,605</u> |
| | 19,378,646 |
| | |
| Construction in progress | <u>2,890,194</u> |
| | |
| Property and equipment, net | <u><u>\$22,268,840</u></u> |

Depreciation expense was \$2,421,143 for the year ended December 31, 2020.

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, | 2021 | \$1,477,881 |
| | 2022 | 1,175,920 |
| | 2023 | 1,024,511 |
| | 2024 | 914,218 |
| | 2025 | 761,787 |
| | Thereafter | <u>3,309,339</u> |
| | | <u><u>\$8,663,656</u></u> |

Rent expense for the year ended December 31, 2020, was \$1,618,376.

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

Note 3 – Operating Leases (Continued)

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. \$102,124 represents the cumulative 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

Notes payable to US Bank maturing in 2021 contain restrictive financial covenants related to fixed charges.

Notes payable:

The Coalition:

| | |
|---|-------------|
| Note payable #323 US Bank, 2.51% interest rate, secured by real property, due September 28, 2021, payable in monthly installments of \$34,349 including interest. | \$4,607,103 |
| 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. | 1,561,486 |

Total notes payable \$ 6,168,589

Note #323 and #349 were refinanced in July 2021 for a five-year term to mature in 2026. See Note 11 for additional details.

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%. There were no amounts outstanding as of December 31, 2020 or the report date. In July 2021, the revolving credit line was renewed and the new termination date is January 2023.

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.

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

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

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 \$2,805,356 to the plan for the year ending December 31, 2020.

Note 8 – Concentrations and Uncertainties

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 grants from the Department of Health and Human Services. The grants are renewed on an annual basis.

Uncertainty – Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support. At the present time, the ultimate future effects of these issues are unknown.

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

Note 9 - Functional Expenses

| EXPENSES | TOTAL | Child | | |
|--|----------------------|------------------------------|----------------------|-------------------|
| | | Development Services Program | Management & General | Fundraising |
| Subcontractors for food and nutrition services | \$ 1,245,822 | \$ 1,245,822 | \$ - | \$ - |
| Other contracted services | 4,218,810 | 3,961,977 | 256,541 | 293 |
| Salaries and benefits | 50,869,947 | 46,304,833 | 4,160,219 | 404,895 |
| Building and equipment expense | 910,164 | 910,164 | - | - |
| Repairs and maintenance | 4,400,432 | 4,053,589 | 345,972 | 871 |
| Supplies | 2,691,526 | 2,594,620 | 95,118 | 1,788 |
| Rent | 2,113,949 | 1,804,414 | 304,011 | 5,524 |
| Travel | 555,954 | 514,942 | 39,278 | 1,734 |
| Telephone and utilities | 1,750,494 | 1,622,728 | 126,334 | 1,432 |
| Training | 197,716 | 197,716 | - | - |
| Parent activities and involvement | 59,272 | 59,191 | 81 | - |
| Adult food costs | 137,066 | 137,066 | - | - |
| Insurance | 589,542 | 575,706 | 13,589 | 247 |
| Printing and promotion | 303,962 | 250,670 | 53,045 | 247 |
| Professional | 134,108 | 6,045 | 128,063 | - |
| Depreciation | 627,682 | 622,259 | 5,413 | 10 |
| Postage | 27,101 | 8,927 | 18,164 | 10 |
| Interest and other | 920,554 | 611,939 | 308,615 | - |
| Less adjustments: | | | | |
| Contributions - State of Oregon Department of Education and Early Learning Hub In-kind | (4,121,336) | (4,121,336) | - | - |
| Encumbrances | (361,698) | (361,698) | - | - |
| Purchases of property and equipment included in building and equipment and repairs and maintenance | (2,741,578) | (2,741,578) | - | - |
| Warehouse consumable supplies included in supplies | (115,626) | (115,626) | - | - |
| Other eliminations | (493,992) | (493,992) | - | - |
| Depreciation of property and equipment | 1,793,461 | 1,793,461 | - | - |
| Total Adjusted Functional Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America | <u>\$ 65,713,332</u> | <u>\$ 59,441,839</u> | <u>\$ 5,854,443</u> | <u>\$ 417,050</u> |

OCDC and Affiliates
Year Ended December 31, 2020
Notes to Consolidated Financial Statements

Note 10 – Liquidity

The following represents OCDC's financial assets available to meet cash needs for general expenditures within one year of December 31, 2020:

| | |
|---|---------------------|
| Financial assets at year-end* | |
| Cash and cash equivalents | \$ 3,225,410 |
| Grants receivable | 2,427,052 |
| Investments | 199,900 |
| Total financial assets | <u>5,852,362</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,852,362</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 for subsequent events as of February 24, 2022, 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, 2020.

In July 2021, OCDC refinanced Note #323 for \$4,433,673 and #349 for \$2,801,893 with US Bank. An additional \$1,300,000 was advanced to Note #349 as part of the refinance. Notes payable mature in 2026, and bear interest at 3.4%. The principal payments, including the 2021 advance, are due as follows:

| | <u>Notes Payable</u> |
|-------------------------------|----------------------|
| Year ending December 31, 2021 | \$ 410,449 |
| Year ending December 31, 2022 | 437,978 |
| Year ending December 31, 2023 | 453,317 |
| Year ending December 31, 2024 | 468,603 |
| Year ending December 31, 2025 | 485,605 |
| Year ending December 31, 2026 | <u>5,212,606</u> |
| | <u>\$ 7,468,558</u> |

Subsequent to December 31, 2020, OCDC substantially completed construction of a Head Start facility in Boardman, Oregon, and received legal title to it. The estimated cost of the facility is approximately \$3.5 million, of which \$1.5 million was funded by Head Start, and \$2 million as an in-kind contribution from the City of Boardman. The City of Boardman award contains significant use conditions for a five year period, and the facility is subject to return if the conditions are not met. Accordingly, the in-kind contribution revenue portion of the facility will be reflected as a refundable advance liability until all conditions are satisfied, and recorded as revenue upon satisfactory completion of the five year use period.

**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 (nonprofit Coalition's), which comprise the consolidated statement of financial position as of December 31, 2020, 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 February 24, 2022.

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 Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition'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*.

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 Coalition'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 Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Portland, Oregon
February 24, 2022

**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, 2020. 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.

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

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, 2020.

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
February 24, 2022

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

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
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$1,680,994.**
 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, 2020

| Federal Grantor/Pass-Through Grantor Program Title | AL 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 | 90CM9810/06 | \$ 35,941,756 |
| Migrant & Seasonal Early Head Start | 93.600 | 90CM9810/06 | 7,343,461 |
| COVID-19 Migrant Head Start and Early Head Start | 93.600 | 90CM9810/06C3 | 1,630,485 |
| Migrant Early Head Start RXII 2018-2019 | 93.600 | 90HM0006/04 | 380,505 |
| Migrant Early Head Start RXII 2019-2020 | 93.600 | 90HM000018/01 | 3,321,926 |
| Migrant Early Head Start RXII 2020-2021 | 93.600 | 90HM000018/02 | 1,657,723 |
| COVID-19 Migrant Early Health Start | 93.600 | 90HM000018/02C3 | 7,646 |
| Early Head Start Child Care Partnership RX 2019-2020 | 93.600 | 10HP000343/01 | 2,351,078 |
| Early Head Start Child Care Partnership RX 2020-2021 | 93.600 | 10HP000343/02 | 1,040,399 |
| COVID-19 Early Head Start Child Care Partnership | 93.600 | 10HP000343/02C3 | 113,870 |
| Subtotal - Head Start Cluster | | | 53,788,848 |
| Pass-through from State of Oregon - Public Health Division | | | |
| Maternal, Infant and Early Childhood Home Visiting Cluster 2019-2020 | 93.870 | 162240 | 317,631 |
| Maternal, Infant and Early Childhood Home Visiting Cluster 2020-2021 | 93.870 | 166285 | 76,828 |
| Subtotal - Maternal, Infant and Early Childhood Home Visiting | | | 394,459 |
| Total U.S. Department of Health and Human Services | | | 54,183,307 |
| U.S. Department of Education: | | | |
| Pass-through from Klamath/Jefferson/Jackson County School Districts, Oregon | | | |
| Migrant Education Programs: | | | |
| High Desert ESD | 84.011 | 10-061 | 19,685 |
| Southern Oregon ESD | 84.011 | 20-080 | 25,618 |
| Subtotal - Migrant Education | | | 45,303 |
| Total U.S. Department of Education | | | 45,303 |
| U.S. Department of Agriculture: | | | |
| Pass-through from State of Oregon Department of Education: | | | |
| Family Day Care Homes Program | 10.558 | 03-15001 | 1,078,844 |
| Child and Adult Care Food Program | 10.558 | 03-15004 | 590,904 |
| Subtotal Child and Adult Care Food Program | | | 1,669,748 |
| Total U.S. Department of Agriculture | | | 1,669,748 |
| U.S. Department of the Treasury: | | | |
| Pass-through from State of Oregon - Public Health Division - Oregon Health Authority | | | |
| Coronavirus Relief Fund - COVID-19 CBO Response Grant 2020 | 21.019 | 165726 | 134,772 |
| Total U.S. Department of the Treasury | | | 134,772 |
| Total Expenditures of Federal Awards | | | \$ 56,033,131 |

OREGON CHILD DEVELOPMENT COALITION, INC.
Year Ended December 31, 2020
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, 2020

| Assets | OCDC, Inc. | OCDC QALICB | OCDC Investment Fund | Eliminations | Consolidated |
|--|----------------------|------------------------|-------------------------------------|---------------------|----------------------|
| Current Assets | | | | | |
| Cash and Cash Equivalents | \$ 3,220,449 | \$ 4,961 | \$ - | \$ - | \$ 3,225,410 |
| Investments | 199,900 | - | - | - | 199,900 |
| Grants Receivable | 2,431,794 | - | - | (4,742) | 2,427,052 |
| Prepaid Expenses and Other Assets | 630,116 | 1,231 | - | - | 631,347 |
| Total Current Assets | <u>6,482,259</u> | <u>6,192</u> | <u>-</u> | <u>(4,742)</u> | <u>6,483,709</u> |
| Deposits | 32,273 | - | - | - | 32,273 |
| Property and Equipment, Net | <u>22,268,840</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,268,840</u> |
| Total Assets | <u>\$ 28,783,372</u> | <u>\$ 6,192</u> | <u>\$ -</u> | <u>\$ (4,742)</u> | <u>\$ 28,784,822</u> |
| Liabilities and Net Assets | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 1,502,548 | \$ 2,600 | \$ - | \$ - | \$ 1,505,148 |
| Accrued Liabilities | 2,534,627 | 4,742 | - | (4,742) | 2,534,627 |
| Current Portion Of Long-term Debt | 410,449 | - | - | - | 410,449 |
| Total Current Liabilities | <u>4,447,624</u> | <u>7,342</u> | <u>-</u> | <u>(4,742)</u> | <u>4,450,224</u> |
| Refundable Advances | 3,748,466 | - | - | - | 3,748,466 |
| Deferred Lease | 102,124 | - | - | - | 102,124 |
| Long-term Debt, net of Current Portion | <u>5,758,140</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,758,140</u> |
| Total Liabilities | <u>14,056,354</u> | <u>7,342</u> | <u>-</u> | <u>(4,742)</u> | <u>14,058,954</u> |
| Net Assets | | | | | |
| Without Donor Restrictions | 2,835,956 | (1,150) | - | - | 2,834,806 |
| Without Donor Restrictions - Subject To Conditions | <u>11,891,062</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,891,062</u> |
| Total Net Assets, All Without Donor Restrictions | <u>14,727,018</u> | <u>(1,150)</u> | <u>-</u> | <u>-</u> | <u>14,725,868</u> |
| Total Liabilities and Net Assets | <u>\$ 28,783,372</u> | <u>\$ 6,192</u> | <u>\$ -</u> | <u>\$ (4,742)</u> | <u>\$ 28,784,822</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, 2020

| Revenues and Gains | OCDC, Inc. | OCDC QALICB | OCDC Investment Fund | Eliminations | Consolidated |
|--|----------------------|------------------------|-------------------------------------|---------------------|----------------------|
| Grant and Contract Revenue: | | | | | |
| U.S. Department of Health and Human Services | \$ 53,922,936 | \$ - | \$ - | \$ - | \$ 53,922,936 |
| Donated Goods and Professional Services - DHHS | 901,467 | - | - | - | 901,467 |
| U.S.D.A. - Food & Nutrition Services | 1,669,749 | - | - | - | 1,669,749 |
| State of Oregon - Department of Education - OPK | 7,632,295 | - | - | - | 7,632,295 |
| State of Oregon - Department of Education - EHS | 60,352 | - | - | - | 60,352 |
| State of Oregon - Early Learning Hub - Preschool Promise | 1,690,705 | - | - | - | 1,690,705 |
| State of Oregon - Oregon Health Authority - MIECHV | 391,037 | - | - | - | 391,037 |
| Other Grant and Contracts | <u>367,322</u> | - | - | - | <u>367,322</u> |
| Total Grant and Contract Revenue | 66,635,863 | - | - | - | 66,635,863 |
| Rental Income | - | 493,992 | - | (493,992) | - |
| Investment income (loss) | 6,402 | - | - | - | 6,402 |
| Net Gain/Loss from Cancellation of Notes Receivable and Payable (Note 1) | (377,205) | 3,547,874 | (3,170,669) | - | - |
| Other Nongovernmental | <u>9,547</u> | - | - | - | <u>9,547</u> |
| Total Revenues and Gains | 66,274,607 | 4,041,866 | (3,170,669) | (493,992) | 66,651,812 |
| Expenses | | | | | |
| Program Services: | | | | | |
| U.S. Department of Health and Human Services | \$ 53,708,143 | \$ - | \$ - | \$ (370,951) | \$ 53,337,192 |
| USDA - Food and Nutrition Services | 1,675,955 | - | - | - | 1,675,955 |
| State of Oregon - Department of Education - OPK | 7,674,010 | - | - | (115,285) | 7,558,725 |
| State of Oregon - Department of Education - EHS | 61,865 | - | - | - | 61,865 |
| State of Oregon - Early Learning Hub - Preschool Promise | 1,695,019 | - | - | (7,756) | 1,687,263 |
| State of Oregon - Oregon Health Authority - MIECHV | 391,701 | - | - | - | 391,701 |
| Other Grant and Contracts | <u>351,759</u> | - | - | - | <u>351,759</u> |
| Total Program Services | 65,558,452 | - | - | (493,992) | 65,064,460 |
| Other Nongovernmental | <u>272,970</u> | <u>375,902</u> | - | - | <u>648,872</u> |
| Total Expenses | 65,831,422 | 375,902 | - | (493,992) | 65,713,332 |
| Change In Net Assets, All Without Donor Restrictions | 443,185 | 3,665,964 | (3,170,669) | - | 938,480 |
| Net Assets, Beginning of Year | <u>14,283,833</u> | <u>(3,667,114)</u> | <u>3,170,669</u> | - | <u>13,787,388</u> |
| Net Assets, End of Year | <u>\$ 14,727,018</u> | <u>\$ (1,150)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,725,868</u> |

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, 2020

| | OCDC, Inc. | OCDC QALICB | OCDC Investment Fund | Eliminations | Consolidated |
|---|--------------|----------------|----------------------------|--------------|--------------|
| Cash Flows From Operating Activities | | | | | |
| Change in net assets | \$ 443,185 | \$ 3,665,964 | \$ (3,170,669) | \$ - | \$ 938,480 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Depreciation | 2,051,349 | 369,791 | - | - | 2,421,140 |
| Net (gain) / loss from transfer of property and equipment | (6,247,423) | 6,247,423 | - | - | - |
| Net (gain) / loss from assignment and cancellation of notes receivable and payable | 7,389,331 | (10,560,000) | 3,170,669 | - | - |
| Deferred lease expense | 76,157 | - | - | - | 76,157 |
| Unrealized loss on investments | 1,423 | - | - | - | 1,423 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Grants receivable | (362,229) | 270,711 | - | - | (91,518) |
| Prepaid expenses and other assets | (82,104) | (1,231) | - | - | (83,335) |
| Increase (decrease) in: | | | | | |
| Accounts payable | 49,022 | 7,342 | - | - | 56,364 |
| Accrued liabilities | (56,464) | - | - | - | (56,464) |
| Deferred revenues | 3,047,194 | - | - | - | 3,047,194 |
| Net cash provided by / (used in) operating activities | 6,309,441 | - | - | - | 6,309,441 |
| Cash Flows From Investing Activities | | | | | |
| Purchase of property and equipment | (3,901,725) | - | - | - | (3,901,725) |
| Net cash provided by / (used in) investing activities | (3,901,725) | - | - | - | (3,901,725) |
| Cash Flows From Financing Activities | | | | | |
| Principal payments on mortgages and notes payable | (416,014) | - | - | - | (416,014) |
| Net cash used in financing activities | (416,014) | - | - | - | (416,014) |
| Net increase in cash and cash equivalents | 1,991,702 | - | - | - | 1,991,702 |
| Cash And Cash Equivalents | | | | | |
| Beginning of Year | 1,228,747 | 4,961 | - | - | 1,233,708 |
| End of Year | \$ 3,220,449 | \$ 4,961 | \$ - | \$ - | \$ 3,225,410 |
| Supplemental Disclosure of Cash Flow Information | | | | | |
| Other Cash activities: | | | | | |
| Mortgages and notes payable interest paid and expensed | \$ 252,009 | \$ - | \$ - | \$ - | \$ 252,009 |

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