

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

FINANCIAL STATEMENTS

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Oregon Child Development Coalition, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, activities by funding source, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oregon Child Development Coalition, Inc. and Affiliate as of December 31, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Oregon Child Development Coalition, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oregon Child Development Coalition, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oregon Child Development Coalition, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Oregon Child Development Coalition, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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.

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

Supplementary Information (Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2024, on our consideration of the Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting and compliance.



Portland, Oregon
September 24, 2024

OCDC and Affiliate
Consolidated Statement of Financial Position
December 31, 2023

Assets

Current Assets	
Cash and Cash Equivalents	\$ 3,073,577
Investments	173,023
Receivables	1,652,939
Prepaid Expenses and Other Assets	1,004,757
Total Current Assets	<u>5,904,296</u>
Deposits	36,412
Property and Equipment, Net	21,041,379
Operating Lease Right of Use Asset	<u>5,886,602</u>
Total Assets	<u><u>\$ 32,868,689</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 1,133,702
Accrued Liabilities	2,274,083
Current Portion of Long-term Debt	468,462
Current Portion of Operating Lease Liability	1,286,091
Total Current Liabilities	<u>5,162,338</u>
Refundable Advances	1,770,710
Refundable Advance Held in Real Property	2,000,000
Long-term Debt, Net of Current Portion	5,702,368
Operating Lease Liability, Net of Current Portion	5,548,564
Total Liabilities	<u>20,183,980</u>
Net Assets	
Without Donor Restrictions	2,447,207
Without Donor Restrictions - Subject To Contractual Limitations	10,237,502
Total Net Assets, All Without Donor Restrictions	<u>12,684,709</u>
Total Liabilities and Net Assets	<u><u>\$ 32,868,689</u></u>

OCDC and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2023

Revenues

Grant and Contract Revenue:	
U.S. Department of Health and Human Services	\$ 60,903,190
Donated Goods and Professional Services - for DHHS Programs	577,935
U.S.D.A. - Food & Nutrition Services	3,089,912
State of Oregon - Department of Early Learning and Care - OPK	15,365,405
State of Oregon - Department of Early Learning and Care - PSP	3,079,972
State of Oregon - Oregon Health Authority - MIECHV	513,731
Other Grant and Contracts	1,107,434
Total Grant And Contract Revenue	<u>84,637,579</u>
Investment loss	3,116
Other Non-governmental	158,251
	<u>158,251</u>
Total Revenues	84,798,946

Expenses

Program Services:	
U.S. Department of Health and Human Services	\$ 61,412,809
USDA - Food and Nutrition Services	3,097,554
State of Oregon - Department of Early Learning and Care - OPK	15,246,662
State of Oregon - Department of Early Learning and Care - PSP	3,084,911
State of Oregon - Oregon Health Authority - MIECHV	461,546
Other Grant and Contracts	1,109,786
Total Program Services:	<u>84,413,268</u>
Other Non-governmental	206,387
	<u>206,387</u>
Total Expenses	<u>84,619,655</u>
Change In Net Assets, All Without Donor Restrictions	179,291
Net Assets, Beginning of Year	<u>12,505,418</u>
Net Assets, End of Year	<u><u>\$ 12,684,709</u></u>

OCDC and Affiliate
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2023

	STATE OF OREGON							TOTAL
	US DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	DEPARTMENT OF EARLY LEARNING AND CARE - OPK	DEPARTMENT OF EARLY LEARNING AND CARE - PSP	OREGON HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON GOVERN- MENTAL	
REVENUES AND GAINS								
Grant and contract revenues	\$ 60,964,413	\$ 3,089,912	\$ 15,365,405	\$ 3,087,030	\$ 513,731	\$ 1,106,920	\$ -	\$ 84,127,411
Donated services	8,184,550	-	-	-	-	-	-	8,184,550
Other Nongovernmental	-	-	-	-	-	514	161,367	161,881
Total revenues and gains	69,148,963	3,089,912	15,365,405	3,087,030	513,731	1,107,434	161,367	92,473,842
Less Adjustments (Note 1):								
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(7,606,615)	-	-	-	-	-	-	(7,606,615)
Net change in encumbrances	(61,223)	-	-	(7,058)	-	-	-	(68,281)
Total Adjusted Revenues and Gains in Accordance with Accounting Principles Generally Accepted in the United States of America	61,481,125	3,089,912	15,365,405	3,079,972	513,731	1,107,434	161,367	84,798,946
EXPENSES								
Subcontractor and other contracted service payments								
Food and nutrition services	1,837	2,128,707	-	-	-	100	-	2,130,644
Other contracted services	5,155,402	-	658,406	55,462	9,136	157,560	4,606	6,040,572
Total subcontractor and other contracted service payments	5,157,239	2,128,707	658,406	55,462	9,136	157,660	4,606	8,171,216

OCDC and Affiliate
Consolidated Statement of Activities by Funding Source
Year Ended December 31, 2023

	STATE OF OREGON								TOTAL
	US DHHS HEAD START PROGRAM BRANCH	USDA FOOD AND NUTRITION SERVICES	DEPARTMENT OF EARLY LEARNING AND CARE - OPK	DEPARTMENT OF EARLY LEARNING AND CARE - PSP	OREGON HEALTH AUTHORITY MIECHV	OTHER GRANTS AND CONTRACTS	OTHER NON GOVERN- MENTAL		
Administrative and program expenses:									
Salaries and benefits	\$ 49,461,989	\$ 783,590	\$ 11,943,554	\$ 2,484,200	\$ 360,907	\$ 421,262	\$ 7,109	\$ 65,462,611	
Building and equipment expense	1,749,673	-	-	7,107	-	-	-	1,756,780	
Repairs and maintenance	3,310,710	8,880	751,423	84,052	17,050	6,912	7,494	4,186,521	
Supplies	1,731,584	3,669	432,078	176,837	23,232	208,525	2,299	2,578,224	
Rent	2,382,587	13,440	338,586	55,325	3,253	17,622	-	2,810,813	
Travel	993,313	7,934	161,897	37,421	13,754	28,485	336	1,243,140	
Telephone and utilities	1,616,719	5,260	329,117	56,928	11,399	3,555	1,165	2,024,143	
Training	422,615	35	96,973	22,945	8,419	1,612	-	552,599	
Grant expense	-	-	-	-	-	218,575	-	218,575	
Parent activities and involvement	63,184	-	41,542	5,648	938	3,817	-	115,129	
Adult food costs	284,454	-	116,323	30,092	-	1,380	-	432,249	
Insurance	743,062	1,208	121,027	17,541	3,867	4,238	1,383	892,326	
Printing and promotion	216,179	3,242	47,175	7,724	1,391	1,829	-	277,540	
Professional	150,621	-	26,971	5,133	1,108	2,424	6,273	192,530	
Depreciation	703,559	-	254,537	32,488	5,291	467	-	996,342	
Postage	38,792	1,337	8,211	1,493	426	2,856	62	53,177	
Interest and other	137,961	140,252	37,574	6,634	1,375	3,275	222,858	549,929	
Total administrative and program expenses	\$ 64,007,002	968,847	14,706,988	3,031,568	452,410	926,834	248,979	84,342,628	
Less Adjustments (Note 1):									
In-kind Contributions - State of Oregon Department of Education and Early Learning Hub	(7,606,615)	-	-	-	-	-	-	(7,606,615)	
Net change in encumbrances	(61,223)	-	-	(7,058)	-	-	-	(68,281)	
Subtotal expenses	61,496,403	3,097,554	15,365,394	3,079,972	461,546	1,084,494	253,585	84,838,948	
Change in net assets as reported to cognizant agencies	(15,278)	(7,642)	11	-	52,185	22,940	(92,218)	(40,002)	
Purchases of property and equipment included in building and equipment and repairs and maintenance	(1,781,080)	-	(131,961)	(897)	-	(1,196)	-	(1,915,134)	
Other	-	-	-	-	-	-	(47,198)	(47,198)	
Depreciation of property and equipment	1,697,486	-	13,229	5,836	-	26,488	-	1,743,039	
Total Adjusted Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	61,412,809	3,097,554	15,246,662	3,084,911	461,546	1,109,786	206,387	84,619,655	
Change in Net Assets, All Without Donor Restrictions	\$ 68,316	\$ (7,642)	\$ 118,743	\$ (4,939)	\$ 52,185	\$ (2,352)	\$ (45,020)	\$ 179,291	

OCDC and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows From Operating Activities	
Change in net assets	\$ 179,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,739,381
Unrealized gain on investments	(2,289)
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	45,306
Prepaid expenses and other assets	(135,538)
Operating lease right of use asset	1,390,184
Increase (decrease) in:	
Accounts payable	(249,049)
Accrued liabilities	113,956
Refundable advances	630,756
Operating lease liability	<u>(1,437,382)</u>
Net cash provided by operating activities	3,274,616
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(1,915,133)</u>
Net cash used in investing activities	(1,915,133)
Cash Flows From Financing Activities	
Principal payments on mortgages and notes payable	<u>(453,181)</u>
Net cash used in financing activities	<u>(453,181)</u>
Net change in cash and cash equivalents	906,302
Cash And Cash Equivalents	
Beginning of Year	<u>2,167,275</u>
End of Year	<u>\$ 3,073,577</u>
Supplemental Disclosure of Cash Flow Information	
Other Cash activities:	
Mortgages and notes payable interest paid and expensed	<u>\$ 210,580</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 1,570,351</u>

See accompanying notes to consolidated financial statements.

OCDC and Affiliate

Year Ended December 31, 2023

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities and Significant Accounting Policies

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

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

The Coalition is funded primarily by the 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 10 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 Early Learning and Care to operate Oregon Pre-Kindergarten. Oregon modeled Oregon Pre-Kindergarten (OPK) after Head Start to expand high-quality early learning opportunities for lowest income and highest need preschool children. OPK is free to families from the period of prenatal to five years old and not yet eligible for kindergarten, and who meet income or other eligibility qualifications;
- ◆ The U.S. Department of Agriculture to provide meals to children participating in Coalition programs;
- ◆ The Oregon Department of Early Learning and Care to operate Preschool Promise. Preschool Promise (PSP) is a model for a publicly-funded, high-quality preschool system, which leverages high-quality, local and culturally-relevant early child care and education programs that makes them available to children living at or below 200 percent of the federal poverty level, children in foster care and children from other historically underserved populations. By incorporating a mixed delivery approach which recognizes that high quality early learning experiences can take place in a wide variety of settings, PSP provides opportunities for families to access and choose the preschool setting which best meets their needs;
- ◆ Miscellaneous grants from various federal, state, local and private sources to provide services to children and families.

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

OCDC and Affiliate

Year Ended December 31, 2023

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 Pre-Kindergarten educational services and related services including a transportation division.

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

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

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 contractual limitations** – Certain net assets are classified as subject to contractual limitations. 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, 2023 or 2022.

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 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.

OCDC and Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

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

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 \$5,927,784 that have not been recognized at December 31, 2023 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 12/31/2023	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 Mortgage Securities Fund	\$ 173,023	\$ 173,023	\$ -	\$ -

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 contractual limitations. Should federal funding related to the acquisition of such assets be discontinued, these assets may revert to the federal funding agency. Limitations on such assets are released over the estimated useful life of the assets, which range from 5 to 30 years. Depreciation on property and equipment is calculated using the straight-line method. New equipment and expenditures for repairs and improvements which extend the useful life of an asset exceeding \$5,000 are capitalized; conversely, expenditures for routine repairs and maintenance costs are expensed when incurred. Property and equipment are depreciated over the useful lives of the related assets, which range from 15 to 30 years, using the straight-line method.

OCDC and Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

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

Leases

The Coalition determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Coalition determines these assets are leased because the Coalition has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Coalition determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Coalition separately identifies lease and non-lease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings, and child care facilities.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Coalition determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Coalition uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Coalition uses a risk free discount rate for all asset classes.

The lease term may include options to extend or to terminate the lease that the Coalition is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Coalition has no leases with an initial term of 12 months or less.

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. Valuation of donated goods is based on an estimate of fair market value of the goods and donated services are valued at current rates for similar services.

The Coalition pays a use fee for classrooms and pays below market or nominal rent. The difference between the use fee and fair market rent is included in the in-kind revenue and in-kind expense for both the program and GAAP basis. The value of fair market rents is determined by obtaining an appraisal from a third party.

The Coalition’s policy related to gifts-in-kind is to utilize the assets received to carry out its mission. If an asset is provided that does not allow the Coalition to utilize it in its normal course of business, the asset may be sold at its fair market value, donated to another charitable organization, returned to the donor, or discarded. No assets were monetized in the year ended December 31, 2023.

OCDC and Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

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

In-kind contributions totaling \$7,606,615 that do not meet the criteria for recognition under FASB ASC 958-605, Revenue Recognition, have been allocated to the various expense classifications below because they complied with the Coalition’s non-federal matching requirements. These contributions are removed from total revenues and expenses in the accompanying Statement of Activities by Funding Source and Schedule of Functional Expenses (Note 9).

Donated materials and services for the year ended December 31, 2023, were as follows:

	State of Oregon Department of Early Learning and Care	Other	Total
Salaries and benefits	\$ 5,212,695	\$ -	\$ 5,212,695
Rent	498,674	531,561	1,030,235
Repairs and maintenance	664,434	-	664,434
Other contracted services	528,430	41,975	570,405
Telephone and utilities	322,606	-	322,606
Supplies	247,270	4,399	251,669
Travel	90,169	-	90,169
Training	42,337	-	42,337
Total Donated Goods and Professional Services	<u>\$ 7,606,615</u>	<u>\$ 577,935</u>	<u>\$ 8,184,550</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 Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

Note 2 – Property and Equipment

Property and equipment is as follows:

Land	\$ 3,948,940
Buildings	46,964,443
Equipment	12,314,135
Leasehold improvements	2,850,942
Land improvements	301,688
	<hr/>
Total property and equipment	\$ 66,380,148
Less accumulated depreciation	(45,372,873)
	<hr/>
	\$ 21,007,275
Construction in progress	34,104
	<hr/>
Property and equipment, net	<u>\$ 21,041,379</u>

Depreciation expense was \$2,739,381 for the year ended December 31, 2023.

Note 3 – Operating Leases

Nature of Leases

The Coalition has entered into the following generally non-terminable lease arrangements:

Operating Leases

The Coalition has entered into operating lease agreements for its administrative office and child care facilities. The office and facility leases extend for various periods from 1 year to 14 years including renewals, while the office equipment leases expire in 1 to 3 years. Several operating leases include escalating fee schedules, which range from a 1 to 5 percent increase for specific years.

Lease cost	
Operating lease cost	\$ 1,755,160

Other information	
Weighted-average remaining lease term (years)	
Operating leases	7.07
Weighted-average discount rate	
Operating leases	1.68%

OCDC and Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

Note 3 – Operating Leases (Continued)

Future minimum lease payments and reconciliation to the statement of financial position at December 31, 2023, are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2024	\$ 1,398,708
2025	1,099,993
2026	1,024,508
2027	829,896
2028	877,096
Thereafter	<u>2,121,215</u>
Total future undiscounted lease payments	7,351,416
Less present value discount	<u>(516,761)</u>
Lease liabilities	<u>\$ 6,834,655</u>

Note 4 – Long-term Debt

Notes payable to US Bank maturing in 2026 contain restrictive financial covenants related to fixed charges.

Notes payable:

The Coalition:

Note payable #323 US Bank, 3.40% interest rate, secured by real property, due July 15, 2026, payable in monthly installments of \$36,238 including interest.	\$ 3,726,444
Note payable #349 US Bank, 3.40% interest rate, secured by real property, due July 15, 2026, payable in monthly installments of \$19,962 including interest.	\$ 2,444,386
Total notes payable	<u>\$ 6,170,830</u>

Years ending December 31,	2024	\$	468,462
	2025		485,459
	2026		<u>5,216,909</u>
		<u>\$</u>	<u>6,170,830</u>

OCDC and Affiliate

Year Ended December 31, 2023

Notes to Consolidated Financial Statements

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 US Bank Prime Rate plus 0.5%, with an 8% floor. The termination date is January 15, 2024. There were no amounts outstanding as of December 31, 2023, or the report date. In February 2024, the revolving credit line was renewed and the new termination date is January 2025.

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.

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 \$3,513,674 to the plan for the year ending December 31, 2023.

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.

OCDC and Affiliate
Year Ended December 31, 2023
Notes to Consolidated Financial Statements

Note 9 – Functional Expenses

EXPENSES	TOTAL	Child Development Services Program	Management & General	Fundraising
Subcontractors for food and nutrition services	2,130,644	2,130,644	-	-
Other contracted services	6,040,572	5,232,731	807,552	289
Salaries and benefits	65,462,611	58,192,258	7,259,661	10,692
Building and equipment expense	1,756,780	1,756,780	-	-
Repairs and maintenance	4,186,521	3,701,465	484,886	170
Supplies	2,578,224	2,470,127	107,419	678
Rent	2,810,813	2,419,771	386,812	4,230
Travel	1,243,140	1,100,321	142,077	742
Telephone and utilities	2,024,143	1,906,656	116,157	1,330
Training	552,599	545,696	6,903	-
Grant Expense	218,575	218,575	-	-
Parent activities and involvement	115,129	115,129	-	-
Adult food costs	432,249	432,249	-	-
Insurance	892,326	858,902	33,138	286
Printing and promotion	277,540	221,732	53,864	1,944
Professional	192,530	3,532	188,998	-
Depreciation	996,914	940,811	55,436	667
Postage	53,177	25,254	27,804	119
Interest and other	549,357	275,151	274,206	-
Less adjustments:				
In-kind Contributions included for non-federal matching requirement only	(7,606,615)	(7,606,615)	-	-
Net change in encumbrances	(68,281)	(68,281)	-	-
Purchases of property and equipment included in building and equipment and repairs and maintenance	(1,915,134)	(1,915,134)	-	-
Other eliminations	(47,198)	16,116	(63,314)	-
Depreciation of property and equipment	1,743,039	1,743,039	-	-
Total Adjusted Functional Expenses in Accordance with Accounting Principles Generally Accepted in the United States of America	<u>\$ 84,619,655</u>	<u>\$ 74,716,909</u>	<u>\$ 9,881,599</u>	<u>\$ 21,147</u>

OCDC and Affiliate
Year Ended December 31, 2023
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, 2023:

Financial assets at year-end*		
Cash and cash equivalents	\$	3,073,577
Receivables		1,652,939
Investments		173,023
Total financial assets		<u>4,899,539</u>

Financial assets available to meet cash needs for general expenditures within one year	\$	<u>4,899,539</u>
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* 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 September 24, 2024, 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, 2023.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Oregon Child Development Coalition, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, activities by funding source and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Child Development Coalition, Inc. and Affiliate's internal control over financial reporting (internal control) 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 Oregon Child Development Coalition, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oregon Child Development Coalition, Inc. and Affiliate'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Child Development Coalition, Inc. and Affiliate '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 Affiliate

Purpose of This Report

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



Portland, Oregon
September 24, 2024

**INDEPENDENT AUDITOR'S 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

Opinion on Each Major Federal Program

We have audited Oregon Child Development Coalition, Inc. and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Oregon Child Development Coalition, Inc. and Affiliate's major federal programs for the year ended December 31, 2023. Oregon Child Development Coalition, Inc. and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oregon Child Development Coalition, Inc. and Affiliate 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, 2023.

Basis for Opinion on Each Major Federal Program

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 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Oregon Child Development Coalition, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Oregon Child Development Coalition, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Oregon Child Development Coalition, Inc. and Affiliate's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oregon Child Development Coalition, Inc. and Affiliate's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Oregon Child Development Coalition, Inc. and Affiliate's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oregon Child Development Coalition, Inc. and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oregon Child Development Coalition, Inc. and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Oregon Child Development Coalition, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Oregon Child Development Coalition, Inc.'s response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Oregon Child Development Coalition, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Portland, Oregon
September 24, 2024

OREGON CHILD DEVELOPMENT COALITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Section 1 – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s 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 – **Yes**
6. Material weaknesses in internal control over major programs – **None**
7. The type of auditor’s 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) – **Yes**

Identification of Major Programs

- Head Start Cluster - AL No. 93.600
9. Dollar threshold used to distinguish between Type A and Type B programs – **\$1,943,243.**
 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

2023-001 Finding – Federal Award

Type:

Allowable Costs – Significant Deficiency in Internal Control Over Compliance.

Identification of Federal Program:

Head Start Cluster:

AL Number: 93.600 Head Start

Criteria / Requirement:

Allowable costs per 2 CFR section 200.406(a) Applicable Credits, states that to the extent that credits are received related to allowable costs, they must be credited to the Federal award either as a cost reduction or a cash refund, as appropriate. The cost principles define credits as purchase discounts, rebates or allowances, recoveries on losses, insurance refunds, and adjustments of overpayments.

Condition / Context:

During the audit it was brought to our attention that Oregon Child Development Coalition, Inc. earns rewards on a credit card used in purchasing goods and services utilizing federal dollars. Although the credit card account is held in the Organization's name, the individual card is issued utilizing the employee's name. Per inquiry, it was noted that these rewards had not been credited as a reduction of costs charged to federal programs. The amount associated with the rebates has been determined to not be material for the year ended December 31, 2023.

Cause:

Oregon Child Development Coalition's Credit Card Policy does not address rebates associated with earned rewards points on credit cards. Policies and procedures are not in place to ensure that the Organization is appropriately applying credits as a reduction of federal costs.

Effect:

Failure to maintain sufficient policies and procedures for credit cards rebates may result in non-compliance with the provisions of applicable requirements of the federal award.

Questioned Costs:

none

Recommendation:

The Organization should establish more defined written policies and procedures regarding credit card rebates that are in line with Uniform Guidance requirements, as well as establish organizational controls to ensure that such policies and procedures are being followed.

Management's response:

Management understands that a significant deficiency in internal controls over compliance has been identified. We concur with the finding and initiated a Corrective Action Plan to address it. We place the utmost importance on the summary of the auditor's results and are working to improve the strength of our internal controls over compliance.

SUPPLEMENTAL INFORMATION – FEDERAL AWARDS

Oregon Child Development Coalition, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

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			
Migrant and Seasonal Head Start and Early Head Start	93.600	90CM00986003	55,355,825
Migrant Early Head Start RXII 2021-2023 CRRSAA	93.600	90HN0002601C5	148,617
Migrant Early Head Start RXII 2021-2023 ARP	93.600	90HN0002601C6	1,744,200
Early Head Start Child Care Partnership RX 2022-2023	93.600	10HP00034304	2,446,675
Early Head Start Child Care Partnership RX 2023-2024	93.600	10HP00034305	1,196,562
Early Head Start Child Care Partnership RX 2021-2023 CRRSAA	93.600	10HE00046901C5	2,400
Early Head Start Child Care Partnership RX 2021-2023 ARP	93.600	10HE00046901C6	79,252
Subtotal - Head Start Cluster			60,973,531
Pass-through from State of Oregon - Public Health Division			
Maternal, Infant and Early Childhood Home Visiting Cluster 2022-2023	93.870	166285-2	336,805
Maternal, Infant and Early Childhood Home Visiting Cluster 2023-2024	93.870	181650	124,503
Subtotal - Maternal, Infant and Early Childhood Home Visiting			461,308
Public Health Service, Centers for Disease Control and Prevention			
Pass-through from State of Oregon - Public Health Division Oregon Health Authority			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases CBO			
Response Grant	93.323	168258	25,475
Subtotal - Centers for Disease Control and Prevention			25,475
Total U.S. Department of Health and Human Services			61,460,314
U.S. Department of Education:			
Pass-through from Klamath/Jefferson/Jackson County School Districts, Oregon			
Migrant Education Programs:			
High Desert ESD	84.011	10-067-2023	17,898
Subtotal - Migrant Education			17,898
Total U.S. Department of Education			17,898
U.S. Department of Agriculture:			
Pass-through from State of Oregon Department of Education:			
Family Day Care Homes Program	10.558	03-15001	1,409,488
Child and Adult Care Food Program	10.558	03-15004	1,680,425
Subtotal Child and Adult Care Food Program			3,089,913
Total U.S. Department of Agriculture			3,089,913
U.S. Department of Homeland Security:			
Disaster Grants - Public Assistance			
Pass-through from State of Oregon - External Relations Division Oregon Health Authority			
Protecting OR Farmworkers (POF) 2021 - 2023	97.036	173416	206,638
Total U.S. Department of Homeland Security			206,638
Total Expenditures of Federal Awards			\$ 64,774,763

OREGON CHILD DEVELOPMENT COALITION, INC.
Year Ended December 31, 2023
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 – Indirect Cost Rate

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

Note 3 – 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 4 – SAM.gov Assistance Listings

Federal award program titles are reported as presented in SAM.gov Assistance Listings (AL). Federal Award program titles not presented in SAM.gov are identified by Federal Agency number followed by (.xxx).

Note 5 – Major and Nonmajor Federal Financial Assistance Programs

Federal financial assistance programs with identical assistance (AL) numbers are combined in determining whether the programs are major or nonmajor. Type A federal assistance programs are those with combined expenditures of \$1,943,243 or more during a fiscal year. Type B federal financial assistance programs are those with combined expenditures of less than \$1,943,243 during a fiscal year.

SUPPLEMENTAL INFORMATION – OTHER

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Financial Position
Year Ended December 31, 2023

Assets	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Current Assets				
Cash and Cash Equivalents	\$ 3,068,616	\$ 4,961	\$ -	\$ 3,073,577
Investments	173,023	-	-	173,023
Receivables	1,652,939	-	-	1,652,939
Prepaid Expenses and Other Assets	1,004,757	-	-	1,004,757
Total Current Assets	<u>5,899,335</u>	<u>4,961</u>	<u>-</u>	<u>5,904,296</u>
Deposits	36,412	-	-	36,412
Property and Equipment, Net	21,041,379	-	-	21,041,379
Operating Lease Right of Use Asset	<u>5,886,602</u>	<u>-</u>	<u>-</u>	<u>5,886,602</u>
Total Assets	<u>\$ 32,863,728</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ 32,868,689</u>
Liabilities and Net Assets				
Liabilities				
Accounts Payable	\$ 1,133,702	\$ -	\$ -	\$ 1,133,702
Accrued Liabilities	2,274,083	-	-	2,274,083
Current Portion of Long-term Debt	468,462	-	-	468,462
Current Portion of Operating Lease Liability	<u>1,286,091</u>	<u>-</u>	<u>-</u>	<u>1,286,091</u>
Total Current Liabilities	5,162,338	-	-	5,162,338
Refundable Advances	1,770,710	-	-	1,770,710
Refundable Advance Held in Real Property	2,000,000	-	-	2,000,000
Long-term Debt, Net of Current Portion	5,702,368	-	-	5,702,368
Operating Lease Liability, Net of Current Portion	<u>5,548,564</u>	<u>-</u>	<u>-</u>	<u>5,548,564</u>
Total Liabilities	20,183,980	-	-	20,183,980
Net Assets				
Without Donor Restrictions	2,442,246	4,961	-	2,447,207
Without Donor Restrictions - Subject To Contractual Limitations	<u>10,237,502</u>	<u>-</u>	<u>-</u>	<u>10,237,502</u>
Total Net Assets, All Without Donor Restrictions	12,679,748	4,961	-	12,684,709
Total Liabilities and Net Assets	<u>\$ 32,863,728</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ 32,868,689</u>

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

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Activities
Year Ended December 31, 2023

Revenues and Gains	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Grant and Contract Revenue:				
U.S. Department of Health and Human Services	\$ 60,903,190	\$ -	\$ -	\$ 60,903,190
Donated Goods and Professional Services - DHHS	577,935	-	-	577,935
U.S.D.A. - Food & Nutrition Services	3,089,912	-	-	3,089,912
State of Oregon - Department of Early Learning and Care - OPK	15,365,405	-	-	15,365,405
State of Oregon - Department of Early Learning and Care - PSP	3,079,972	-	-	3,079,972
State of Oregon - Oregon Health Authority - MIECHV	513,731	-	-	513,731
Other Grant and Contracts	1,107,434	-	-	1,107,434
Total Grant and Contract Revenue	84,637,579	-	-	84,637,579
Investment income (loss)	3,116	-	-	3,116
Other Nongovernmental	158,251	-	-	158,251
Total Revenues and Gains	84,798,946	-	-	84,798,946
Expenses				
Program Services:				
U.S. Department of Health and Human Services	\$ 61,412,809	\$ -	\$ -	\$ 61,412,809
USDA - Food and Nutrition Services	3,097,554	-	-	3,097,554
State of Oregon - Department of Early Learning and Care - OPK	15,246,662	-	-	15,246,662
State of Oregon - Department of Early Learning and Care - PSP	3,084,911	-	-	3,084,911
State of Oregon - Oregon Health Authority - MIECHV	461,546	-	-	461,546
Other Grant and Contracts	1,109,786	-	-	1,109,786
Total Program Services	84,413,268	-	-	84,413,268
Other Nongovernmental	206,387	-	-	206,387
Total Expenses	84,619,655	-	-	84,619,655
Change In Net Assets, All Without Donor Restrictions	179,291	-	-	179,291
Net Assets, Beginning of Year	12,500,457	4,961	-	12,505,418
Net Assets, End of Year	\$ 12,679,748	\$ 4,961	\$ -	\$ 12,684,709

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

Supplemental Disclosure of Consolidation Information
OCDC and Affiliate
Consolidating Statement of Cash Flows
Year Ended December 31, 2023

	OCDC, Inc.	OCDC QALICB	Eliminations	Consolidated
Cash Flows From Operating Activities				
Change in net assets	\$ 179,291	\$ -	\$ -	\$ 179,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,739,381	-	-	2,739,381
Loss from disposal of property and equipment	-	-	-	-
Unrealized gain on investments	(2,289)	-	-	(2,289)
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	45,306	-	-	45,306
Prepaid expenses and other assets	(135,538)	-	-	(135,538)
Operating lease right of use asset	1,390,184	-	-	1,390,184
Increase (decrease) in:				
Accounts payable	(249,049)	-	-	(249,049)
Accrued liabilities	113,956	-	-	113,956
Refundable advances	630,756	-	-	630,756
Operating lease liability	<u>(1,437,382)</u>	<u>-</u>	<u>-</u>	<u>(1,437,382)</u>
Net cash provided by / (used in) operating activities	3,274,616	-	-	3,274,616
Cash Flows From Investing Activities				
Purchase of property and equipment	<u>(1,915,133)</u>	<u>-</u>	<u>-</u>	<u>(1,915,133)</u>
Net cash provided by / (used in) investing activities	(1,915,133)	-	-	(1,915,133)
Cash Flows From Financing Activities				
Principal payments on mortgages and notes payable	<u>(453,181)</u>	<u>-</u>	<u>-</u>	<u>(453,181)</u>
Net cash provided by (used in) financing activities	<u>(453,181)</u>	<u>-</u>	<u>-</u>	<u>(453,181)</u>
Net change in cash and cash equivalents	906,302	-	-	906,302
Cash And Cash Equivalents				
Beginning of Year	<u>2,162,314</u>	<u>4,961</u>	<u>-</u>	<u>2,167,275</u>
End of Year	<u>\$ 3,068,616</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ 3,073,577</u>
Supplemental Disclosure of Cash Flow Information				
Other Cash activities:				
Mortgages and notes payable interest paid and expensed	<u>\$ 210,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,580</u>
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	<u>\$ 1,570,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,351</u>

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