

**Southern Oregon Child & Family
Council, Inc.**

Central Point, Oregon

Financial Statements and Supplementary Information

Year Ended October 31, 2017

Southern Oregon Child & Family Council, Inc.

Financial Statements and Supplementary Information
Year Ended October 31, 2017

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Independent Auditor's Report

Board of Directors
Southern Oregon Child & Family Council, Inc.
Central Point, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Oregon Child & Family Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

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; 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.

Auditor's 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 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 auditor's 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 Southern Oregon Child & Family Council, Inc. as of October 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedules B-1 through B-7 are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the statement of financial position of Southern Oregon Child & Family Council, Inc. as of October 31, 2016, and the related statements of activities and cash flows for the year then ended (not presented herein), and we expressed an unmodified opinion on those financial statements. That audit was conducted for purposes of forming an opinion on the financial statements as a whole. The prior year expenses on supplementary schedules B-1, B-3, B-5 and B-6, are presented for purposes of additional analysis. Such information is the responsibility of management and the prior year expenses were derived from and relate directly to the underlying accounting and other records used to prepare the October 31, 2016, financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 prior year expenses included on supplementary schedules B-1, B-3, B-5 and B-6 are fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of Southern Oregon Child & Family Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Southern Oregon Child & Family Council, Inc.'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 Southern Oregon Child & Family Council, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

May 25, 2018
Madison, Wisconsin

Southern Oregon Child & Family Council, Inc.

Statement of Financial Position

October 31, 2017

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 1,175,314
Investments	183,743
Grants receivable	2,269,012
Prepaid expenses	87,142
<hr/>	
Total current assets	3,715,211
<hr/>	
Property and equipment, net	4,367,887
<hr/>	
TOTAL ASSETS	\$ 8,083,098
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<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of note payable	\$ 25,449
Accounts payable	636,164
Accrued payroll and related expenses	981,849
Accrued interest	322
Accrued pension costs	452,502
Accrued self-insurance	417,258
<hr/>	
Total current liabilities	2,513,544
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Long term liabilities:	
Note payable, less current portion	379,500
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Total liabilities	2,893,044
<hr/>	
Net assets:	
Unrestricted:	
Unrestricted	4,325,064
Unrestricted - self insurance	494,931
Unrestricted - board designated for parent emergency fund	929
<hr/>	
Total unrestricted net assets	4,820,924
Temporarily restricted	369,130
<hr/>	
Total net assets	5,190,054
<hr/>	
TOTAL LIABILITIES AND NET ASSETS	\$ 8,083,098
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See accompanying notes to financial statements.

Southern Oregon Child & Family Council, Inc.

Statement of Activities Year Ended October 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue:			
Government	\$ 0	\$ 15,110,100	\$ 15,110,100
Other	0	905,110	905,110
Total grant revenue	0	16,015,210	16,015,210
Contributions	10,775	9,822	20,597
Investment income	0	25,607	25,607
Loss on sale of property and equipment	(9,027)	0	(9,027)
Other income	11,822	0	11,822
In-kind contributions	24,973	0	24,973
Net assets released from restriction through satisfaction of program restrictions	16,025,871	(16,025,871)	0
Total revenue	16,064,414	24,768	16,089,182
Expenses:			
Program activities:			
Head start	11,099,223	0	11,099,223
Early head start	2,805,916	0	2,805,916
USDA	609,430	0	609,430
Other programs	512,264	0	512,264
Total program activities	15,026,833	0	15,026,833
Management and general	980,992	0	980,992
Total expenses	16,007,825	0	16,007,825
Change in net assets	56,589	24,768	81,357
Net assets - Beginning of year	4,764,335	344,362	5,108,697
Net assets - End of the year	\$ 4,820,924	\$ 369,130	\$ 5,190,054

Southern Oregon Child & Family Council, Inc.

Statement of Functional Expenses Year Ended October 31, 2017

	Program Services					Total
	Head Start	Early Head Start	USDA	Other Programs	Management and General	
Personnel	\$ 6,650,309	\$ 1,643,901	\$ 144,171	\$ 304,580	\$ 663,179	\$ 9,406,140
Fringe benefits	2,492,461	672,846	54,523	81,766	213,677	3,515,273
Occupancy	740,528	195,700	0	2,909	14,102	953,239
Child travel	53,944	9,749	0	110	0	63,803
Staff travel	91,059	26,871	1,160	13,555	10,584	143,229
Nutrition and food	128,125	30,833	409,504	11,522	0	579,984
Repair and maintenance	11,941	3,581	0	0	0	15,522
Supplies and material	311,869	130,630	0	21,001	6,593	470,093
Other child services	53,735	11,754	0	0	0	65,489
Other parent services	60,884	8,379	0	20,720	0	89,983
Other services	225,293	43,127	72	55,866	72,857	397,215
Interest expense	23,302	0	0	235	0	23,537
Total operating expenses	10,843,450	2,777,371	609,430	512,264	980,992	15,723,507
Depreciation expense	255,773	28,545	0	0	0	284,318
Total expenses	\$ 11,099,223	\$ 2,805,916	\$ 609,430	\$ 512,264	\$ 980,992	\$ 16,007,825

See accompanying notes to financial statements.

Southern Oregon Child & Family Council, Inc.

Statement of Cash Flows

Year Ended October 31, 2017

Increase (decrease) in cash and cash equivalents:

Cash flows from operating activities:

Change in net assets \$ 81,357

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Depreciation expense 284,318

Loss on sale of property and equipment 9,027

Realized and unrealized gain on investments (23,228)

Changes in operating assets and liabilities:

Grants receivable (144,504)

Prepaid expenses (23,114)

Accounts payable 50,367

Accrued payroll and related expenses 124,500

Accrued interest (5)

Accrued pension costs 11,748

Accrued self-insurance (179,058)

Net cash provided by operating activities 191,408

Cash flows from investing activities:

Purchase of property and equipment (315,597)

Proceeds from sale of property and equipment 17,185

Purchase of investments (24,378)

Proceeds from sale of investments 23,951

Net cash used in investing activities (298,839)

Cash flows from financing activities:

Principal payments on note payable (23,765)

Net cash used in financing activities (23,765)

Change in cash and cash equivalents (131,196)

Cash and cash equivalents - Beginning of the year 1,306,510

Cash and cash equivalents - End of the year \$ 1,175,314

Schedule of other cash activity:

Interest paid \$ 23,542

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Southern Oregon Child & Family Council, Inc. (the “Organization”) is an Oregon private, not-for-profit that operates twenty-five head start and early head start programs throughout Jackson and Josephine Counties, a Listo program in Jackson County, and The Family Connection Program in Jackson and Josephine Counties. The Organization’s goals are to include effective delivery of comprehensive health, educational, nutritional, social and other services to economically (or otherwise) disadvantaged children and their families.

The Organization is primarily supported through federal and state government grants, with approximately 49% of the Organization’s grant revenue being earned from the Department of Health and Human Services and 40% of the Organization’s grant revenue being earned from the State of Oregon Department of Education.

Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

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

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

The Organization has recorded in-kind contributions for professional services and materials in the statement of activities in accordance with accounting standards. Standards require that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of accounting standards are different than the in-kind requirements of the Organization's grant awards. The Organization received contributions of nonprofessional volunteers during the year with a value of \$774,564 primarily for its Head Start program, which are not recorded in the statement of activities.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Marketable securities are carried at fair value. The fair value of the investments is generally determined by references to quoted market prices. Investments consist of fixed income mutual funds and equity mutual funds. Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations or law.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired investments, are measured at fair value on a nonrecurring basis. At October 31, 2017, the Organization does not have any liabilities that are measured at fair value on a recurring basis, nor are there assets or liabilities measured on a nonrecurring basis.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Organization considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of grant-funded property and equipment is \$4,367,887, at October 31, 2017.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. They are also exempt from Oregon franchise or income tax.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 2: Concentrations

The Organization maintains cash balances at one financial institution which is insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times cash balances may exceed FDIC limits. All deposits in excess of federal depository insurance are secured under ORS 295, the Public Funds Collateralization Program. The Treasurer of the State of Oregon is the responsible official concerning all matters relating to collateral coverage. Management believes the financial institution has strong credit ratings and credit risk related to these deposits is minimal.

Note 3: Investments and Fair Value Measurements

The Organization uses a fair value hierarchy that includes three levels of inputs to be used to measure fair value. The Organization has determined that the fair value for the investments are Level 1 financial instruments. Quotes from pricing vendors based on recent trading activity and other observable market data were used in making this determination. The Organization does not have any financial instruments valued using Level 2 or 3 inputs.

Investments consist of the following at October 31, 2017:

	<u>Fair Value Measurements Using</u>			<u>Total Assets at Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Mutual funds:				
Growth funds	\$ 47,789	\$ 0	\$ 0	\$ 47,789
Stock funds	99,263	0	0	99,263
Bond funds	36,691	0	0	36,691
<u>Total investments</u>	<u>\$ 183,743</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 183,743</u>

The Organization does not have any liabilities measured at fair value on a recurring basis nor any assets or liabilities measured at fair value on a nonrecurring basis.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the

Investment income consisted primarily of interest and dividends totaled \$2,379 for the year ended October 31, 2017. Realized and unrealized gains were \$23,228 for the year ended October 31, 2017.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 4: Grants Receivable

This balance at October 31, 2017, consists of amounts due from funding sources as follows:

U.S. Department of Agriculture	\$ 126,107
U.S. Department of Human Services	1,242,104
Oregon Department of Education	493,041
Other	407,760
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Total	\$ 2,269,012

Note 5: Property and Equipment

The balance at October 31, 2017, consists of the following:

Land	\$ 636,462
Buildings and improvements	5,891,222
Leasehold improvements	393,316
Furniture and equipment	593,857
Vehicles	802,060
<hr/>	
	8,316,917
Accumulated depreciation	(3,949,030)
<hr/>	
Property and equipment, net	\$ 4,367,887

Depreciation expense was \$284,318 at October 31, 2017.

Note 6: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Listo program	\$ 29,145
Head start program	72
The Family Connection program	156,170
Ashland head start program	183,743
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Total	\$ 369,130

Note 7: Self-insurance

The Organization maintains a self-insurance program for its employees' health care costs. The Organization is liable for losses on claims up to \$100,000 per covered unit (employee and covered family members), with \$45,000 aggregating specific, and \$2,119,023 in total for the year. The Organization has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date. The total accrued liability for self-insurance costs was \$417,258 as of October 31, 2017.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 8: Note Payable

Note payable consist of the following at October 31, 2017:

Note payable to Banner Bank, collateralized by real estate, payable in monthly installments of \$3,923, including interest at 5.5%, due November 2022.	\$ 404,949
Current portion	(25,449)
Long-term note payable	\$ 379,500

Future maturities of notes payable are as follows:

<u>Year Ending October 31</u>	<u>Amount</u>
2018	\$ 25,449
2019	26,885
2020	28,401
2021	30,003
2022	31,696
Thereafter	262,515
<u>Total</u>	<u>\$ 404,949</u>

Note 9: Operating Leases

The Organization has various operating leases for real property used in operations. Lease terms generally range from one to five years with options of renewal for additional periods. Total rent expense charged to operations was \$306,547 for the year ended October 31, 2017.

Future minimum lease payments under noncancelable operating leases at are as follows:

2018	\$ 372,079
2019	275,897
2020	228,861
2021	160,136
2022	133,967
Thereafter	1,103,212
<u>Total</u>	<u>\$ 2,274,152</u>

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 10: Employee Benefit Plans

The Organization maintains a defined contribution profit sharing plan and trust, for the benefit of its eligible employees. The plan provides for predetermined employer contributions based on annual compensation levels of all participants. In the current year, the Organization provided a 5% contribution for its eligible employee participants' total compensation for the year, and 15% of eligible directors' total compensation for the year. The employer's contribution to the plan for the year ended October 31, 2017, was \$452,477.

Note 11: Grant Awards

At October 31, 2017, the Organization had received a commitment for future funding under grant awards of approximately \$9,500,000. This commitment is not recognized in the accompanying financial statements as they are conditional awards.

Note 12: Subsequent Events

Subsequent events have been evaluated through May 25, 2018, which is the date the financial statements were available to be issued. The following information summarizes significant events that occurred after October 31, 2017.

In February 2018, Southern Oregon Child and Family Council, Inc. obtained a \$309,000 loan from the Gordon Elwood Foundation as well as a \$1,384,000 loan from Banner Bank for the purchase of a new facility in Grants Pass, Oregon.

Supplementary Information

Southern Oregon Child & Family Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended October 31, 2017

Federal Grantor/Pass-Through Number/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Passed through Oregon Department of Education			
Child and Adult Care Food Program	10.558	n/a	\$ 609,430
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Oregon Health Care Authority			
MIECHV	93.870	145806	255,432
Direct			
Head Start	93.600	10CH0195/04	7,802,899
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS			8,058,331
TOTAL FEDERAL EXPENDITURES			\$ 8,667,761

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Southern Oregon Child & Family Council, Inc. under programs of the federal government for the year ended October 31, 2017. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of Southern Oregon Child & Family Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Southern Oregon Child & Family Council, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

Southern Oregon Child & Family Council, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Subrecipients

Southern Oregon Child & Family Council, Inc. did not use any subrecipients for the year ended October 31, 2017.

Southern Oregon Child & Family Council, Inc.

Schedule B-1

Supplementary Schedule of Program Awards from the U.S. Department of Health and Human Services

October 31, 2017

	MIECHV Grant #145806			
	April 1, 2014 to October 31, 2015	November 1, 2015 to September 30, 2016	November 1, 2016 to September 30, 2017	Total
Final approved grant	\$ 500,000	\$ 240,000	\$ 240,000	\$ 980,000
Grant expenditures:				
Personnel	181,866	154,577	165,842	502,285
Fringe benefits	55,874	56,159	59,447	171,480
Travel	8,301	11,394	8,880	28,575
Supplies	11,072	9,179	6,237	26,488
Other	13,534	18,375	15,026	46,935
Total grant expenditures	270,647	249,684	255,432	775,763
Unobligated balance at October 31, 2017	\$ 229,353	(\$ 9,684)	(\$ 15,432)	\$ 204,237

Southern Oregon Child & Family Council, Inc.

Schedule B-2
Supplementary Schedule of Program Awards from the
U.S. Department of Health and Human Services
October 31, 2017

	<u>Grant #10CH0195/04</u>
	Grant period November 1, 2016 to October 31, 2017
Final approved grant	\$ 9,849,179
Grant expenditures:	
Personnel and fringe	6,307,725
Personnel travel costs	55,100
Training costs	65,009
Supplies	272,152
Children's services costs	136,373
Parent services and involvement	39,760
Children's transportation costs	32,669
General office expenses	55,476
Agency costs	18,099
Occupancy costs	605,049
Equipment and facilities	130,299
Other	85,188
Total grant expenditures	<u>7,802,899</u>
Unobligated balance at October 31, 2017	<u>\$ 2,046,280</u>
Total outlays reported for Head Start were funded by the following sources	
Head Start grant expenditures	\$ 7,802,899
Program income generated/expended	19,555
Agency, in-kind generated	816,730
Agency, in-kind state head start match	6,381,053
Total outlays per final report	<u>\$ 15,020,237</u>

Southern Oregon Child & Family Council, Inc.

Schedule B-3

Supplementary Schedule of Program Awards from the State of Oregon - Department of Education October 31, 2017

	Grant #36460			
	July 1, 2015 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2017 to June 30, 2017	Total
Final approved grant	\$ 6,033,627	\$ 6,033,627	\$ 0	\$ 12,067,254
Grant expenditures:				
Personnel	1,004,226	3,852,257	3,052,713	7,909,196
Fringe benefits	432,158	1,446,081	979,266	2,857,505
Travel	18,566	75,296	67,123	160,985
Equipment	11,717	0	0	11,717
Supplies	37,990	150,601	113,956	302,547
Other	92,440	387,895	344,969	825,304
Total grant expenditures	1,597,097	5,912,130	4,558,027	12,067,254
Net change	\$ 4,436,530	\$ 121,497	(\$ 4,558,027)	\$ 0
Unobligated balance	\$ 4,436,530	\$ 121,497	(\$ 4,558,027)	\$ 0

Southern Oregon Child & Family Council, Inc.

Schedule B-4

Supplementary Schedule of Program Awards from the State of Oregon - Department of Education

October 31, 2017

	<u>Grant #44589</u>
	<u>July 1, 2017</u> <u>to October 31, 2017</u>
Final approved grant	\$ 6,257,145
Grant expenditures:	
Personnel	949,276
Fringe benefits	434,357
Travel	17,563
Supplies	40,603
Other	157,369
Total grant expenditures	<u>1,599,168</u>
Net change	<u>\$ 4,657,977</u>
Unobligated balance	<u>\$ 4,657,977</u>

Southern Oregon Child & Family Council, Inc.

Schedule B-5

Supplementary Schedule of Program Awards from the State of Oregon - Department of Education

October 31, 2017

	Grant #40288		
	July 1, 2016 to October 31, 2016	November 1, 2017 to June 30, 2017	Total
Final approved grant	\$ 68,165	\$ 0	\$ 68,165
Grant expenditures:			
Personnel	13,760	30,837	44,597
Fringe benefits	3,645	12,456	16,101
Travel	129	323	452
Equipment	0	0	0
Supplies	849	2,506	3,355
Other	1,185	2,475	3,660
Total grant expenditures	19,568	48,597	68,165
Net change	\$ 48,597	(\$ 48,597)	\$ 0
Unobligated balance	\$ 48,597	(\$ 48,597)	\$ 0

Southern Oregon Child & Family Council, Inc.

Schedule B-6

Supplementary Schedule of Program Awards from the State of Oregon - Department of Education

October 31, 2017

	Grant #40235		
	July 1, 2016 to October 31, 2016	November 1, 2017 to June 30, 2017	Total
Final approved grant	\$ 217,365	\$ 0	\$ 217,365
Grant expenditures:			
Personnel	0	58,743	58,743
Fringe benefits	0	18,468	18,468
Travel	0	63	63
Equipment	4,648	134,542	139,190
Supplies	0	901	901
Other	0	0	0
Total grant expenditures	4,648	212,717	217,365
Net change	\$ 212,717	(\$ 212,717)	\$ 0
Unobligated balance	\$ 212,717	(\$ 212,717)	\$ 0

Southern Oregon Child & Family Council, Inc.

Schedule B-7

Supplementary Schedule of Program Awards from the State of Oregon - Department of Education

October 31, 2017

	<u>Grant #44848</u>
	<u>July 1, 2017</u> <u>to October 31, 2017</u>
Final approved grant	\$ 70,690
Grant expenditures:	
Personnel	12,762
Fringe benefits	4,302
Travel	115
Supplies	1,079
Other	1,131
	<hr/>
Total grant expenditures	19,389
	<hr/>
Net change	\$ 51,301
	<hr/> <hr/>
Unobligated balance	\$ 51,301
	<hr/> <hr/>



Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Southern Oregon Child & Family Council, Inc.
Central Point, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Southern Oregon Child & Family Council, Inc., which comprise the statement of financial position as of October 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Oregon Child & Family Council, Inc.’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Oregon Child & Family Council, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Oregon Child & Family Council, Inc.’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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Oregon Child & Family Council, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

Southern Oregon Child & Family Council, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southern Oregon Child & Family Council, Inc.'s response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Southern Oregon Child & Family Council, Inc.'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 Southern Oregon Child & Family Council, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Wipfli LLP in cursive script.

Wipfli LLP

May 25, 2018
Madison, Wisconsin



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance

Board of Directors
Southern Oregon Child & Family Council, Inc.
Central Point, Oregon

Report on Compliance for the Major Federal Program

We have audited Southern Oregon Child & Family Council, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended October 31, 2017. Southern Oregon Child & Family Council, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Southern Oregon Child & Family Council, Inc.'s major federal program 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; 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). 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 Southern Oregon Child & Family Council, 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 the major federal program. However, our audit does not provide a legal determination on Southern Oregon Child & Family Council, Inc.'s compliance.

Opinion

In our opinion, Southern Oregon Child & Family Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2017.

Report on Internal Control Over Compliance

Management of Southern Oregon Child & Family Council, 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 Southern Oregon Child & Family Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 or federal and state 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 Southern Oregon Child & Family Council, 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 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.

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.



Wipfli LLP

May 25, 2018
Madison, Wisconsin

Southern Oregon Child & Family Council, Inc.

Schedule of Findings and Questioned Costs Year Ended October 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal program	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major federal program

<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
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Head Start	93.600
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Dollar threshold used to distinguish between Type A and Type B programs: Federal	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

Finding: Audit Adjustments (2017-001)

Condition: Adjustments were proposed by Wipfli LLP and posted by management to increase accounts receivable and reduce health insurance claims expense in the amount of \$182,772 for stop loss insurance reimbursements related to claims paid by Southern Oregon Child & Family Council, Inc. for year ended October 31, 2017. In addition, an adjustment was posted to increase prepaids and reduce occupancy expenses in the amount of \$20,000 for earnest money paid on a property.

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, §200.302(b)(4), requires that the grant recipient have...*effective control over, and accountability for, all funds, property, and other assets.*

Southern Oregon Child & Family Council, Inc.

Schedule of Findings and Questioned Costs Year Ended October 31, 2017

Section II - Financial Statement Findings (Continued)

Finding: Audit Adjustments (2017-001) (Continued)

Effect: The audit adjustments represent a significant deficiency in internal control over financial reporting.

Recommendation: We recommend Southern Oregon Child & Family Council, Inc. implement procedures to ensure stop loss insurance reimbursements and other activity that is unusual for the organization is properly recorded.

Management Response: Management agrees with the finding and will be allocating resources to ensure proper recording and reconciliation of health insurance claims.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None