

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

Central Point, Oregon

Financial Statements and Supplementary Information

Year Ended October 31, 2018

Southern Oregon Child & Family Council, Inc.

Financial Statements and Supplementary Information
Year Ended October 31, 2018

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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, 2018, 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, 2018, 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-6 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, 2017, 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-4, 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, 2017, 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. In our opinion, the prior year expenses included on supplementary schedules B-1, B-4, 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 June 5, 2019, 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

Wipfli LLP

June 5, 2019
Madison, Wisconsin

Southern Oregon Child & Family Council, Inc.

Statement of Financial Position

October 31, 2018

<i>Assets</i>	
Current assets:	
Cash and cash equivalents	\$ 1,100,128
Investments	187,161
Grants receivable	2,293,795
Prepaid expenses	62,006
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Total current assets	3,643,090
<hr/>	
Property and equipment, net	6,322,162
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TOTAL ASSETS	\$ 9,965,252
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<i>Liabilities and Net Assets</i>	
Current liabilities:	
Current portion of notes payable	\$ 84,257
Accounts payable	586,891
Accrued payroll and related expenses	1,027,425
Accrued interest	1,713
Accrued pension costs	450,067
Accrued self-insurance	680,058
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Total current liabilities	2,830,411
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Long term liabilities:	
Notes payable, less current portion	1,643,397
<hr/>	
Total liabilities	4,473,808
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Net assets:	
Unrestricted:	
Unrestricted	4,522,010
Unrestricted - self insurance	536,178
Unrestricted - board designated for parent emergency fund	322
<hr/>	
Total unrestricted net assets	5,058,510
Temporarily restricted	432,934
<hr/>	
Total net assets	5,491,444
<hr/>	
TOTAL LIABILITIES AND NET ASSETS	\$ 9,965,252
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See accompanying notes to financial statements.

Southern Oregon Child & Family Council, Inc.

Statement of Activities Year Ended October 31, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant revenue:			
Government	\$ 0	\$ 16,930,924	\$ 16,930,924
Other	0	936,312	936,312
Total grant revenue	0	17,867,236	17,867,236
Contributions	5,774	22,303	28,077
Investment income	0	5,324	5,324
Other income	33,700	0	33,700
In-kind contributions	26,804	0	26,804
Net assets released from restriction through satisfaction of donor restrictions	17,831,059	(17,831,059)	0
Total revenue	17,897,337	63,804	17,961,141
Expenses:			
Program activities:			
Head start	12,401,622	0	12,401,622
Early head start	3,047,084	0	3,047,084
USDA	646,587	0	646,587
Other programs	526,380	0	526,380
Total program activities	16,621,673	0	16,621,673
Management and general	1,038,078	0	1,038,078
Total expenses	17,659,751	0	17,659,751
Change in net assets	237,586	63,804	301,390
Net assets - Beginning of year	4,820,924	369,130	5,190,054
Net assets - End of the year	\$ 5,058,510	\$ 432,934	\$ 5,491,444

Southern Oregon Child & Family Council, Inc.

Statement of Functional Expenses

Year Ended October 31, 2018

	Program Services					Management and General	Total
	Head Start	Early Head Start	USDA	Other Programs			
Personnel	\$ 7,134,616	\$ 1,685,557	\$ 146,729	\$ 296,858	\$ 711,099	\$ 9,974,859	
Fringe benefits	3,054,365	736,044	64,893	79,693	227,968	4,162,963	
Occupancy	842,372	268,718	0	3,216	19,796	1,134,102	
Child travel	51,020	8,446	0	253	0	59,719	
Staff travel	80,619	23,528	1,311	6,532	4,310	116,300	
Nutrition and food	132,077	34,597	433,654	19,311	0	619,639	
Repair and maintenance	13,215	602	0	0	0	13,817	
Supplies and material	361,495	179,984	0	8,528	7,356	557,363	
Other child services	52,031	9,693	0	0	0	61,724	
Other parent services	52,233	8,330	0	36,621	0	97,184	
Other services	283,125	60,516	0	75,105	67,549	486,295	
Interest expense	67,590	170	0	263	0	68,023	
Total operating expenses	12,124,758	3,016,185	646,587	526,380	1,038,078	17,351,988	
Depreciation expense	276,864	30,899	0	0	0	307,763	
Total expenses	\$ 12,401,622	\$ 3,047,084	\$ 646,587	\$ 526,380	\$ 1,038,078	\$ 17,659,751	

See accompanying notes to financial statements.

Southern Oregon Child & Family Council, Inc.

Statement of Cash Flows Year Ended October 31, 2018

Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Change in net assets	\$ 301,390
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	307,763
Realized and unrealized gain on investments	(2,288)
Changes in operating assets and liabilities:	
Grants receivable	(24,783)
Prepaid expenses	25,136
Accounts payable	(76,019)
Accrued payroll and related expenses	45,576
Accrued interest	1,391
Accrued pension costs	(2,435)
Accrued self-insurance	262,800
Net cash provided by operating activities	838,531
Cash flows from investing activities:	
Purchase of property and equipment	(542,292)
Purchase of investments	(16,735)
Proceeds from sale of investments	15,605
Net cash used in investing activities	(543,422)
Cash flows from financing activities:	
Principal payments on note payable	(370,295)
Net cash used in financing activities	(370,295)
Change in cash and cash equivalents	(75,186)
Cash and cash equivalents - Beginning of the year	1,175,314
Cash and cash equivalents - End of the year	\$ 1,100,128
Supplemental schedule of investing and other cash activity:	
Interest paid	\$ 66,632
Purchase of equipment included in accounts payable	26,746
Purchase of real estate financed with debt	1,693,000

See accompanying notes to financial statements.

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 61% of the Organization’s grant revenue being earned directly from the Department of Health and Human Services and 37% of the Organization’s grant revenue being earned directly 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 \$1,087,591 primarily for its Early 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.

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.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 \$6,322,162, at October 31, 2018.

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.

Income from certain activities related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The qualified transportation fringe benefit of onsite parking provided to employees on a tax-free basis is considered unrelated business taxable income. The Organization has estimated its liability at October 31, 2018 to be \$5,255.

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.

Subsequent Events

Subsequent events have been evaluated through June 5, 2019, which is the date the financial statements were available to be issued.

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, 2018:

	<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	\$ 42,669	\$ 0	\$ 0	\$ 42,669
Stock funds	94,901	0	0	94,901
Bond funds	49,591	0	0	49,591
<u>Total investments</u>	<u>\$ 187,161</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 187,161</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 reporting date.

Investment income consisted primarily of interest and dividends totaled \$3,036 for the year ended October 31, 2018. Realized and unrealized gains were \$2,288 for the year ended October 31, 2018.

Note 4: Grants Receivable

This balance at October 31, 2018, consists of amounts due from funding sources as follows:

U.S. Department of Health and Human Services	\$ 1,225,656
Oregon Department of Education	840,019
Other	228,120
<u>Total</u>	<u>\$ 2,293,795</u>

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 5: Property and Equipment

The balance at October 31, 2018, consists of the following:

Land	\$ 898,142
Buildings and improvements	7,544,067
Leasehold improvements	372,358
Furniture and equipment	593,551
Vehicles	802,060
Construction in progress	335,814
	<u>10,545,992</u>
Accumulated depreciation	<u>(4,223,830)</u>
Property and equipment, net	<u>\$ 6,322,162</u>

Depreciation expense was \$307,763 at October 31, 2018.

The Organization is in the process of renovating a kitchen at the Park View center. Kitchen equipment in the amount of \$84,404 was purchased for the renovated kitchen and is included in construction in progress as of October 31, 2018. No costs have been incurred as of October 31, 2018 for construction (See Note 6). The Organization expects the additional costs to complete the project will be approximately \$115,000.

The Organization is also in the process of building renovations and installing a playground at its Progress Drive center. Architect fees and other costs to prepare for the construction to date, which have been included in the construction in progress are \$251,410 as of October 31, 2018. The Organization has recorded \$26,746 in accounts payable for work completed. No costs have been incurred as of October 31, 2018 for construction (See Note 6). The Organization expects the additional costs to complete the project with be approximately \$1,400,000.

Note 6: Construction Commitments

The Organization entered into a \$99,443 construction contract with Vitus Construction for a kitchen renovation at the Park View center. No work has been completed as of October 31, 2018.

The Organization also entered into a \$1,222,800 construction contract with Outlier Construction LLC for the building renovation and playground installation at the Progress Drive center. No work has been completed as of October 31, 2018.

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Listo program	\$ 59,390
The Family Connection program	186,383
Ashland head start program	<u>187,161</u>
Total	<u>\$ 432,934</u>

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 8: 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 \$2,708,826 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 \$680,058 and total net assets for the self-insurance program was \$536,178 as of October 31, 2018.

Note 9: Notes Payable

Notes payable at October 31, 2018 consist of the following:

Note payable to Banner Bank at a variable interest rate (currently 5.73%) with monthly payments of \$3,923. The note matures in November 2022. Collateralized by the main office in Medford. \$ 388,938

Note payable to Banner Bank at a variable interest rate (currently 4.75%) with monthly payments of \$10,775. The note matures February 2033. Collateralized by the Park View facility. The Organization is in compliance with the debt service coverage ratio on the note payable. 1,338,716

Subtotal 1,727,654
Current portion of notes payable (84,257)

Long-term notes payable \$ 1,643,397

Future maturities of notes payable are as follows:

2019	\$ 84,257
2020	88,709
2021	93,204
2022	97,928
2023	394,655
Thereafter	968,901

Total \$ 1,727,654

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, 2018, was \$450,067.

Southern Oregon Child & Family Council, Inc.

Notes to Financial Statements

Note 11: Operating Leases

The Organization has various operating leases for real property used in operations. Lease terms generally range from one to twenty years with options of renewal for additional periods. Total rent expense and additional fees for facility operations was \$433,849 for the year ended October 31, 2018.

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

2019	\$ 356,620
2020	228,861
2021	160,136
2022	133,967
2023	131,940
<u>Thereafter</u>	<u>2,218,113</u>
<u>Total</u>	<u>\$ 3,229,637</u>

Note 12: Grant Awards

At October 31, 2018, the Organization had received a commitment for future funding under grant awards of approximately \$10,000,000. This commitment is not recognized in the accompanying financial statements as they are conditional awards.

Supplementary Information

Southern Oregon Child & Family Council, Inc.

Schedule A Schedule of Expenditures of Federal Awards Year Ended October 31, 2018

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	\$ 646,587
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Oregon Health Care Authority			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
MIECHV	93.870	145806 / 158392	236,998
Direct			
Head Start	93.600	10CH0195/05	10,894,037
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS			11,131,035
TOTAL FEDERAL EXPENDITURES			\$ 11,777,622

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, 2018. 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, 2018.

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, 2018

MIECHV Grant #145806

	April 1, 2014 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2016 to October 31, 2017	November 1, 2017 to September 30, 2018	Total
Final approved grant	\$ 500,000	\$ 240,000	\$ 240,000	\$ 0	\$ 980,000
Grant expenditures:					
Personnel	181,866	154,577	165,842	131,220	633,505
Fringe benefits	55,874	56,159	59,447	46,229	217,709
Travel	8,301	11,394	8,880	6,485	35,060
Supplies	11,072	9,179	6,237	7,054	33,542
Other	13,534	18,375	15,026	13,249	60,184
Total grant expenditures	270,647	249,684	255,432	204,237	980,000
Unobligated balance at October 31, 2018	\$ 229,353	(\$ 9,684)	(\$ 15,432)	(\$ 204,237)	\$ 0

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, 2018

	MIECHV Grant #158392
	<u>October 1, 2018 to October 31, 2018</u>
Final approved grant	<u>\$ 240,000</u>
Grant expenditures:	
Personnel	17,679
Fringe benefits	11,208
Travel	609
Supplies	1,814
Other	<u>1,451</u>
Total grant expenditures	<u>32,761</u>
Unobligated balance at October 31, 2018	<u><u>\$ 207,239</u></u>

Southern Oregon Child & Family Council, Inc.

Schedule B-3
Supplementary Schedule of Program Awards from the
U.S. Department of Health and Human Services
October 31, 2018

	<u>Grant #10CH0195/05</u>
	Grant period November 1, 2017 to October 31, 2018
Final approved grant	\$ 10,894,037
Grant expenditures:	
Personnel and fringe	7,003,124
Personnel travel costs	51,896
Training costs	64,138
Supplies	558,407
Children's services costs	131,067
Parent services and involvement	33,576
Children's transportation costs	24,657
General office expenses	32,087
Agency costs	16,010
Occupancy costs	1,084,587
Equipment and facilities	1,812,531
Other	81,957
Total grant expenditures	<u>10,894,037</u>
Unobligated balance at October 31, 2018	<u>\$ 0</u>
Total outlays reported for Head Start were funded by the following sources	
Head Start grant expenditures	\$ 10,894,037
Program income generated/expended	33,248
Agency, in-kind generated	1,154,723
Agency, in-kind state head start match	6,647,860
Total outlays per final report	<u>\$ 18,729,868</u>

Southern Oregon Child & Family Council, Inc.

Schedule B-4

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

October 31, 2018

	Grant #44589		
	<u>July 1, 2017 to October 31, 2017</u>	<u>November 1, 2017 to October 31, 2018</u>	<u>Total</u>
Final approved grant	<u>\$ 6,257,145</u>	<u>\$ 6,257,145</u>	<u>\$ 12,514,290</u>
Grant expenditures:			
Personnel	949,276	4,107,807	5,057,083
Fringe benefits	434,357	1,395,485	1,829,842
Travel	17,563	79,137	96,700
Equipment	0	42,200	42,200
Supplies	40,603	187,353	227,956
Other	<u>157,369</u>	<u>713,096</u>	<u>870,465</u>
Total grant expenditures	<u>1,599,168</u>	<u>6,525,078</u>	<u>8,124,246</u>
Net change	<u>\$ 4,657,977</u>	<u>(\$ 267,933)</u>	<u>\$ 4,390,044</u>
Unobligated balance at October 31, 2018	<u>\$ 4,657,977</u>	<u>(\$ 267,933)</u>	<u>\$ 4,390,044</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, 2018

	<u>Grant #51191</u>
	<u>August 1, 2018</u> <u>to October 31, 2018</u>
Final approved grant	\$ 719,180
Grant expenditures:	
Personnel	0
Fringe benefits	0
Travel	0
Supplies	43,465
Other	0
Total grant expenditures	<u>43,465</u>
Net change	<u>\$ 675,715</u>
Unobligated balance at October 31, 2018	<u>\$ 675,715</u>

Southern Oregon Child & Family Council, Inc.

Schedule B-6

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

October 31, 2018

	Grant #44848		
	July 1, 2017 to October 31, 2017	November 1, 2017 to October 31, 2018	Total
Final approved grant	\$ 70,690	\$ 70,690	\$ 141,380
Grant expenditures:			
Personnel	12,762	47,302	60,064
Fringe benefits	4,302	16,259	20,561
Travel	115	1,062	1,177
Supplies	1,079	3,230	4,309
Other	1,131	4,502	5,633
Total grant expenditures	19,389	72,355	91,744
Net change	\$ 51,301	(\$ 1,665)	\$ 49,636
Unobligated balance at October 31, 2018	\$ 51,301	(\$ 1,665)	\$ 49,636



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, 2018, 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 June 5, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Wipfli LLP

Wipfli LLP

June 5, 2019

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, 2018. 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, 2018.

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 the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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

Wipfli LLP

June 5, 2019

Madison, Wisconsin

Southern Oregon Child & Family Council, Inc.

Schedule of Findings and Questioned Costs Year Ended October 31, 2018

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?	No
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

Name of Federal Major Program

CFDA No.

Head Start

93.600

Dollar threshold used to distinguish between Type A and Type B programs:
Federal

\$750,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

Finding 2017-001 – This issue has been resolved