

MID-COLUMBIA CHILDREN'S COUNCIL

FINANCIAL STATEMENTS

Year Ended November 30, 2019

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

MID-COLUMBIA CHILDREN'S COUNCIL

FINANCIAL STATEMENTS

Year Ended November 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mid-Columbia Children's Council
Hood River, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-Columbia Children's Council (a nonprofit organization), which comprise the statement of financial position as of November 30, 2019, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Columbia Children's Council as of November 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Mid-Columbia Children's Council

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Requirement by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, on our consideration of Mid-Columbia Children's Council'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 Mid-Columbia Children's Council'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 Mid-Columbia Children's Council's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Mid-Columbia Children's Council's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended November 30, 2019. Our opinion is not modified with respect to this matter.



Portland, Oregon
June 24, 2020

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF FINANCIAL POSITION

November 30, 2019

(With Comparative Totals as of November 30, 2018)

ASSETS

	2019	2018
Current assets		
Cash	\$ 118,623	\$ 75,857
Grants and accounts receivable	283,166	271,026
Prepaid expenses	160,605	33,581
Total current assets	562,394	380,464
Property and equipment		
Buildings and Improvements	2,845,739	2,845,739
Land	120,230	120,230
Equipment	611,480	611,480
Vehicles	787,721	787,721
	4,365,170	4,365,170
Less accumulated depreciation	(3,207,212)	(3,024,863)
Total property and equipment	1,157,958	1,340,307
 Total assets	 \$ 1,720,352	 \$ 1,720,771

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 112,925	\$ 92,878
Current portion of capital lease	16,884	22,050
Payroll and related liabilities	148,944	114,941
Due to parent fund	19,346	16,159
Deferred revenue	178,431	11,109
Total current liabilities	476,530	257,137
Other liabilities		
Capital lease payable	-	16,884
Net assets		
Without donor restrictions		
Available for current operations	85,864	106,443
Net investment in property and equipment	1,157,958	1,340,307
Total net assets	1,243,822	1,446,750
 Total liabilities and net assets	 \$ 1,720,352	 \$ 1,720,771

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF ACTIVITIES

Year Ended November 30, 2019

(With Comparative Totals for the Year Ended November 30, 2018)

	<u>2019</u>	<u>2018</u>
Support and revenue		
Grants and contracts	\$ 6,644,534	\$ 6,176,750
Contributions	455	640
In-kind contributions	130,338	124,495
Program and other revenue	187,501	139,035
Total revenue	<u>6,962,828</u>	<u>6,440,920</u>
Expenses		
Program services	6,380,942	5,850,842
Management and general	784,814	732,345
Total expenses	<u>7,165,756</u>	<u>6,583,187</u>
Change net assets without donor restrictions	(202,928)	(142,267)
Net assets without donor restrictions - beginning of year	<u>1,446,750</u>	<u>1,589,017</u>
Net assets without donor restrictions - end of year	<u>\$ 1,243,822</u>	<u>\$ 1,446,750</u>

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES AND REVENUES

Year Ended November 30, 2019

(With Comparative Totals for the Year Ended November 30, 2018)

	Program Services	Management and General	Total	
			2019	2018
Salaries and wages	\$ 3,501,894	\$ 436,308	\$ 3,938,202	\$ 3,727,181
Payroll tax and benefits	1,236,546	136,182	1,372,728	1,200,925
Contract services	35,790	39,417	75,207	138,916
Depreciation	182,349	-	182,349	194,760
In-kind expense	130,338	-	130,338	124,495
Insurance	917	81,812	82,729	77,305
Occupancy	412,124	28,232	440,356	345,985
Other	195,705	20,472	216,177	187,871
Parent activities	2,047	-	2,047	3,317
Repairs and maintenance	52,661	11,006	63,667	49,001
Supplies	499,853	28,906	528,759	432,265
Training	83,172	895	84,067	54,424
Travel, local	29,178	1,291	30,469	23,396
Travel, out of area	18,368	293	18,661	23,346
	\$ 6,380,942	\$ 784,814	\$ 7,165,756	\$ 6,583,187

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF CASH FLOWS

Year Ended November 30, 2019

(With Comparative Totals for the Year Ended November 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash Received from Grants, Contracts, Contributions, Program Fees, and Other	\$ 6,990,586	\$ 6,412,497
Cash Paid to Suppliers and Employees	<u>(6,925,770)</u>	<u>(6,566,887)</u>
Net cash provided by (used in) operating activities	<u>64,816</u>	<u>(154,390)</u>
Cash flows from financing activities:		
Payments on capital lease obligations	<u>(22,050)</u>	<u>(21,534)</u>
Net change in cash	42,766	(175,924)
Cash, beginning of year	<u>75,857</u>	<u>251,781</u>
Cash, end of year	<u>\$ 118,623</u>	<u>\$ 75,857</u>

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

NOTES TO FINANCIAL STATEMENTS

November 30, 2019

NOTE A – DESCRIPTION OF ORGANIZATION

Mid-Columbia Children's Council, Inc. (the Organization) is a nonprofit charitable organization, established to provide early childhood development for disadvantaged preschool children and their families. The Organization was formed on May 28, 1987 and provides its services primarily under contracts and grants provided by federal and state governments.

All powers of the Organization are vested in a nine-member board of directors and an 18-member Policy Council. The board of directors has general responsibility for overall administration of the Organization. The Policy Council has general responsibility over community relations concerning the Head Start and Early Head Start Programs. The Policy Council is also responsible for approving actions taken with regard to planning, personnel, and grant applications.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended November 30, 2019, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 ("ASU 2016-14")*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions have been made.

Other matters impacted include:

- Additional information about the methodology used for allocating functional expenses
- The presentation of the statement of cash flows

The implementation of ASU 2016-14 had no impact on total beginning net assets.

Financial Statement Presentation

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

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

MID-COLUMBIA CHILDREN'S COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

November 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort and number of children served.

Property and Equipment

Fixed assets are recorded at cost on the date of acquisition. The Organization capitalizes assets that cost greater than \$5,000. Assets are identified and tracked by program as required by their major grantors. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The buildings are depreciated over 25 years. Personal property is depreciated over years. Expenditures for maintenance and repairs are charged to expense as incurred, except for major renovations that are capitalized.

In-Kind Contributions

Significant services received which create or enhance a nonfinancial asset or require specialized skills that the Organization would have purchased if not donated are recognized in the statements of activities and changes in net assets. During the years ended November 30, 2019 and 2018, contributed services amounting to \$129,035 and \$120,318, respectively, were recorded. These services included professional volunteer time, such as nutritionists, dental hygienists, therapists, and legal services.

In-kind donations of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the Organization's activities. During the years ended November 30, 2019 and 2018, contributed supplies and materials amounting to \$1,303 and \$4,177, respectively, were recorded.

MID-COLUMBIA CHILDREN'S COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

November 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Accounts Receivable

Grants receivable are recorded monthly as the related services are provided and billed. Substantially all of the grants receivable are uncollateralized and are supported by contracts with governmental entities. Accordingly, an allowance for doubtful accounts has not been established, as there are no balances over 90 days and management believes all balances are collectible.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended November 30, 2018, from which the summarized information was derived.

New Accounting Pronouncements Effective in the Future

In 2018, the FASB issued *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This standard clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange and contribution transactions. This standard is effective for fiscal years beginning after December 31, 2018. Management will be evaluating the effects of this new standard.

In 2014, the FASB issued *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). This standard clarifies and improves guidance for contracts and other exchange transactions. This standard is effective for fiscal years beginning after December 31, 2019. Management will be evaluating the effects of this new standard.

MID-COLUMBIA CHILDREN'S COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

November 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Effective in the Future (Continued)

In 2016, FASB issued ASU 2016-02 *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management will be evaluating the effects of this new standard.

NOTE C – PROPERTY AND EQUIPMENT

Approximately 80% of fixed assets were purchased with federal funds and may revert to the federal funding agency upon disposition.

NOTE D – OPERATING LEASES

The Organization has entered into several operating leases for buildings, land and equipment to be used for administrative and classroom purposes. The future minimum lease payments are as follows:

<u>Year Ending November 30,</u>	
2020	\$ 56,205
2021	56,880
2022	<u>23,700</u>
	<u>\$ 136,785</u>

The total rental expense for the fiscal year ended November 30, 2019 was \$129,455.

NOTE E – DEFINED CONTRIBUTION PENSION PLAN

The Organization has established a defined contribution pension plan which covers all employees over the age of 18 after one year of service. The Organization contributed \$62,939 for the year ended November 30, 2019 as discretionary contributions.

NOTE F – CONCENTRATIONS AND CONTINGENCIES

The Organization receives approximately 75% of its operating revenue from one federal grantor, and approximately 19% of its operating revenue from one State of Washington grant and two State of Oregon grants. At November 30, 2019, 55% and 18% of the grants receivable were due from these federal and state grants, respectively. A significant reduction in either of these funding sources would negatively impact the organization and its programs.

MID-COLUMBIA CHILDREN'S COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

November 30, 2019

NOTE F – CONCENTRATIONS AND CONTINGENCIES (CONTINUED)

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash. Cash is maintained at one high-quality financial institution. The Organization has not experienced any losses on its cash, and does not believe it is exposed to any significant credit risk on cash.

NOTE G – LINE OF CREDIT

The Organization has one \$50,000 line of credit agreement. Principal is due on demand and interest is payable monthly at the bank's prime rate plus 1.50 percentage points. The line is unsecured. There was \$0 outstanding at November 30, 2019. The line of credit is ongoing.

NOTE H – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of November 30, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 118,623
Grants and accounts receivable	<u>283,166</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 401,789</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 24, 2020, which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business, non-profit, and government entities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The Organization continues to offer client assistance and program activities to the best of its ability. However, the related financial impact and duration cannot be estimated at this time.

SINGLE AUDIT REPORTS

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

To the Board of Directors
Mid-Columbia Children's Council
Hood River, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-Columbia Children's Council (a nonprofit organization), which comprise the statement of financial position as of November 30, 2019, 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 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Columbia Children's Council'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

To the Board of Directors
Mid-Columbia Children's Council

Purpose of this Report

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

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

Portland, Oregon
June 24, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Mid-Columbia Children's Council
Hood River, Oregon

Report on Compliance for Each Major Federal Program

We have audited Mid-Columbia Children's Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mid-Columbia Children's Council's major federal programs for the year ended November 30, 2019. Mid-Columbia Children's Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Columbia Children's Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mid-Columbia Children's Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mid-Columbia Children's Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Mid-Columbia Children's Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2019.

To the Board of Directors
Mid-Columbia Children's Council

Report on Internal Control Over Compliance

Management of Mid-Columbia Children's Council 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 Mid-Columbia Children's Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mid-Columbia Children's Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Portland, Oregon
June 24, 2020

MID-COLUMBIA CHILDREN'S COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended November 30, 2019

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Program Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Head Start and Early Head Start:			
Direct Award - Head Start and Early Head Start	93.600		\$ <u>5,246,405</u>
Total U.S. Department of Health and Human Services			<u>5,246,405</u>
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through Oregon Department of Education:</i>			
Child and Adult Care Food Program	10.558	1413001	167,780
<i>Passed through Office of Superintendent of Public Instruction:</i>			
Child and Adult Care Food Program	10.558	06-160008	<u>81,461</u>
Total U.S. Department of Agriculture			<u>249,241</u>
Total federal expenditures, all programs			\$ <u><u>5,495,646</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

MID-COLUMBIA CHILDREN'S COUNCIL

NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS

Year Ended November 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mid-Columbia Children's Council and is presented on the accrual basis of accounting, consistent with generally accepted accounting principles. The information in this schedule is presented in accordance with requirements of the Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – MATCHING REQUIREMENT

The Organization accounts for the non-federal share requirements by the Department of Health and Human Services through inclusion of in-kind contributions and cash donations received. While some of these contributions are not considered to be in accordance with generally accepted accounting principles (GAAP), management asserts they have been allowable by the granting agency.

NOTE 3 – MAJOR AND NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Federal financial assistance programs with identical assistance (CFDA) numbers are combined in determining whether the programs are major or nonmajor. Type A federal assistance programs are those with combined expenditures of \$750,000 or more during a fiscal year. Type B federal financial assistance programs are those with combined expenditures of less than \$750,000 during a fiscal year.

NOTE 4 – INDIRECT COST RATE

The Organization has not used the 10% de minimis indirect cost rate under the Uniform Guidance.

MID-COLUMBIA CHILDREN'S COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended November 30, 2019

Section 1 – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued – **Unmodified**
2. Significant deficiencies in internal control over financial reporting identified – **None reported**
3. Material weaknesses in internal control over financial reporting identified – **None**
4. Noncompliance that is material to the financial statements noted – **None**

Federal Awards

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

Identification of Major Programs

➤ **Head Start – CFDA 93.600**

9. Dollar threshold used to distinguish between Type A and Type B programs – **\$750,000**
10. The auditee qualified as a low-risk auditee under the Uniform Guidance – **Yes**

Section 2 – Financial Statement Findings

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

Section 3 – Federal Award Findings and Questioned Costs

None.

MID-COLUMBIA CHILDREN'S COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended November 30, 2018

None.