

MID-COLUMBIA CHILDREN'S COUNCIL

FINANCIAL STATEMENTS

Year Ended November 30, 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

MID-COLUMBIA CHILDREN'S COUNCIL

FINANCIAL STATEMENTS

Year Ended November 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses and Revenues	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
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 <i>Government Auditing Standards</i>	12-13
Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	14-15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	18-19

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, 2021, 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, 2021, 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

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 August 25, 2022, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended November 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
August 25, 2022

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF FINANCIAL POSITION

November 30, 2021

(With Comparative Totals as of November 30, 2020)

ASSETS

	2021	2020
Current assets		
Cash	\$ 309,940	\$ 1,168,817
Grants and accounts receivable	560,251	318,043
Prepaid expenses	25,899	53,945
Total current assets	896,090	1,540,805
 Property and equipment		
Buildings and Improvements	3,387,860	2,845,739
Land	120,230	120,230
Equipment	540,120	504,384
Vehicles	903,783	903,783
Construction in progress	-	317,688
	4,951,993	4,691,824
Less accumulated depreciation	(3,394,745)	(3,335,431)
Total property and equipment	1,557,248	1,356,393
 Total assets	\$ 2,453,338	\$ 2,897,198

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 222,902	\$ 500,544
Payroll and related liabilities	146,618	185,594
Due to parent fund	14,829	17,823
Refundable advances	420,482	713,911
Total current liabilities	804,831	1,417,872
 Net assets		
Without donor restrictions		
Available for current operations	91,259	122,933
Net investment in property and equipment	1,557,248	1,356,393
Total net assets	1,648,507	1,479,326
 Total liabilities and net assets	\$ 2,453,338	\$ 2,897,198

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF ACTIVITIES

Year Ended November 30, 2021

(With Comparative Totals for the Year Ended November 30, 2020)

	<u>2021</u>	<u>2020</u>
Support and revenue		
Grants and contracts	\$ 8,197,596	\$ 8,026,768
Contributions	2,231	3,458
In-kind contributions	7,365	23,860
Program and other revenue	20,949	200,875
Total revenue	<u>8,228,141</u>	<u>8,254,961</u>
Expenses		
Program services	6,896,983	7,043,543
Management and general	1,161,977	975,914
Total expenses	<u>8,058,960</u>	<u>8,019,457</u>
Change in net assets without donor restrictions	169,181	235,504
Net assets without donor restrictions - beginning of year	<u>1,479,326</u>	<u>1,243,822</u>
Net assets without donor restrictions - end of year	<u>\$ 1,648,507</u>	<u>\$ 1,479,326</u>

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES AND REVENUES

Year Ended November 30, 2021

(With Comparative Totals for the Year Ended November 30, 2020)

	Program Services		Management and General		Total	
					2021	2020
Salaries and wages	\$	3,868,301	\$	627,038	\$	4,495,339
Payroll tax and benefits		1,366,187		142,421	\$	1,508,608
Contract services		139,942		173,843		313,785
Depreciation		115,328		-		115,328
In-kind expense		7,365		-		7,365
Insurance		76,019		28,866		104,885
IT, software, and other		189,304		60,322		249,626
Occupancy		478,580		15,798		494,378
Parent activities		1,048		-		1,048
Repairs and maintenance		63,140		1,681		64,821
Supplies		555,323		104,121		659,444
Training		29,649		7,301		36,950
Travel, local		6,592		580		7,172
Travel, out of area		205		6		211
	\$	6,896,983	\$	1,161,977	\$	8,058,960
					\$	8,019,457

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

STATEMENT OF CASH FLOWS

Year Ended November 30, 2021

(With Comparative Totals for the Year Ended November 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from grants, contracts, contributions, program fees, and other	\$ 7,720,550	\$ 8,862,230
Cash paid to suppliers and employees	(8,263,244)	(7,468,494)
Net cash provided by (used in) operating activities	<u>(542,694)</u>	<u>1,393,736</u>
Cash flows from investing activities:		
Purchase of property and equipment	(316,183)	(343,542)
Net cash provided by (used in) investing activities	<u>(316,183)</u>	<u>(343,542)</u>
Net change in cash	(858,877)	1,050,194
Cash, beginning of year	<u>1,168,817</u>	<u>118,623</u>
Cash, end of year	\$ <u>309,940</u>	\$ <u>1,168,817</u>

See notes to financial statements.

MID-COLUMBIA CHILDREN'S COUNCIL

NOTES TO FINANCIAL STATEMENTS

November 30, 2021

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

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.

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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

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

November 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 five years. Expenditures for maintenance and repairs are charged to expense as incurred, except for major renovations that are capitalized.

Refundable Advances

➤ **Cost Reimbursement Grants**

Refundable advances result primarily from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes.

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, 2021 and 2020, contributed services amounting to \$7,149 and \$22,477, 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, 2021 and 2020, contributed supplies and materials amounting to \$216 and \$1,383, respectively, were recorded.

Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has cost-reimbursable grants of \$604,235 that have not been recognized at November 30, 2021 because performance requirements and/or qualifying expenditures have not yet been incurred.

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

November 30, 2021

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 balances over 90 days are trivial 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, 2020, from which the summarized information was derived.

NOTE C – PROPERTY AND EQUIPMENT

Approximately 54% of fixed assets were purchased with federal funds and may revert to the federal funding agency upon disposition.

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

November 30, 2021

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:

Year Ending November 30,	
2022	\$ 157,602
2023	125,918
2024	<u>27,246</u>
	\$ <u><u>310,766</u></u>

The total rental expense for the fiscal year ended November 30, 2021 was \$172,101.

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 \$83,351 for the year ended November 30, 2021 as discretionary contributions.

NOTE F – CONCENTRATIONS, CONTINGENCIES, AND UNCERTAINTIES

The Organization receives approximately 62% of its operating revenue from one federal grantor. At November 30, 2021, 60% of the grants receivable were due from these federal grants. A significant reduction in this funding source would negatively impact the organization and its programs.

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.

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. At the present time, the ultimate future effects of these issues are unknown.

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, 2021. The line of credit is ongoing.

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

November 30, 2021

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, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 309,940
Grants and accounts receivable	<u>560,251</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>870,191</u></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 August 25, 2022, which is the date the financial statements were available to be issued.

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, 2021, 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 August 25, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
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.

Kern & Thompson, LLC

Portland, Oregon
August 25, 2022

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

To the Board of Directors
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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Mid-Columbia Children's Council's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mid-Columbia Children's Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Mid-Columbia Children's Council's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mid-Columbia Children's Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Portland, Oregon
August 25, 2022

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

Year Ended November 30, 2021

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal AL 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 Cluster	93.600		\$ <u>5,097,697</u>
Total U.S. Department of Health and Human Services			<u>5,097,697</u>
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through Oregon Department of Education:</i>			
Child and Adult Care Food Program	10.558	1413001	154,947
<i>Passed through Office of Superintendent of Public Instruction:</i>			
Child and Adult Care Food Program	10.558	160008	<u>75,218</u>
Total U.S. Department of Agriculture, AL No. 10.558			<u>230,165</u>
Total federal expenditures, all programs			\$ <u>5,327,862</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, 2021

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 (AL) 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, 2021

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 – **Yes**
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) – **Yes**

Identification of Major Programs

➤ **Head Start Cluster – AL 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

Finding 2021-001

Federal Agency: U.S. Department of Human Services
Federal Program: Head Start Cluster
CFDA Number: 93.600

Type of Finding: Significant Deficiency in Internal Control over Compliance - Allowable Costs.

Criteria: Costs attributable to common or joint use of facilities or services by Head Start programs and other programs must be fairly allocated among the various programs that utilize such services (42 USC 9839(c)).

MID-COLUMBIA CHILDREN'S COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended November 30, 2021

Section 3 – Federal Award Findings and Questioned Costs (Continued)

Finding 2021-001 (Continued)

Condition: Expenditures were not properly charged to programs or allocated in accordance with the cost allocation plan. We identified 9 of the 25 expenditures tested in our statistically valid sample did not agree with the cost allocation plan.

Context: Expenditures should be charged to the proper programs and allocated in accordance with the cost allocation plan.

Questioned Costs: None. The allocation errors resulted in a net undercharge to the Head Start Cluster.

Cause: Turnover of accounting personnel and lack of understanding of the allocation process with the Organization resulted in costs being incorrectly allocated between programs.

Effect: Grant expenses were charged to the incorrect programs.

Recommendation: We recommend management implement procedures to ensure that costs charged to the grant follow the approved cost allocation plan.

Views of responsible official: Management concurs with the audit findings.