

PARROTT CREEK CHILD AND
FAMILY SERVICES, INC.

Audited Financial Statements

and Reports Required by
Government Auditing Standards
and the Uniform Guidance

For the Year Ended June 30, 2024



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parrott Creek Child and Family Services, Inc.

Opinion

We have audited the accompanying financial statements of Parrott Creek Child and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Parrott Creek Child and Family Services, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Parrott Creek Child and Family Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parrott Creek Child and Family Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parrott Creek Child and Family Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Parrott Creek Child and Family Services, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2024 on our consideration of Parrott Creek Child and Family Services, 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 Parrott Creek Child and Family Services, 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 Parrott Creek Child and Family Services, Inc.'s internal control over financial reporting and compliance.

McDonald Jacobson, P.C.

Portland, Oregon
December 10, 2024

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024
(With comparative totals for 2023)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,546,025	\$ 1,491,043
Accounts and grants receivable	2,027,743	752,073
Contributions receivable	341,710	467,764
Prepaid expenses	42,631	32,377
Unemployment deposit	67,394	66,676
Cash restricted for long-term purposes	817,791	2,979,559
Operating right-to-use assets	587,751	426,937
Property and equipment, net	10,437,697	1,691,839
 TOTAL ASSETS	 \$ 15,868,742	 \$ 7,908,268
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 32,483	\$ 44,457
Accrued personnel expenses	370,687	288,709
Construction payable	1,950,853	219,819
Deferred revenue	152,831	-
Operating lease liabilities	623,620	461,875
Total liabilities	3,130,474	1,014,860
Net assets:		
Without donor restrictions:		
Undesignated	167,077	1,812,292
Net property and equipment	1,207,788	9,554
Total without donor restrictions	1,374,865	1,821,846
With donor restrictions	11,363,403	5,071,562
Total net assets	12,738,268	6,893,408
 TOTAL LIABILITIES AND NET ASSETS	 \$ 15,868,742	 \$ 7,908,268

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024
(With comparative totals for 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue and support:				
Contributions and events	\$ 827,451	\$ 129,640	\$ 957,091	\$ 1,104,350
Grants and contracts	3,187,681	-	3,187,681	3,055,473
Donated materials and services	35,934	-	35,934	222,582
Management services	-	-	-	75,614
Rent income	32,735	-	32,735	42,180
Fee for service	176,841	-	176,841	28,317
Interest income	141,687	-	141,687	30,552
Other income	50,534	-	50,534	10,319
Net assets released from restrictions:				
Satisfaction of purpose restrictions	358,602	(358,602)	-	-
Total operating revenue and support	4,811,465	(228,962)	4,582,503	4,569,387
Expenses:				
Program services	4,116,752	-	4,116,752	3,580,985
Management and general	789,152	-	789,152	365,292
Fundraising	261,373	-	261,373	262,061
Total expenses	5,167,277	-	5,167,277	4,208,338
Income from operating activities	(355,812)	(228,962)	(584,774)	361,049
Non-operating activities:				
Capital campaign contributions-private	-	704,213	704,213	2,785,000
Capital campaign contributions-government	-	5,816,590	5,816,590	989,466
Capital campaign expenses	(91,169)	-	(91,169)	(70,461)
Loss on disposal of property	-	-	-	(715,507)
Change in net assets	(446,981)	6,291,841	5,844,860	3,349,547
Net assets:				
Beginning of year	1,821,846	5,071,562	6,893,408	3,543,861
End of year	\$ 1,374,865	\$ 11,363,403	\$ 12,738,268	\$ 6,893,408

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024
(With comparative totals for 2023)

	Program Services			Management and General	Capital Campaign	Fund- raising	2024 Total	2023 Total
	Residential Programs	Community Programs	Total Program Services					
Salaries and related expenses	\$ 1,635,385	\$ 1,039,160	\$ 2,674,545	\$ 582,304	\$ 70,204	\$ 69,879	\$ 3,396,932	\$ 2,698,112
Professional fees	11,147	50,878	62,025	96,903	7,825	89,960	256,713	379,065
Direct client assistance	177,883	411,690	589,573	2,605	587	832	593,597	402,015
Rent	213,133	37,389	250,522	29,630	-	-	280,152	79,029
Building maintenance and utilities	148,627	16,214	164,841	1,197	-	-	166,038	263,090
Depreciation	2,335	-	2,335	-	-	-	2,335	53,832
Interest	14,674	-	14,674	-	-	-	14,674	-
Telephone	15,283	8,884	24,167	9,468	887	337	34,859	23,304
Office expense	12,054	5,147	17,201	10,936	1,420	5,800	35,357	48,609
Travel and transportation	21,549	17,180	38,729	5,235	165	892	45,021	39,227
Insurance	35,084	1,184	36,268	3,946	1,578	3,157	44,949	41,717
Equipment and maintenance	2,528	8,288	10,816	1,710	-	65	12,591	20,905
Miscellaneous	87,176	59,402	146,578	4,236	8,058	57,453	216,325	108,215
Conferences, dues, and training	21,076	41,054	62,130	38,534	193	4,165	105,022	82,063
Supplies	9,705	12,643	22,348	2,448	252	28,833	53,881	39,616
Total expenses	<u>2,407,639</u>	<u>1,709,113</u>	<u>4,116,752</u>	<u>789,152</u>	<u>91,169</u>	<u>261,373</u>	<u>5,258,446</u>	<u>4,278,799</u>
Less capital campaign expenses reported as non-operating	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,169)</u>	<u>-</u>	<u>(91,169)</u>	<u>(70,461)</u>
Total expenses-operations	<u>\$ 2,407,639</u>	<u>\$ 1,709,113</u>	<u>\$ 4,116,752</u>	<u>\$ 789,152</u>	<u>\$ -</u>	<u>\$ 261,373</u>	<u>\$ 5,167,277</u>	<u>\$ 4,208,338</u>

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2024
(With comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from contributors	\$ 1,108,091	\$ 953,350
Cash received from grants and contracts	2,074,197	2,145,384
Cash received from interest and other income	392,442	133,836
Cash paid for personnel expenses	(3,396,932)	(2,698,112)
Cash paid for operating expenses	(1,523,298)	(1,223,621)
Cash paid for operating leases	<u>(239,984)</u>	<u>(64,228)</u>
Net cash flows from operating activities	<u>(1,585,484)</u>	<u>(753,391)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(7,017,159)</u>	<u>(825,618)</u>
Net cash flows from investing activities	<u>(7,017,159)</u>	<u>(825,618)</u>
Cash flows from financing activities:		
Capital campaign contributions	<u>6,495,857</u>	<u>3,895,202</u>
Net cash flows from financing activities	<u>6,495,857</u>	<u>3,895,202</u>
 Net change in cash and cash equivalents	 (2,106,786)	 2,316,193
 Cash and cash equivalents - beginning of year	 <u>4,470,602</u>	 <u>2,154,409</u>
 Cash and cash equivalents - end of year	 <u>\$ 2,363,816</u>	 <u>\$ 4,470,602</u>
Reconciliation to statement of financial position		
Cash and cash equivalents	\$ 1,546,025	\$ 1,491,043
Cash restricted for long-term purposes	<u>817,791</u>	<u>2,979,559</u>
	<u>\$ 2,363,816</u>	<u>\$ 4,470,602</u>
Supplemental cash flow information:		
Non-cash investing and financing activity:		
Obtaining right-of-use assets in exchange for lease liabilities	<u>\$ 375,710</u>	<u>\$ 481,465</u>

See notes to financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

1. THE ORGANIZATION

Parrott Creek Child and Family Services, Inc. (Parrott Creek or the Organization) is an Oregon nonprofit corporation supporting vulnerable community members: low-income children, families and individuals involved in juvenile justice, child welfare, substance misuse and behavioral health systems in Clackamas County; SE Portland; East Multnomah County and, increasingly, across the Portland Metro region. Funding for services is provided primarily through state, county, and a growing number of federal contracts.

The following is the Organization's mission statement:

“Our mission is to offer person-centered and culturally responsive programs and services to address social determinants of health in our community. Our goal is for all people to experience social, emotional, and physical wellbeing with justice and hope. We deliver our mission by ensuring that Parrott Creek is a unique, values-based, and empowering place to work.”

History and Organizational Background

Parrott Creek's service history is a 56 year story of local vision and true community commitment. The Organization was founded in 1968 through a citizen-approved bond levy that purchased a farm house and 80 acres of soul-reviving woodland. Programs range from early interventions for children and teenagers to community based services, outpatient treatment, recovery homes and intensive residential care. Since 1968, they have served more than 30,000 youth and families and currently serve 1,000 – 2,000 individuals per year in Oregon.

Based on a practice of unconditional positive regard, Parrott Creek's programs and services span the continuum of care from early interventions and community support through to outpatient treatment and intensive residential programs. The approach is to address the various social, economic and health factors that cause trauma to individuals and communities – often called Social Determinants of Health – that lead to poor choices and social dysfunction. Programs combine evidence based and trauma-informed treatment models with restorative justice and mindfulness to help individuals heal, grow, and succeed. Parrott Creek believes that their clients are smart, capable and doing the best they can with the resources they have available to them. The Organization's job is to help them reach their full potential.

Program Descriptions:

Residential Program

Residential Treatment

Residential Program provides long term residential treatment for adolescents with a focus on developing sustainable and prosocial behaviors and skills that help them overcome trauma and adverse childhood experiences.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

1. THE ORGANIZATION, Continued

Community Programs

Outpatient Treatment

Outpatient Substance Use Disorder (SUD) Treatment serves ages 12+ and adults, including intensive outpatient and rural outreach and counseling support.

Outpatient Mental Health (MH) serves youth and adults ages 12-40.

Parrott Creek's *Lifeguards Program* provides treatment and support for youth ages 11-18 with sexually inappropriate or harmful behaviors.

Housing Programs

Molalla House/ILP is a five-bed home located in Oregon City that provides transitional housing supports to male and male-identifying young adults aging out of foster care or experiencing homelessness who could benefit from ongoing support.

Recovery Homes provide two home sites with nine units to young mothers in recovery and their children.

Home Safe provides up to 12 month rent assistance serving homeless youth between the ages of 16-24 who have children in their primary care or are pregnant.

Outreach Services

The *Recovery Support Team* (formerly STAR) engages parents in treatment services and helps them access preventative healthcare support.

A&D Housing Assistance providing housing-focused financial support for adults engaged in substance misuse treatment services.

Cultural Ecology Program

Cultural Ecology focuses on restoring Parrott Creek's 80 acre site to an ecologically resilient, and culturally responsive and trauma-healing resource for youth, families and the Indigenous diaspora community. This project also seeks to reduce many of the barriers that usually exist for Indigenous communities when engaging in natural areas, providing a culturally responsive environment, a safe space, and opportunities to mend cultural connections and participate in land stewardship.

Parrott Creek recognizes that their 80 acres of forest, wetland and creek are ancestral lands of the Clackamas people and they are honoring this legacy through a place-based approach that applies their ancient knowledge and traditions to the healing work we, and our other community partners, do with highly traumatized children and families, and with Black, Indigenous, and People of Color (BIPOC) communities in particular.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service. Other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Restricted cash represents unspent capital campaign funds.

Receivables

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Grants and contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. There is no discount to present value if the result is not material to the financial statements.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Self-Funded Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as prepaid expenses and are reduced by claims outstanding at year-end. The unemployment liability consists of claims processed but not yet paid as well as an amount for estimated claims incurred but not yet reported.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. See Note 6.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. 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 substantially met.

Government Grants and Contracts: Government grants and contracts are conditioned upon certain performance requirements and/or incurring 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 deferred revenue in the statement of financial position. Deferred revenue at June 30, 2024 is \$152,831.

Government Grants and Contracts, Continued: The Organization has been awarded contracts of approximately \$14.7 million (including \$6.8 million for property development) for the period through June 2028 that have not been recognized at June 30, 2024 because qualifying expenditures or performance requirements have not yet been incurred.

Donated Assets, Materials, and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Management Services: Management services are earned on a flat fee monthly basis for administrative and programmatic support services provided to another nonprofit organization. See Note 14.

Rent Income: Rent income is earned over the term of the rental agreement.

Fee for Service: Fee for service revenue is for mental health services that is recognized as the services are provided at an agreed upon rate with the coordinated care organization funding the program.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses, rent, and office expenses which are allocated according to estimates of time, effort and use.

Use of 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.

Income Tax Status

Parrott Creek Child and Family Services, Inc. is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Summarized Financial Information for 2023

The financial information as of June 30, 2023 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Net assets with perpetual donor restrictions at June 30, 2023 were increased by \$100,000 (and net assets without donor restrictions decreased by \$100,000) to correct the release of property restrictions recorded in 2023.

Net assets with donor restrictions at June 30, 2023 were increased by \$989,466 (and net assets without donor restrictions decreased by \$989,466) to correct the release of capital campaign restrictions recorded in 2023.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

The Organization has evaluated all subsequent events through December 10, 2024, the date the financial statements were available to be issued. See Note 15.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 1,546,025	\$ 1,491,043
Accounts and grants receivable	2,027,743	752,073
Contributions receivable	341,710	467,764
Cash restricted for long-term purposes	817,791	2,979,559
Total financial assets	4,733,269	5,690,439
Amounts unavailable for general expenditure:		
Net assets with donor restrictions	(650,347)	(297,596)
Financial assets available for general expenditure	\$ 4,082,922	\$ 5,392,843

4. ACCOUNTS, GRANTS, AND CONTRIBUTIONS RECEIVABLE

Accounts and grants receivable consist of the following at June 30, 2024 and 2023:

	2024	2023
Accounts receivable	\$ 9,355	\$ 53,146
Grants receivable	2,018,388	698,927
Total accounts and grants receivable	\$ 2,027,743	\$ 752,073

Grants are expected to be collected within one year.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

4. ACCOUNTS, GRANTS, AND CONTRIBUTIONS RECEIVABLE, Continued

Contributions receivable represent capital campaign pledges expected to be collected as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 221,710	\$ 114,400
Within two-five years	<u>120,000</u>	<u>353,364</u>
Total contributions receivable	<u>\$ 341,710</u>	<u>\$ 467,764</u>

5. LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. Right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, are calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office and program spaces. The office lease agreement includes provisions for variable rent payments, which are adjusted periodically for inflation. The Organization also has short-term leases for equipment and facilities.

The statement of financial position reflects the following right-of-use assets and lease liabilities at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating leases:		
Right-of-use-assets	<u>\$ 587,751</u>	<u>\$ 426,937</u>
Operating lease liabilities	<u>\$ 623,620</u>	<u>\$ 461,875</u>

The weighted-average remaining lease term and weighted-average discount rate applied to calculate lease liabilities for the Organization's operating leases is as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	3.8 years	7.0 years
Weighted average discount rate	3.83%	2.92%

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

5. LEASES, Continued

The maturities of the operating lease liability as of June 30, 2024 are as follows:

Year ending June 30, 2025	\$ 241,969
2026	244,014
2027	114,773
2028	74,454
2029	76,691
Thereafter	<u>85,752</u>
	837,653
Less discount/interest	<u>(214,033)</u>
Present value of lease liabilities	<u>\$ 623,620</u>

Total lease costs consists of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 241,415	\$ 67,584
Short-term lease costs	<u>47,842</u>	<u>1,500</u>
	<u>\$ 289,257</u>	<u>\$ 69,084</u>

Leases costs are included in the following categories in the statement of functional expenses for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Rent	\$ 285,983	\$ 67,584
Office expense	<u>3,274</u>	<u>1,500</u>
	<u>\$ 289,257</u>	<u>\$ 69,084</u>

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024 and 2023:

	2024	2023
Land	473,000	\$ 473,000
Furniture and equipment	4,936	3,638
Vehicles	41,237	41,237
Construction in process	9,958,723	1,211,828
	10,477,896	1,729,703
Accumulated depreciation	(40,199)	(37,864)
Property and equipment, net	\$ 10,437,697	\$ 1,691,839

Land and buildings were donated by Clackamas County in 2021. The property must be held for the continued use of the existing programs and is included in perpetually donor-restricted net assets; see Note 7. The Organization is allowed to redevelop the property and during fiscal year 2023, in preparation of the redevelopment, most of the existing structures were demolished resulting in a loss on disposal of \$715,507.

The Organization is conducting a capital campaign for redevelopment of the residential treatment campus. The redevelopment is a multi-phase project with the Organization committed to phase 1 with estimated costs to complete of \$8.5 million. Phase 2, if determined to be viable, is estimated to be \$10.8 million. The project will be funded with government and private grants and bank financing.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	2024	2023
<u>Program restrictions</u>		
Capital campaign-property redevelopment:		
Private	\$ 3,434,000	\$ 3,311,500
Government	6,806,056	989,466
Campaign activities	578,985	90,371
Cultural ecology	12,962	38,455
Children and Mothers	-	3,359
Mental health	-	42,839
Lifeguards	-	38,106
Residential treatment programs	-	45,966
Housing	48,900	-
Other programs	9,500	38,500
	10,890,403	4,598,562
<u>Perpetual restriction</u>		
Ranch property	473,000	473,000
Total net assets with donor restrictions	\$ 11,363,403	\$ 5,071,562

8. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consisted of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Teachers' services (program professional fees)	\$ -	\$ 183,330
Other materials (program)	29,934	3,252
Other professional services (management professional fees)	6,000	36,000
Total donated materials and services	\$ 35,934	\$ 222,582

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

8. CONTRIBUTED NONFINANCIAL ASSETS, Continued

Contributed nonfinancial assets consisted of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Teachers' services (program professional fees)	\$ -	\$ 183,330
Other materials (program)	29,934	3,252
Other professional services (management professional fees)	6,000	36,000
Total donated materials and services	\$ 35,934	\$ 222,582

Donated teacher services are provided under an agreement with the Clackamas Educational School District. The estimated fair value is based on current market rates from comparable professionals. These services were no longer provided in 2024.

The Organization received supplies that are restricted for use within designated programs. Donated supplies are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire the supplies and the sales price of comparable supplies.

The Organization received contributed professional services for management services recorded at the estimated fair value using current market rates from similar vendors and comparable professionals.

9. REVENUE FROM CONTRACT WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statement of financial position.

The Organization's contractual revenue streams are follows:

- Management fees are earned over time as services are provided (monthly)
- Rent income is earned over time as the units are provided to the tenants (monthly)
- Fee for services are earned at a point in time when service is provided (per session)

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

9. REVENUE FROM CONTRACT WITH CUSTOMERS, Continued

Revenues under these contracts are as follows:

	<u>2024</u>	<u>2023</u>
Management fee revenue (over time)	\$ -	\$ 75,614
Rent income (over time)	32,735	42,180
Fee for service (point in time)	<u>144,106</u>	<u>28,317</u>
 Total exchange revenue	 <u>\$ 176,841</u>	 <u>\$ 146,111</u>

The beginning and ending contract balances are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Management fee receivable (contract asset)	<u>\$ 9,355</u>	<u>\$ 53,146</u>	<u>\$ 97,733</u>

There are no contract liabilities associated with these revenues as of June 30, 2024, 2023, or 2022.

10. RETIREMENT PLAN

The Organization has a tax sheltered retirement plan, as defined under Internal Revenue Code Section 403(b), for all employees who elect to participate. The Organization makes discretionary contributions to participating employees based on years of service, and participants may make contributions through a salary reduction agreement. Contributions to the plan approximated \$37,600 and \$34,200 for the years ended June 30, 2024 and 2023, respectively.

II. COMMITMENTS AND CONTINGENCIES

The Organization has contracts in process for development of the new campus for construction and development. Approximate remaining obligations under those contracts is \$7,800,000.

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. The balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits are approximately \$2,193,000 and \$1,289,000 at June 30, 2024 and June 30, 2023, respectively.

The Organization's revenues are concentrated with 70% of total revenues coming from contracts with three agencies of the State of Oregon for the year ended June 30, 2024 (48% coming from a contract with State of Oregon and a private donor for the year ended June 30, 2023). All receivables are unsecured with 60% of the balance due from one funder at June 30, 2024 (government) and 48% due from three funders at June 30, 2023 (two government, one private).

13. RELATED PARTY TRANSACTIONS

The Organization utilized the professional services of two board members for approximately \$7,200 during the year ended June 30, 2024. The Organization incurred maintenance services from a family member of a member of management for approximately \$15,600 during the year ended June 30, 2023.

14. AFFILIATED ENTITY

The Organization is affiliated with True Housing, an Oregon nonprofit that provides residential youth services. While there are common board members, the Organization does not have a controlling interest in True Housing; therefore the financial statements are not consolidated. The Organization charged True Housing a management fee for administration and programmatic services provided in 2023. (See Note 9.) In 2024, Parrott Creek took over all of True Housing's contracts and programs.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2024

15. SUBSEQUENT EVENTS

Subsequent to year-end, the Organization secured the following funding for to help with redevelopment of the residential treatment campus:

- Bank financing of \$7,000,000. (See Note 6.) Monthly payments of principal and interest are \$44,268 beginning February 2025 and maturing January 2036.
- Oregon Lottery Revenue Bond grant of \$4,000,000 expected to be available in March 2025.
- U.S. Department of Health and Human Services (HHS), Health Resources and Services Administration (HRSA) grant of \$2,000,000 expected to be available in fiscal 2025.
- Department of Energy award of \$900,000 for solar panel installation

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

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

To the Board of Directors
Parrott Creek Child and Family Services, Inc.

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 Parrott Creek Child and Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 December 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parrott Creek Child and Family Services, Inc.'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 Parrott Creek Child and Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Parrott Creek Child and Family Services, 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 organization'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2024-001 and #2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parrott Creek Child and Family Services, 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 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*.

Parrott Creek Child and Family Services, Inc.'s Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Parrott Creek Child and Family Services, Inc.'s response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. Parrott Creek Child and Family Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McDonald Jacobson, P.C.

Portland, Oregon
December 10, 2024

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

To the Board of Directors
Parrott Creek Child and Family Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Parrott Creek Child and Family Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Parrott Creek Child and Family Services, Inc.'s major federal programs for the year ended June 30, 2024. Parrott Creek Child and Family Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Parrott Creek Child and Family Services, 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 June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Parrott Creek Child and Family Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Parrott Creek Child and Family Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Parrott Creek Child and Family Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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.

McDonald Jacobs, P.C.

Portland, Oregon
December 10, 2024

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
For the year ended June 30, 2024

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal A.L. Number	Federal Expenditures
U.S. Department of Housing & Urban Development			
Continuum of Care Program	OR0334LOE 072100	14.267	\$ 8,238
Continuum of Care Program	OR0334LOE 072201	14.267	<u>174,710</u>
Total U.S. Department of Housing & Urban Development			<u>182,948</u>
U.S. Department of Health and Human Services			
Health Resources and Service Administration Award	CE IHS47095-01-00	93.493	<u>994,687</u>
<i>Passed through program from:</i>			
Clackamas County			
Block Grants for Prevention and Treatment of Substance Abuse	22-028 (BH#10529)	93.959	127,932
Block Grants for Prevention and Treatment of Substance Abuse	24-021 (HS3 #11428)	93.959	<u>146,936</u>
			<u>274,868</u>
Total U.S. Department of Health and Human Services			<u>1,269,555</u>
Total expenditures of federal awards			<u>\$ 1,452,503</u>

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF FEDERAL EXPENDITURES
For the year ended June 30, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes all federal grant activity of Parrott Creek Child and Family Services, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of the 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 Parrott Creek Child and Family Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Parrott Creek Child and Family Services, Inc.

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Parrott Creek Child and Family Services, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal expenditures	\$ 1,452,503
Capitalized expenditures	(994,687)
Total non-federal expenditures	<u>4,800,631</u>
Total expenditures per financial statements	<u><u>\$ 5,258,447</u></u>

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2024

The Organization was not subject to a Single audit in the prior year.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2024

Section 1 - Summary of Auditor'ss Results

Financial Statements:

Type of auditor'ss report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	#2024-001, #2024-002
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards:

Internal control over major federal programs:	
Material weakness(es) identified?	None reported
Significant deficiency(ies) identified?	None reported
Type of auditor'ss report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported

Identification of Major Programs:

A.L. Number(s) 93.493	<u>Name of Federal Program or Cluster</u> Health Resources and Service Administration Award
Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
Auditee qualified as low-risk auditee?	No

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
For the year ended June 30, 2024

Section 2 - Financial Statement Findings

Finding #2024-001

Type: Material weakness over recognition of activity in proper period (cut-off)

Condition/Context:

The Organization did not identify all activity that should be accrued at year-end. Significant adjustments impacting receivables, construction, payables, and revenues were required as a result of audit procedures.

Cause:

The Organization had new funding for a capital project and there was inaccurate tracking of funds due to the Organization and payable commitments of the Organization.

Effect:

Financial statements were misstated.

Recommendation:

We recommend that the finance department perform monthly reconciliations for amounts owed by the Organization and funds due to the Organization for the construction project. Management should review these reconciliations for accuracy. Finance and development should also review all private grant awards to ensure proper recognition and tracking of any conditions associated with the awards.

Management response:

Management agrees with the recommendation and will implement procedures to reconcile construction activity as well as review grant awards for proper recognition.

PARROTT CREEK CHILD AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
For the year ended June 30, 2024

Section 2 - Financial Statement Findings, Continued

Finding #2024-002

Type: Material weakness over financial reporting

Condition/Context:

There was limited segregation of duties and oversight of the accounting function. We noted limited, undocumented or no review and approval of various accounting activities. This includes journal entries, payroll and expenses allocations, outstanding receivables, and revenue postings.

Cause:

Accounting processes and controls were not updated to match increase and complexity in activities.

Effect:

Financial statements could be misstated.

Recommendation:

A member of management should review and approve essential accounting reconciliations, journal entries, revenues, and receivables. Accuracy of this information is important for monthly and year-end financial reporting. Documentation is essential to demonstrate the controls are operating and verification is occurring. We recommend implementing procedures to document these controls are functioning.

Management response:

Management agrees with the recommendation and will implement a monthly review by the Finance Committee of journal entries, the payroll allocation, and accounts payable and accounts receivable aging reports. This will provide a greater degree of oversight and transparency.

Section 3 - Federal Award Findings and Questioned Costs

None reported.



CORRECTIVE ACTION PLAN
For the year ended June 30, 2024

Parrott Creek Child and Family Services, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2024.

Contact Person of Parrott Creek Child and Family Services, Inc.:

Simon Fulford, Executive Director

Name and Address of Independent Public Accounting Firm:

McDonald Jacobs, P.C.
121 SW Salmon, Suite 1100
Portland, OR 97204

Audit Period:

July 1, 2023 through June 30, 2024

The findings from the June 30, 2024 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding # 2024-001

Material Weakness Over Recognition of Activity in Proper Period

The Organization did not identify all activity that should be accrued at year-end. Significant adjustments impacting receivables, construction, payables, and revenues were required as a result of audit procedures. The Organization had new funding for a capital project and there was inaccurate tracking of funds due to the Organization and payable commitments of the Organization.

Corrective Action:

Management agrees with the recommendation and will implement procedures to reconcile construction activity as well as review grant awards for proper recognition.

Anticipated Completion Date:

January 2025



CORRECTIVE ACTION PLAN, CONTINUED

For the year ended June 30, 2024

Finding # 2024-002

Material Weakness Over Financial Reporting

There was limited segregation of duties and oversight of the accounting function. We noted limited, undocumented or no review and approval of various accounting activities. This includes journal entries, payroll and expenses allocations, outstanding receivables, and revenue postings. Accounting processes and controls were not updated to match increase and complexity in activities.

Corrective Action:

Management agrees with the recommendation and will implement a monthly review by the Finance Committee of journal entries, the payroll allocation, and accounts payable and accounts receivable aging reports. This will provide a greater degree of oversight and transparency.

Anticipated Completion Date:

January 2025