Tulsa Educare, Inc.

Tulsa, Oklahoma

Financial Statements and Supplementary Information

Years Ended June 30, 2019 and 2018

Tulsa Educare, Inc.

Financial Statements and Supplementary Information
Years Ended June 30, 2019 and 2018

Table of Contents

WIPFLi LLP

Independent Auditor's Report

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Tulsa Educare, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulsa Educare, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Forward Service Corporation adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

Other Matters

Supplementary Information

Our audits were 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. In our opinion, the information 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 January 23, 2020, on our consideration of Tulsa Educare, 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 Tulsa Educare, 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 Tulsa Educare, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

January 23, 2020
Madison, Wisconsin

Tulsa Educare, Inc.

Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash	$ 514,575	$ 1,159,842
Investments	647,438	1,091,949
Accounts receivable	1,789,232	1,381,925
Prepaid expenses	50,374	51,766
Total current assets	3,001,619	3,685,482
Property and equipment:		
Building	15,256,670	15,256,670
Leasehold improvement	733,771	733,771
Equipment	646,735	351,650
Construction in progress	1,768,769	392,747
Total property and equipment	18,405,945	16,734,838
Less accumulated depreciation	4,762,879	4,292,543
Property and equipment, net	13,643,066	12,442,295
TOTAL ASSETS	$ 16,644,685	$ 16,127,777
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 410,607	$ 95,822
Accrued payroll and related liabilities	853,939	835,808
Grant funds received in advance	500,000	1,011,550
Total current liabilities	1,764,546	1,943,180
Net assets without donor restrictions	14,880,139	14,184,597
TOTAL LIABILITIES AND NET ASSETS	$ 16,644,685	$ 16,127,777

See accompanying notes to financial statements.

Tulsa Educare, Inc.

Statements of Activities

Years Ended June 30, 2019 and 2018

	2019	2018
Revenue:		
Contributions	$ 254,934	$ 105,535
Special program revenue	5,348,102	5,453,030
Grant revenue	7,940,459	6,716,458
Investment income	55,489	123,722
In-kind revenue	159,840	159,840
Fees	218,441	240,223
Total revenue	13,977,265	12,798,808
Expenses:		
Total program expenses	12,213,014	11,566,777
Management and general:	1,068,709	1,107,182
Total expenses	13,281,723	12,673,959
Change in net assets without donor restrictions	695,542	124,849
Net assets without donor restrictions - Beginning of year	14,184,597	14,059,748
Net assets without donor restrictions - End of year	$ 14,880,139	$ 14,184,597

See accompanying notes to financial statements.

Tulsa Educare, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Expenses Child Education	Management and General	Total Expenses
Wages and benefits	$ 8,780,129	$ 989,280	$ 9,769,409
Communication	38,141	4,906	43,047
Occupancy	159,840	0	159,840
Utilities	192,298	0	192,298
Supplies	356,265	15,493	371,758
Food	442,898	0	442,898
Repairs and maintenance	707,472	5,519	712,991
Contracts	724,874	0	724,874
Training and development	176,373	23,471	199,844
Depreciation	470,336	0	470,336
Other	164,388	30,040	194,428
Total expenses	$ 12,213,014	$ 1,068,709	$ 13,281,723

Tulsa Educare, Inc.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Increase (Decrease) in cash:		
Cash flows from operating activities:		
Change in net assets without donor restrictions	$ 695,542	$ 124,849
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) on investments	(45,225)	(113,305)
Depreciation	470,336	461,452
Changes in operating assets and liabilities:		
Accounts receivable	(407,307)	(102,626)
Prepaid expenses	1,392	2,390
Accrued payroll and related liabilities	18,131	138,299
Grant funds received in advance	(511,550)	(673,645)
Accounts payable	103,533	(54,985)
Net cash provided by (used in) operating activities	324,852	(217,571)
Cash flows from investing activities:		
Purchase of investments	(10,264)	(1,510,416)
Purchase of property and equipment	(1,459,855)	(400,225)
Proceeds from sales of investments	500,000	1,000,000
Net cash used in investing activities	(970,119)	(910,641)
Change in cash	(645,267)	(1,128,212)
Cash - Beginning of year	1,159,842	2,288,054
Cash - End of year	$ 514,575	$ 1,159,842
Supplemental schedule of noncash operating and investing activities:		
Purchase of property included in accounts payable	$ 211,252	$ 0

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Tulsa Educare, Inc. (TEI) is a not-for-profit organization that was formed in 2004 to construct and operate early childhood Educare facilities primarily for Tulsa and Northeast Oklahoma's low-income children. TEI receives federal grant funding from the U.S. Department of Health and Human Services for an Early Head Start program. Approximately 32% and 29% of total revenue was received from DHHS for the years ended June 30, 2019 and 2018. TEI also receives funding from Community Action Project of Tulsa County, Inc. (CAPTC) for their Oklahoma Early Childhood Program and Tulsa Early Childhood Stimulus Project. Approximately 31% and 35% of total revenue was received from CAPTC for the years ended June 30, 2019 and 2018.

Basis of Presentation

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

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TEI 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 explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources may be maintained in perpetuity. 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. TEI does not currently have any net assets with donor restrictions.

Investments

Investments are recorded at fair value as determined in an active market. Realized and unrealized gains and losses are recognized as investment income in the statement of activities. Investment fees, if any, are netted with return.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of grant awards. TEI analyzes the receivables and records an allowance that management believes will reserve for possible losses on existing receivables that may become uncollectible. The evaluations take into consideration such factors as changes in creditworthiness, evaluations of the collectability, prior loss experience, and current economic conditions. An account is considered uncollectible when all collection efforts prove worthless. Management has determined that no allowance is necessary.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to TEI that is, in substance, unconditional. Contributions received are recorded as with or without donor restricted support, depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are received.

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

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

A. Grant Awards That Are Contributions

Grants and special purpose revenue that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received, if any, in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

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

Income Taxes/Uncertain Tax Positions

TEI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Oklahoma tax law. The regulations provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

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

Use of Estimates

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

TEI considers property and equipment to be items with a cost of $5,000 or greater and a useful life of over one year. Property and equipment are capitalized at cost and depreciated using the straight-line method based on the estimated useful life of 39 years for buildings and five to seven years for equipment. Leasehold improvements are amortized over the shorter of their useful life or the lease term. Amortization related to leasehold improvements is reported as depreciation expense.

In-Kind

TEI records in-kind revenue and expense for contributed use of a facility at fair value in the statements of activities and statement of functional expenses.

Functional Expenses

The costs of providing program and management and general activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among these categories based on time and effort reporting and square footage occupied.

Change in Accounting Policy

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance was adopted effective July 1, 2018 and was applied retrospectively with the exception of certain omissions permitted by the ASU.

New Accounting Pronouncements

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. TEI is currently evaluating the impact of the provisions of ASU Topic 606.

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. TEI is currently evaluating the impact of the provisions of ASU Topic 842.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity services as the resource recipient and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted. TEI is currently evaluating the impact of the provisions of ASU Topic 958.

Subsequent Events

Subsequent events have been evaluated through January 23, 2020, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

TEI maintains two checking accounts at a financial institution and investments in the form of a money market account, mutual funds, and a short-term investment. At various times during the year, TEI had funds on deposit with financial institutions in excess of the Federal Deposit Insurance Corporation insured amounts. TEI has not experienced any losses on these accounts and believes the financial institutions have strong credit ratings, thus the credit risk related to these deposits is minimal. Investments are subject to market risk.

Note 3: Investments

Investments consist of the following at June 30, 2019 and 2018:

	2019	**2018**
Short term investments	$ 20,327	$ 37,699
Equity mutual funds	396,828	675,921
Fixed income mutual funds	191,829	312,820
Other mutual funds	38,454	65,509
Total	$ 647,438	$ 1,091,949

For the years ended June 30, 2019 and 2018, TEI's total investment income was as follows:

	2019	**2018**
Interest and dividends	$ 10,264	$ 10,417
Realized and unrealized gains	45,225	113,305
Total	$ 55,489	$ 123,722

Note 4: Fair Value Measurements

TEI measures fair value of their financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The following describes a fair value hierarchy that includes three levels of inputs to be used to measure fair value. In general, TEI determines fair value determined by Level 1 inputs utilizing quoted market prices in active markets and fair values determined by Level 2 utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes or models using market interest rates or yield curves. TEI did not have any Level 3 asset or liability measured under fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Mutual funds are valued at quoted market prices. Short-term investments are valued utilizing similar investments.

The methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while TEI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at that reporting date. Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2019 and 2018, are as follows:

	Fair Value Measurements Using			**Total at Fair Value**
June 30, 2019	**Level 1**	**Level 2**	**Level 3**	
Assets:				
Short term investments	$ 0	$ 20,327	$ 0	$ 20,327
Equity mutual funds				
Foreign markets	31,493	0	0	31,493
U.S. equities	336,764	0	0	336,764
Emerging markets	28,571	0	0	28,571
Fixed income mutual funds				
Bond funds	191,829	0	0	191,829
Other mutual funds				
Market neutral	11,557	0	0	11,557
Long/short equity	3,898	0	0	3,898
World allocation	19,296	0	0	19,296
Real estate	3,703	0	0	3,703
Totals	$ 627,111	$ 20,327	$ 0	$ 647,438

Note 4: Fair Value Measurements (Continued)

June 30, 2018	Fair Value Measurements Using Level 1	Level 2	Level 3	Total at Fair Value
Assets:				
Short term investments	$ 0	$ 37,699	$ 0	$ 37,699
Equity mutual funds				
Foreign markets	55,470	0	0	55,470
U.S. equities	567,732	0	0	567,732
Emerging markets	52,719	0	0	52,719
Fixed income mutual funds				
Bond funds	312,820	0	0	312,820
Other mutual funds				
Market neutral	13,479	0	0	13,489
Long/short equity	13,173	0	0	13,173
World allocation	31,899	0	0	31,899
Real estate	6,958	0	0	6,958
Totals	$ 1,054,250	$ 37,699	$ 0	$ 1,091,949

Note 5: Accounts Receivable

Accounts receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
CAPTC - TECS	$ 132,078	$ 145,643
CAPTC - OECP	1,350,376	530,086
DHHS - EHS	305,875	703,757
Other	903	2,439
Total	$ 1,789,232	$ 1,381,925

Note 6: Grant Funds Received in Advance

Grant funds received in advance consist of the following at June 30, 2019 and 2018:

	2019	2018
CAPTC - TECS grant	$ 500,000	$ 500,000
GKFF grant	0	360,436
TCF Grant	0	147,434
Healthcare project grant	0	3,680
Total	$ 500,000	$ 1,011,550

Note 7: Commitments

TEI has entered into an architectural services and construction contracts for the building of Educare 4. The contracts were ongoing at the end of the year. TEI had remaining commitments of approximately $16,130,000 under these contracts at June 30, 2019. Tulsa Public Schools (TPS) has agreed to pay $6,110,000 of the construction costs as a portion of the building will be used by TPS.

Note 8: Operating Leases

TEI entered into two land leases with TPS for two early childhood centers. The term of these leases is for 99 years. Compensation for the land leases is $10 and construction of childcare facilities at these locations. The leases contain a provision that TPS can purchase the properties with six-month notice at fair market value.

TEI also has a lease with TPS for their Educare 3 facility. The term of the lease is 20 years, expiring August 2032; however, the lease can be terminated by either party with a six-month notice. TPS is not charging rent to TEI for this facility. The fair value of this rental is $159,840 for the years ended June 30, 2019 and 2018 and is included as in-kind revenue and occupancy expense on the statements of activities and statement of functional expense.

Note 9: Employee Retirement Plan

TEI has a contributory tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate in the plan at the beginning of their employment with TEI. Employer contributions begin as soon as the employee enrolls in the plan and are vested after one year. TEI’s discretionary contribution for the year ended June 30, 2019 and 2018, was $131,465 and $118,217.

Note 10: Conditional Awards

At June 30, 2019, TEI has commitments under grants of approximately $500,000. These commitments are not recognized as revenue in the accompanying financial statements as they are conditional awards. In addition, TEI is a party to a memorandum of understanding in relation to the Tulsa Early Childhood Stimulus Project (TECS). Community Action Project of Tulsa County, Inc. is the fiscal management agent for these funds. TEI is a recipient of this funding upon incurring qualified expenses. The funds available under this agreement exceed $9,700,000.

Note 11: Self-Insurance Plan

Commencing May 1, 2017, TEI began a self-insurance benefit agreement with UMR for health and dental insurance for eligible employees and their eligible dependents. TEI maintains a self-insurance fund to pay actual claims. At the beginning of the agreement, an advance deposit of $100,000 was transferred as a reserve to pay actual claims. This amount was fully funded by TEI. On June 30, 2019 and 2018, the self-insurance reserve balance was $213,834 and $181,186, which is included in cash on the statement of financial position.

On June 30, 2019 and 2018 TEI has recorded a liability for claims payable of $169,792 and $205,718. This liability balance is included in accrued payroll and related liabilities on the statement of financial position.

Note 11: Self-Insurance Plan (Continued)

TEI has a stop-loss agreement with the George Kaiser Family Foundation (GKFF) to limit its losses on employee medical and dental claims. The agreement is a conditional agreement where GKFF will only cover claims if total claims in the plan year exceed the amount TEI budgeted for health claims. Under the terms of this agreement, GKFF will reimburse the entity 100% of the cost of each member's annual medical services, in excess of the agreed upon budgeted expense. In the event TEI ceases operations, GKFF has no responsibility or obligation to reimburse covered persons. GKFF's sole obligation is to TEI. There is no legal relationship between GKFF and any covered persons. As of June 30, 2019, and 2018, the budgeted health costs of TEI have not been exceeded and therefore, no stop-loss funding has been recorded.

Note 12: Liquidity and Availability

The financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2019:

Cash	$	514,575
Investments		647,438
Accounts receivable		1,789,232
Less:		
Accounts payable designated for grant expenditures		(410,607)
Accrued payroll and related expenses designated for grant expenditures		(853,939)
Grant funds received in advance		(500,000)
Total	$	1,186,699

TEI does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash for approximately one month of operating expenses. TEI has grant commitments for future expenses of approximately $500,000 as well as $9,700,000 available for specific costs under the TECS project as further described in Note 10.

Supplementary Information

Tulsa Educare, Inc.

Schedule A
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Program Period	Expenditures
DEPARTMENT OF AGRICULTURE				
Passed through Oklahoma State Department of Education				
Child & Adult Care Food Program	10.558	DC-72-510	07/01/18-06/30/19	$ **551,459**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Funding				
Early Head Start	93.600	06CH7184/04	01/01/18-12/31/18	760,791
Early Head Start	93.600	06CH7184/05	01/01/19-12/31/19	285,736
Early Head Start - CC Partnership Oklahoma	93.600	06HP0003/04	07/01/18-06/30/19	3,073,489
Early Head Start-CC Partnership 3 Oklahoma	93.600	06HP000124-01	03/01/19-12/31/19	331,291
	Total Federal Expenditures - CFDA #93.600			**4,451,307**
	TOTAL FEDERAL PROGRAMS			$ **5,002,766**

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Tulsa Educare, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tulsa Educare, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Tulsa Educare, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Allocation

Tulsa Educare, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Subrecipients

Tulsa Educare, Inc. does not have subrecipients or subrecipient expenditures.

WIPFLi LLP

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

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tulsa Educare, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tulsa Educare, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulsa Educare, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Tulsa Educare, Inc.'s internal control.

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

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

WIPFLi LLP

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulsa Educare, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

January 23, 2020
Madison, Wisconsin

WIPFLi LLP

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

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Tulsa Educare, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2019. Tulsa Educare, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for their major federal program. However, our audit does not provide a legal determination on Tulsa Educare, Inc.'s compliance.

Opinion

In our opinion, Tulsa Educare, 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, 2019.

Report on Internal Control Over Compliance

Management of Tulsa Educare, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tulsa Educare, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for their 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 Tulsa Educare, Inc.'s internal control over compliance.

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

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

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

Wipfli LLP

Wipfli LLP

January 23, 2020
Madison, Wisconsin

Tulsa Educare, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major federal program:

Name of Federal Major Program or Cluster	CFDA No.
U.S. Department of Health and Human Services	93.600

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Prior Year Findings

None