Tulsa Educare, Inc.

Tulsa, Oklahoma

Financial Statements and Supplementary Information

Year Ended June 30, 2020 and 2019

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Tulsa Educare, Inc.

Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

Table of Contents

WIPFLI

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, 2020 and 2019, 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, 2020 and 2019, 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.

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 March 12, 2021, 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

March 12, 2021
Madison, Wisconsin

Tulsa Educare, Inc.

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash	$ 711,878	$ 514,575
Investments	663,371	647,438
Accounts receivable	3,323,071	1,789,232
Prepaid expenses	40,561	50,374
Total current assets	4,738,881	3,001,619
Property and equipment:		
Building	15,256,670	15,256,670
Leasehold improvement	733,771	733,771
Equipment	1,312,932	646,735
Construction in progress	7,737,436	1,768,769
Total property and equipment	25,040,809	18,405,945
Less accumulated depreciation	5,392,261	4,762,879
Property and equipment, net	19,648,548	13,643,066
TOTAL ASSETS	$ 24,387,429	$ 16,644,685
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 2,216,066	$ 410,607
Accrued payroll and related liabilities	1,106,749	853,939
Refundable advance	500,000	500,000
Total current liabilities	3,822,815	1,764,546
Net assets without donor restrictions	20,564,614	14,880,139
TOTAL LIABILITIES AND NET ASSETS	$ 24,387,429	$ 16,644,685

Tulsa Educare, Inc.

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020	2019
Revenue:		
Contributions	$ 5,412,259	$ 624,812
Special program revenue	6,780,647	5,348,102
Grant revenue	11,404,801	7,570,581
Investment income	15,933	55,489
In-kind revenue	159,840	159,840
Fees	31,063	218,441
Other income - PPP forgiveness	1,036,400	0
Miscellaneous income	7,857	0
Total revenue	24,848,800	13,977,265
Expenses:		
Program expenses	17,907,800	12,213,014
Management and general	1,256,525	1,068,709
Total expenses	19,164,325	13,281,723
Change in net assets without donor restrictions	5,684,475	695,542
Net assets without donor restrictions - Beginning of year	14,880,139	14,184,597
Net assets without donor restrictions - End of year	$ 20,564,614	$ 14,880,139

See accompanying notes to financial statements.

Tulsa Educare, Inc.

Statements of Functional Expenses

Year Ended June 30, 2020

	Program Expenses Child Education	Management and General	Total Expenses
Wages and benefits	$ 10,946,372	$ 1,148,939	$ 12,095,311
Communication	34,928	5,093	40,021
Occupancy	159,840	0	159,840
Utilities	181,206	0	181,206
Supplies	1,470,460	20,412	1,490,872
Food	339,486	0	339,486
Repairs and maintenance	1,377,296	7,515	1,384,811
Contracts	2,468,860	16,875	2,485,735
Training and development	165,700	28,860	194,560
Depreciation	629,382	0	629,382
Other	134,270	28,831	163,101
Total expenses	$ 17,907,800	$ 1,256,525	$ 19,164,325

See accompanying notes to financial statements.

Tulsa Educare, Inc.

Statements 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, 2020 and 2019

	2020	2019
Increase (Decrease) in cash:		
Cash flows from operating activities:		
Change in net assets without donor restrictions	$ 5,684,475	$ 695,542
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Realized and unrealized (gain) on investments	(10,536)	(45,225)
Depreciation	629,382	470,336
Changes in operating assets and liabilities:		
Accounts receivable	(1,533,839)	(407,307)
Prepaid expenses	9,813	1,392
Accrued payroll and related liabilities	252,810	18,131
Refundable advance	0	(511,550)
Accounts payable	(375,970)	103,533
Net cash provided by operating activities	4,656,135	324,852
Cash flows from investing activities:		
Purchase of investments	(5,397)	(10,264)
Purchase of property and equipment	(4,453,435)	(1,459,855)
Proceeds from sales of investments	0	500,000
Net cash used in investing activities	(4,458,832)	(970,119)
Change in cash	197,303	(645,267)
Cash - Beginning of year	514,575	1,159,842
Cash - End of year	$ 711,878	$ 514,575
Supplemental schedule of noncash operating and investing activities:		
Purchase of property included in accounts payable	$ 2,181,429	$ 211,252

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 establish and operate early childhood Educare facilities, which recognize the importance of early childhood education intervention, 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 34% and 32% of total revenue was received from DHHS for the years ended June 30, 2020 and 2019. TEI also receives funding from Community Action Project of Tulsa County, Inc. (CAP Tulsa) for their Oklahoma Early Childhood Program and Tulsa Early Childhood Stimulus Project. Approximately 24% and 31% of total revenue was received from CAP Tulsa for the years ended June 30, 2020 and 2019.

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, 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 and contributions to be collected within 1 year. 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 including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barriers to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

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 that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Subtopic 958-605. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances.

B. Grant Awards That Are Exchange Transactions

Exchange transactions are reimbursed 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 cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. Wages and benefits are allocated based on time and effort reporting.

Recently Adopted Accounting Pronouncements

On June 21, 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The entity has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

New Accounting Pronouncements

In May 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. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 was originally effective for nonpublic entities for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) that extended the effective date for certain entities, including the Organizations, to annual periods beginning after December 15, 2019.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

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. On June 3, 2020, FASB issued ASU No. 2020-05, *Leases (Topic 842)* that extended the effective date for certain entities to annual periods beginning after December 15, 2021.

TEI is currently evaluating the impact of the provisions of these new accounting pronouncements.

Subsequent Events

Subsequent events have been evaluated through March 12, 2021, 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, 2020 and 2019:

		2020		2019
Short term investments	$	13,434	$	20,327
Equity mutual funds		415,686		396,828
Fixed income mutual funds		201,131		191,829
Other mutual funds		33,120		38,454
Total	$	663,371	$	647,438

For the years ended June 30, 2020 and 2019, TEI's total investment income was as follows:

		2020		2019
Interest and dividends	$	5,397	$	10,264
Realized and unrealized gains		10,536		45,225
Total	$	15,933	$	55,489

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, 2020 and 2019, are as follows:

	Fair Value Measurements Using			**Total at Fair**
June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Value**
Assets:				
Short term investments	$ 0	$ 13,434	$ 0	$ 13,434
Equity mutual funds				
Foreign markets	34,149	0	0	34,149
U.S. equities	356,441	0	0	356,441
Emerging markets	28,096	0	0	28,096
Fixed income mutual funds				
Bond funds	201,131	0	0	201,131
Other mutual funds				
Market neutral	14,774	0	0	14,774
World allocation	13,313	0	0	13,313
Real estate	5,033	0	0	5,033
Totals	$ 649,937	$ 13,434	$ 0	$ 663,371

Note 4: Fair Value Measurements (Continued)

June 30, 2019	Fair Value Measurements Using Level 1	Level 2	Level 3	Total at Fair Value
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 5: Accounts Receivable

Accounts receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
CAP Tulsa - TECS	$ 473,338	$ 132,078
CAP Tulsa - OECP	523,272	1,350,376
DHHS - EHS	858,737	305,875
Contributions	1,458,540	0
Other	9,184	903
Total	$ 3,323,071	$ 1,789,232

Note 6: Commitments

TEI has entered into an architectural services and construction contracts for the construction of a building. The contracts were ongoing at the end of the year. TEI had remaining commitments of approximately $3,530,000 under these contracts at June 30, 2020.

Note 7: Operating Leases

TEI entered into two land leases with Tulsa Public Schools (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.

Note 7: Operating Leases (Continued)

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, 2020 and 2019 and is included as in-kind revenue and occupancy expense on the statements of activities and statements of functional expense.

Note 8: 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 years ended June 30, 2020 and 2019, was $151,981 and $131,465.

Note 9: Conditional Awards

TEI has commitments under grants and contributions of approximately $4,560,000 and $500,000 for the years ended June 30, 2020 and 2019. These commitments are not recognized as a refundable advance and revenue in the accompanying financial statements as they are conditional awards. Included in the conditional commitment amount is a conditional contribution of $4,060,000 for the construction of the Educare 4 facility. In addition, TEI is a party to a memorandum of understanding in relation to the Tulsa Early Childhood Stimulus Project (TECS). CAP Tulsa 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 $8,700,000.

Note 10: Self-Insurance Plan

TEI has 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. At June 30, 2020 and 2019, the self-insurance reserve balance was $40,996 and $213,834, which is included in cash on the statements of financial position.

On June 30, 2020 and 2019 TEI has recorded a liability for claims payable of $208,312 and $169,792 for claims incurred as of June 30 but not paid. This liability balance is included in accrued payroll and related liabilities on the statements of financial position.

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, 2020, and 2019, GKFF made contributions to TEI to cover the health costs of $306,668 and $0. The contribution for 2020 is recorded as accounts receivable at June 30, 2020.

Note 11: 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, are comprised of the following as of June 30, 2020 and 2019:

	2020	2019
Cash	$ 711,878	$ 514,575
Investments	663,371	647,438
Accounts receivable	3,323,071	1,789,232
Less:		
Accounts payable	(2,216,066)	(410,607)
Accrued payroll and related expenses	(1,106,749)	(853,939)
Refundable advance	(500,000)	(500,000)
Total	$ 3,323,071	$ 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 $8,700,000 available for specific costs under the TECS project as further described in Note 9.

Note 12: Related Party Transactions

A board member of TEI is employed by GKFF, which is a donor to TEI. Donations from GKFF were used for both programming and construction. Total contributions and grant revenue recorded by TEI from GKFF were $5,455,436 and $915,115 for the years ended June 30, 2020 and 2019.

Note 13: Other Income - Paycheck Protection Program Forgiveness

For the year ended June 30, 2020, TEI has recorded other income – PPP forgiveness of $1,036,400. This amount represents the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus Pandemic. TEI has determined that the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, as the award conditions were overcome, the grant was recognized as revenue.

TEI has interpreted the condition of the award to be the incurrence of eligible expenditures, adjusted for any decrease in full time equivalents and or salary/wage limitations, during a covered period of either 8 or 24 weeks and the submission of the forgiveness application. As of June 30, 2020, TEI believes they have incurred eligible expenses. TEI has applied for forgiveness and is currently waiting for forgiveness approval.

Note 14: Business Conditions

The COVID-19 pandemic, whose effects first became known in January 2020, is having an impact on commerce and financial markets around the world. TEI is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of COVID-19. The extent of the impact of COVID-19 on TEI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on TEI's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact TEI's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Supplementary Information

Tulsa Educare, Inc.

Schedule A
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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	07/01/19-06/30/20	**$**	**387,132**
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Direct Funding					
Head Start Cluster					
Early Head Start	93.600	06CH7184/05	01/01/19-12/31/19		803,439
Early Head Start	93.600	06CH011318-01	01/01/20-12/31/20		714,733
Early Head Start - CC Partnership Oklahoma	93.600	06HP000232-01	07/01/19-06/30/20		3,126,630
Early Head Start-CC Partnership 3 Oklahoma	93.600	06HP000124-01	03/01/19-02/29/20		2,756,146
Early Head Start-CC Partnership 3 Oklahoma	93.600	06HP000124-02	03/01/20-02/28/21		1,163,597
	Total Federal Expenditures - CFDA #93.600				**8,564,545**
	TOTAL FEDERAL PROGRAMS			**$**	**8,951,677**

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, 2020. 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. has one subrecipient under CFDA #93.600 with subrecipient expenditures of $996,372 for the year ended June 30, 2020.

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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, 2020, 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 March 12, 2021.

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") 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not bee identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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 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*.

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

March 12, 2021
Madison, Wisconsin

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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, 2020. 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, 2020.

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

March 12, 2021
Madison, Wisconsin

Tulsa Educare, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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?	Yes
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 Head Start Cluster	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

2020-001 – Year End Adjustments and Reconciliations

Condition – TEI was aware that certain accounts needed to be adjusted as of the start of the audit, however, they did not post the entries needed. As a result, during our audit we proposed adjusting journal entries for accounts receivable, property and equipment, accumulated depreciation, accounts payable, health insurance liability, and various revenue and expense accounts which we deemed to be significant to the financial statements.

Criteria – Accounts should be reconciled on a regular basis and any adjustments required should be posted timely so that management is relying on accurate financial information to make decisions.

Cause – During the audit year, there were transactions related to the construction of the Educare 4 building and the self-insurance fund where adjustments were deemed necessary but not recorded.

Section II - Financial Statement Findings (Continued)

Effect – As a result of not posting adjustments to certain account balances, a significant deficiency exists in internal controls.

Recommendation – We recommend management and those charged with governance evaluate the monthly and year end closing procedures and implement adequate and timely closing procedures to ensure that financial statement amounts are being reconciled and adjusted appropriately.

View of Responsible Officials – Management agrees with the assessment and has committed to a corrective action plan.

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Prior Year Findings

None