# Tulsa Educare, Inc.

Tulsa, Oklahoma

Financial Statements and Supplementary Information

Years Ended June 30, 2023

TULSA EDUCARE

WIPFLI

# Tulsa Educare, Inc.

Year Ended June 30, 2023

## Table of Contents

WIPFLI

## Independent Auditor's Report

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of Tulsa Educare, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, 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 Tulsa Educare, Inc. as of June 30, 2023, 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.

***Emphasis of Matter***

As discussed in Note 6 to the financial statements, during the year ended June 30, 2023, Tulsa Educare, Inc. changed its accounting policy for contributions receivable for discounted rent in-kind contributions. Our opinion is not modified with respect to this matter.

***Basis for Opinion***

We conducted our audit 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. 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 Tulsa Educare, 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; 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.

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 Tulsa Educare, Inc.'s ability to continue as a going concern within one year after the date 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 *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 Tulsa Educare, 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 Tulsa Educare, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions 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 November 2, 2023, on our consideration of the 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 the Tulsa Educare, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin
November 2, 2023

# Tulsa Educare, Inc.

## Statement of Financial Position

June 30, 2023

| | | |
|---|---|---|
| Current assets: | | |
| Cash | $ | 2,901,316 |
| Investments | | 1,690,305 |
| Accounts receivable | | 2,688,128 |
| Contribution receivable - Donated space | | 179,769 |
| Prepaid expenses | | 218,145 |
| Total current assets | | 7,677,663 |
| Property and equipment: | | |
| Building | | 15,315,503 |
| Leasehold improvement | | 11,554,748 |
| Equipment | | 2,244,202 |
| Construction in progress | | 101,000 |
| Total property and equipment | | 29,215,453 |
| Less accumulated depreciation | | 8,375,024 |
| Property and equipment, net | | 20,840,429 |
| Long term assets: | | |
| Contribution receivable - Donated space | | 5,328,343 |
| **TOTAL ASSETS** | $ | 33,846,435 |

***Liabilities and Net Assets***

| | | |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ | 187,183 |
| Accrued payroll and related liabilities | | 1,085,691 |
| Refundable advance | | 500,000 |
| Total current liabilities | | 1,772,874 |
| Net assets: | | |
| Net assets without donor restrictions | | 26,467,949 |
| Net assets with donor restrictions | | 5,605,612 |
| Total net assets | | 32,073,561 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 33,846,435 |

See accompanying notes to financial statements.

# Tulsa Educare, Inc.

## Statement of Activities

Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue: | | | |
| Contributions | $ 20,000 | $ - | $ 20,000 |
| Special program contributions | 10,101,760 | 20,000 | 10,121,760 |
| Grant revenue | 13,305,070 | 60,000 | 13,365,070 |
| Investment income | 38,065 | - | 38,065 |
| In-kind revenue | 185,199 | - | 185,199 |
| Fees | 13,716 | - | 13,716 |
| Other revenue | 102 | - | 102 |
| Net assets released from restriction | 174,392 | (174,392) | - |
| Total revenue | 23,838,304 | (94,392) | 23,743,912 |
| Expenses: | | | |
| Program expenses | 20,851,400 | - | 20,851,400 |
| Management and general | 1,530,130 | - | 1,530,130 |
| Total expenses | 22,381,530 | - | 22,381,530 |
| Change in net assets | 1,456,774 | (94,392) | 1,362,382 |
| Net assets - Beginning of year | 25,011,175 | 17,500 | 25,028,675 |
| Change in accounting policy | - | 5,682,504 | 5,682,504 |
| Net assets - End of year | $ 26,467,949 | $ 5,605,612 | $ 32,073,561 |

See accompanying notes to financial statements.

# Tulsa Educare, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2023

| | Program Expenses Child Education | Management and General | Total Expenses |
|---|---|---|---|
| Wages and benefits | $ 14,541,357 | $ 1,195,514 | $ 15,736,871 |
| Communication | 60,736 | 7,080 | 67,816 |
| Occupancy | 344,724 | - | 344,724 |
| Utilities | 361,959 | 7,788 | 369,747 |
| Supplies | 695,877 | 16,623 | 712,500 |
| Food | 712,887 | - | 712,887 |
| Repairs and maintenance | 951,988 | 20,453 | 972,441 |
| Contracts | 1,525,921 | 184,473 | 1,710,394 |
| Training and development | 260,308 | 76,645 | 336,953 |
| Depreciation and amortization | 1,060,446 | - | 1,060,446 |
| Other | 335,197 | 21,554 | 356,751 |
| Total expenses | $ 20,851,400 | $ 1,530,130 | $ 22,381,530 |

See accompanying notes to financial statements.

# Tulsa Educare, Inc.

## Statement of Cash Flows

Year Ended June 30, 2023

| | | |
|---|---|---|
| Increase (Decrease) in cash: | | |
| Cash flows from operating activities: | | |
| Change in net assets | $ | 1,362,382 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Realized and unrealized (gains)/loss on investments | | (32,489) |
| Amortization of discount on contribution receivable to give to in-kind contributions | | (170,332) |
| Contribution receivable recognized in in-kind expenses | | 344,724 |
| Depreciation and amortization | | 1,060,446 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 204,896 |
| Prepaid expenses | | (58,004) |
| Accrued payroll and related liabilities | | (135,514) |
| Accounts payable | | (93,920) |
| Net cash provided by operating activities | | 2,482,189 |
| Cash flows from investing activities: | | |
| Purchase of investments | | (1,205,577) |
| Purchase of property and equipment | | (210,277) |
| Net cash used in investing activities | | (1,415,854) |
| Change in cash | | 1,066,335 |
| Cash - Beginning of year | | 1,834,981 |
| Cash - End of year | $ | 2,901,316 |
| **Supplemental schedule of cash and non-cash activities:** | | |
| Purchase of property included in accounts payable | $ | 72,053 |

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 (DHHS) for an Early Head Start program. Approximately 33% of total revenue was received from DHHS for the year ended June 30, 2023. 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 35% of total revenue was received from CAP Tulsa for the year ended June 30, 2023.

### 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 revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the 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 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.

### 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 statements of activities. Investment fees, if any, are netted with return.

## Note 1: Summary of Significant Accounting Policies (Continued)

### 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.

### 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.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from 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 recognized.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Revenue Recognition (Continued)

**B. Grant Awards That Are Exchange Transactions**

Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Contract Revenue

Childcare subsidies – TEI recognized revenues from childcare subsidies of $2,633,290 for the year ended June 30, 2023. The revenue is included in grant revenue on the statement of activities. These subsidies are primarily paid for by the Oklahoma Department of Health Services (DHS). These subsidies are considered third-party reimbursements on behalf of the family receiving care and are treated as exchange revenues. Subsidy amounts are established for infants, toddlers, and preschool children by DHS and TEI contracts with DHS for their receipt. Payments are to be made weekly by DHS. The DHS schedule of co-payment charts determine family share co-payment (based on income, family size, and number of persons in care). Some co-payments are $0 and EHS-CCP and OECP families automatically qualify for a $0 co-payment. No payment discounts or financing options are provided.

TEI considers the performance obligation to be providing childcare services and the performance obligation is satisfied when days of service are provided. Revenue is recognized over time as the family is simultaneously receiving and consuming the benefits of the service. TEI feels the output method is the most faithful depiction of the transfer of goods or services as day of service as a result achieved represents a satisfaction of a performance obligation, and neither parents, nor TEI is obligated beyond that day given the cancellation notice of one day.

The receivables from contracts with customers for services provided are included in accounts receivable on the statement of financial position and were $177,958 and $162,920 at June 30, 2023 and 2022.

### Contribution Receivables

Unconditional contribution receivables are recorded as receivables in the year pledged. Conditional contribution receivables are recognized only when the conditions on which they depend are substantially met. Contribution receivables whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Contribution receivables without donor restrictions to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor’s intention is to support current-period activities.

Contribution receivables expected to be collected in less than one year are reported at net realizable value. Contribution receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Income Taxes

TEI is exempt from income taxes 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.

The Organization assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or 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 the tax 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 the 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.

### 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.

### In-Kind

TEI recognizes in-kind contributions for contributed use of a facility at fair value in the statement of activities and in accordance with a financial accounting standard related to accounting for contributions received and contributions made. This standard requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several of TEI's grant awards. As described in Note 6, TEI has changed its policy for accounting for promises to give for discounted rent in-kind contributions.

### Functional Expenses

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

## Note 1: Summary of Significant Accounting Policies (Continued)

### New Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. The accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. This adoption did not have a material impact on TEI's financial statements.

### Subsequent Events

Subsequent events have been evaluated through November 2, 2023, 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 mutual funds and short-term investments. 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, 2023:

| | 2023 |
|---|---|
| Cash and cash equivalents | $ 1,231,456 |
| Equity mutual funds | 260,301 |
| Fixed income mutual funds | 156,468 |
| Other mutual funds | 42,080 |
| Total | $ 1,690,305 |

For the year ended June 30, 2023, TEI’s total investment income was as follows:

| | 2023 |
|---|---|
| Interest and dividends | $ 5,576 |
| Realized and unrealized gain | 32,489 |
| Total | $ 38,065 |

### 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. Cash and cash equivalents are valued at cost which approximates fair value.

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2023, are as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| June 30, 2023 | Level 1 | Level 2 | Level 3 | Total at Fair Value |
| Assets: | | | | |
| Cash and cash equivalents | $ - | $ 1,231,456 | $ - | $ 1,231,456 |
| Equity mutual funds | | | | |
| Foreign markets | 42,535 | - | - | 42,535 |
| U.S. equities | 179,115 | - | - | 179,115 |
| Emerging markets | 38,651 | - | - | 38,651 |
| Fixed income mutual funds | | | | |
| Bonds | 156,468 | - | - | 156,468 |
| Other mutual funds | | | | |
| Market neutral | 21,126 | - | - | 21,126 |
| Real Estate | 20,954 | - | - | 20,954 |
| Totals | $ 458,849 | $ 1,231,456 | $ - | $ 1,690,305 |

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.

### Note 5: Accounts Receivable

Accounts receivable balances at June 30, 2023:

| | 2023 |
|---|---|
| CAP Tulsa - OECP | $ 702,717 |
| DHHS - EHS | 1,391,847 |
| GKFF Funding - Early Learning Works | 279,183 |
| Other | 314,381 |
| Total | $ 2,688,128 |

### Note 6: Contribution Receivable and Change in Accounting Policy

During the year ended June 30, 2023, TEI changed its accounting policy for contribution receivable for discounted rent in-kind contributions. TEI now considers future in-kind contributions for discounted rent to be unconditional contributions and, accordingly has recorded contribution receivables for such contributions. This treatment is preferable as it more accurately reflects the long-term nature of these contributions. The impact of this change in accounting policy was to increase net assets with donor restrictions by $5,682,504 as of July 1, 2022.

Contributions receivable for the donated space as of June 30, 2023, are due as follows:

| | 2023 |
|---|---|
| Contributed use of property | $ 8,565,874 |
| Less: unamortized discount | (3,057,762) |
| Total contribution receivable, net | 5,508,112 |
| Current portion | 179,769 |
| Long-term portion | 5,328,343 |
| Total contribution receivables, net | $ 5,508,112 |

### Note 6: Contribution Receivable and Change in Accounting Policy (Continued)

Future maturities on the contribution receivables are as follows:

| | | |
|---|---|---|
| 2024 | $ | 344,724 |
| 2025 | | 344,724 |
| 2026 | | 344,724 |
| 2027 | | 344,724 |
| 2028 | | 344,724 |
| Thereafter | | 6,842,254 |
| Total | | 8,565,874 |
| Less: unamortized discount | | (3,057,762) |
| Total contribution receivables, net | $ | 5,508,112 |

Contribution receivables with anticipated collections of more than one year are discounted at rate of 3.04%. A reserve for uncollectible amounts was deemed not necessary as management expects to be able to occupy the facility for the duration of the lease.

### Note 7: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods:

| | | 2023 |
|---|---|---|
| Purpose restricted: | | |
| GKFF - COVID Funds | $ | 17,500 |
| Other purpose funds | | 80,000 |
| Time restricted: | | |
| Donated Space | | 5,508,112 |
| Total | $ | 5,605,612 |

Net assets of $174,392 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended June 30, 2023.

## Note 8: 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.

TEI also entered into leases with TPS for their Educare 3 and Educare 4-Early Learning Works facilities. The term of the lease for Educare 3 is 20 years, expiring August 2032. TPS is not charging rent to TEI for this facility. The term of the lease for Educare 4-Early Learning Works facility is 40 years, expiring September 20, 2060. TPS is not charging rent to TEI for this facility. See Notes 6 and 7 for contribution receivable recorded and time restricted donor restriction recognized.

## 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, 2023, was $206,087.

## Note 10: Commitments and Conditional Awards

TEI has commitments under grants and contributions of approximately $500,000 as of June 30, 2023. These commitments are not recognized 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). 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 are approximately $4,900,000.

TEI had construction commitments of approximately $100,000 as of June 30, 2023.

## Note 11: 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, 2023, the self-insurance reserve balance was $86,604 which is included in cash on the statement of financial position.

On June 30, 2023, TEI has recorded a liability for claims payable of $321,342 for claims incurred as of June 30 but not paid. 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 contribute to the entity in the amount of 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 make this contribution. GKFF's sole obligation is to TEI. There is no legal relationship between GKFF and any covered persons. For the year ended June 30, 2023, GKFF made no contributions to TEI to cover health costs.

## 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, 2023:

| *Year Ended June 30, 2023* | 2023 |
|---|---|
| Cash | $ 2,901,316 |
| Investments | 1,690,305 |
| Accounts receivable | 2,688,128 |
| Less: | |
| Net assets with donor restriction, excluding donated space | (97,500) |
| Accounts payable | (187,183) |
| Accrued payroll and related expenses | (1,085,691) |
| Refundable advance | (500,000) |
| Total | $ 5,409,375 |

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 approximately $4,900,000 available for specific costs under the TECS project as further described in Note 10. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source.

## Note 13: Related Party Transaction

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 approximately $1,400,000 for the year ended June 30, 2023.

A board member of TEI is employed by TPS, which is a donor to TEI. Donations from TPS was for the space that is included in in-kind revenue and occupancy expense on the statement of activities and statement of functional expenses as described in Notes 6, 8, and 12.

### Note 14: Contributed Nonfinancial Assets

For the year ending June 30, 2023, contributed nonfinancial assets included in in-kind revenue on the statement of activities are as follows:

| | | 2023 |
|---|---|---|
| Contributed space | $ | 170,332 |
| Legal services | | 14,867 |
| Total | $ | 185,199 |

TEI recognizes contributed nonfinancial assets as in-kind contributions revenue on the statement of activities. Contribution receivables related to contributed space are reported as net assets with donor restrictions due to the time restriction of the contributed receivable; otherwise, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed space is used for child education program activities. In valuing contributed space, TEI estimated the fair value based on recent comparable rental prices in the City's real estate market. Contributed legal services are valued at current rates of legal services provided by the law firm.

# Supplementary Information

# Tulsa Educare, Inc.

## Schedule A

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

| Federal Grantor/Program Title | Assistance Listing 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 | 07/01/22-06/30/23 | **$** | **721,941** |
| **DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | | |
| **Direct Funding** | | | | | |
| **Head Start Cluster** | | | | | |
| Early Head Start | 93.600 | 06CH011318-03 | 01/01/22-12/31/22 | | **3,428,932** |
| Early Head Start | 93.600 | 06CH011318-04 | 01/01/23-12/31/23 | | **4,356,556** |
| COVID-19 American Rescue Plan Early Head Start | 93.600 | 06HE0001141-01C6 | 04/01/21-03/31/23 | | **149,469** |
| **Total Federal Expenditures - Head Start Cluster Assistance Listing #93.600** | | | | | **7,934,957** |
| **TOTAL FEDERAL EXPENDITURES** | | | | **$** | **8,656,898** |

## 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, 2023. 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.

See Independent Auditor's Report.

WIPFLI

# 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*

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

We have audited, 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, the financial statements of Tulsa Educare, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 November 2, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of financial statements, we considered the 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 the 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Tulsa Educare, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Tulsa Educare, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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 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 the Tulsa Educare, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin
November 2, 2023

WIPFLI

# Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Tulsa Educare, Inc.
Tulsa, Oklahoma

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Tulsa Educare, 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 Tulsa Educare, Inc.'s major federal program for the year ended June 30, 2023. 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.

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, 2023.

***Basis for Opinion on the Major Federal Program***

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; 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 Tulsa Educare, 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 the major federal program. Our audit does not provide a legal determination of Tulsa Educare, 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 Tulsa Educare, Inc.’s federal programs.

***Auditor's Responsibility 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 Tulsa Educare, 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 Tulsa Educare, Inc.'s compliance with the requirements of the 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 Tulsa Educare, 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 Tulsa Educare, 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 Tulsa Educare, 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.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin
November 2, 2023

# Tulsa Educare, Inc.
## Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

## Section I - Summary of Auditor's Results

### Financial Statements

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ___ yes _x_ no |
| Significant deficiency(ies) identified? | _x_ yes __ no |
| Noncompliance material to financial statements noted? | ___ yes _x_ no |

### Federal and State Awards

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | ___ yes _x_ no |
| Significant deficiency(ies) identified? | ___ yes _x_ no |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? | ___ yes _x_ no |

Identification of major federal programs:

| AL Number | Name of Federal Program or Cluster |
|---|---|
| 93.600 | U.S. Department of Health and Human Services Head Start Cluster |

Dollar threshold used to distinguish between Type A and Type B programs:

| | |
|---|---|
| Federal | $750,000 |

Auditee qualified as low-risk auditee? No

## Section II - Financial Statement Findings

**2023-001 Significant Adjustment**

**Condition -** During the audit, we proposed an adjusting journal entry for grants receivable and revenue which we deemed to be significant to the financial statements.

As TEI's internal controls did not discover this adjustment prior to our audit, a significant deficiency exists in TEI's controls over these areas.

**Criteria -** Accounts should be reconciled monthly with the adjustments posted timely so that management is relying on accurate financial information to make decisions.

**Cause -** A privately-funded grant was not closely monitored at fiscal year-end causing some final tasks to be missed.

**Effect -** As a result of not making significant adjustments to certain account balances, a significant deficiency exists in internal control.

**Recommendation -** We recommend management and those charged with governance evaluate the operation of the business office 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 Award Findings and Questioned Costs

None

## Section IV – Summary Schedule of Prior Year Findings

**2022-001 - Submission of Data Collection Form (DCF)**

**Current year status**: We observed in the current year that DCF is submitted timely, so this finding is resolved.