

**OAHE CHILD DEVELOPMENT
CENTER, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

MARCH 31, 2020

**OAHE CHILD DEVELOPMENT
CENTER, INC.**

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*Wohlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oahe Child Development Center, Inc.
Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of **Oahe Child Development Center, Inc.** (a nonprofit organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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 Oahe Child Development Center, Inc. as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Oahe Child Development Center, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program activity is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and also is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August XX, 2020, on our consideration of Oahe Child Development Center, 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 Oahe Child Development Center, 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 Oahe Child Development Center, Inc.'s internal control over financial reporting and compliance.

Yankton, South Dakota
August XX, 2020

OAHE CHILD DEVELOPMENT CENTER, INC
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR MARCH 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 38,755	\$ 39,668
Grants receivable:		
U.S. Department of Health and Human Services	518,892	249,636
State - Department of Education	<u>5,946</u>	<u>8,440</u>
Total current assets	<u>563,593</u>	<u>297,744</u>
PROPERTY AND EQUIPMENT		
Land	150,000	150,000
Buildings	2,236,554	2,073,742
Furniture and equipment	641,857	722,421
Less: accumulated depreciation	<u>(1,193,982)</u>	<u>(1,184,355)</u>
Net property and equipment	<u>1,834,429</u>	<u>1,761,808</u>
OTHER ASSETS		
Cash - reserve for replacement	35,234	32,613
Cash - designated	32,925	28,807
Loan fees, net of accumulated amortization of \$7,806 for 2020 and \$7,248 for 2019	<u>8,922</u>	<u>9,480</u>
Total other assets	<u>77,081</u>	<u>70,900</u>
TOTAL ASSETS	<u>\$ 2,475,103</u>	<u>\$ 2,130,452</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 432,151	\$ 189,211
Accrued payroll	40,394	23,680
Accrued expenses	39,999	45,351
Contracts payable	46,754	39,651
Amounts held for others	5,068	5,068
Current portion of long-term debt	<u>52,179</u>	<u>58,844</u>
Total current liabilities	<u>616,545</u>	<u>361,805</u>
LONG-TERM DEBT		
Notes payable, less current maturities	<u>107,760</u>	<u>495,660</u>
NET ASSETS		
Net assets without donor restrictions:		
Designated		
Reserve for replacement	35,234	32,613
Leave accrual	32,925	28,807
Undesignated	<u>1,682,639</u>	<u>1,211,567</u>
Total net assets without donor restrictions	<u>1,750,798</u>	<u>1,272,987</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,475,103</u>	<u>\$ 2,130,452</u>

The accompanying notes are an integral part
of these financial statements.

OAHE CHILD DEVELOPMENT CENTER, INC

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2019

	<u>2020</u>	<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>Total</u>
REVENUE		
Federal grant revenue	\$ 2,908,865	\$ 2,194,011
Contributions	31,413	19,234
Interest earned	91	77
Gain on sale of equipment	<u>-</u>	<u>5,875</u>
Total revenue	<u>2,940,369</u>	<u>2,219,197</u>
EXPENSES		
Program Activities:		
Head Start	1,630,441	1,357,405
Early Head Start	501,210	446,711
CANS	88,078	80,050
Auxiliary assistance	<u>21,920</u>	<u>7,648</u>
Total program activities	<u>2,241,649</u>	<u>1,891,814</u>
Support Services:		
Management and general	<u>220,909</u>	<u>217,633</u>
Total support services	<u>220,909</u>	<u>217,633</u>
Total expenses	<u>2,462,558</u>	<u>2,109,447</u>
Change in Net Assets	477,811	109,750
Net Assets - Beginning of Year	<u>1,272,987</u>	<u>1,163,237</u>
Net Assets - End of Year	<u>\$ 1,750,798</u>	<u>\$ 1,272,987</u>

The accompanying notes are an integral part
of these financial statements.

OAHE CHILD DEVELOPMENT CENTER, INC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2019

	Program Activities					Support Services		2020	2019
	Head Start	Early Head Start	CANS	Auxiliary Assistance	Total Program Activities	Management and General	Total Support Services	Total Expenses	Total Expenses
Salaries	\$ 910,768	\$ 292,202	\$ -	\$ -	\$ 1,202,970	\$ 157,522	\$ 157,522	\$ 1,360,492	\$ 1,177,159
One-time funds	161,174	-	-	-	161,174	-	-	161,174	-
Retirement	87,907	34,209	-	-	122,116	19,941	19,941	142,057	126,805
Payroll taxes	84,269	27,987	-	-	112,256	-	-	112,256	101,884
Food costs	1,929	754	88,078	1,160	91,921	-	-	91,921	84,051
Employee benefits	62,587	19,047	-	-	81,634	368	368	82,002	70,786
Occupancy	53,704	16,823	-	-	70,527	3,726	3,726	74,253	74,297
Operating supplies	36,739	17,231	-	16,933	70,903	-	-	70,903	71,473
Professional fees	34,463	2,723	-	-	37,186	11,100	11,100	48,286	33,417
Insurance	16,420	6,802	-	-	23,222	11,432	11,432	34,654	29,063
Repairs and maintenance	16,220	15,994	-	-	32,214	1,577	1,577	33,791	46,381
Interest expense	22,494	9,641	-	-	32,135	994	994	33,129	33,849
Travel and training	17,114	13,122	-	-	30,236	1,311	1,311	31,547	38,585
Classroom	17,883	-	-	-	17,883	-	-	17,883	54,835
Telephone	9,375	5,983	-	-	15,358	57	57	15,415	9,373
Office supplies	8,673	3,860	-	-	12,533	1,549	1,549	14,082	17,163
Printing and publishing	5,531	1,999	-	-	7,530	-	-	7,530	8,013
Miscellaneous	3,102	1,079	-	3,269	7,450	-	-	7,450	(271)
Family services	3,057	1,164	-	-	4,221	-	-	4,221	2,344
Vehicles	1,491	2,027	-	-	3,518	-	-	3,518	4,527
Postage	1,776	761	-	-	2,537	282	282	2,819	2,385
Medical	682	-	-	-	682	-	-	682	853
Mental health	657	-	-	-	657	-	-	657	1,920
Parent activities	452	169	-	-	621	-	-	621	1,043
Hiring	155	11	-	-	166	-	-	166	-
	<u>1,558,622</u>	<u>473,588</u>	<u>88,078</u>	<u>21,362</u>	<u>2,141,650</u>	<u>209,859</u>	<u>209,859</u>	<u>2,351,509</u>	<u>1,989,935</u>
Depreciation & amortization	<u>71,819</u>	<u>27,622</u>	<u>-</u>	<u>558</u>	<u>99,999</u>	<u>11,050</u>	<u>11,050</u>	<u>111,049</u>	<u>119,512</u>
	<u>\$ 1,630,441</u>	<u>\$ 501,210</u>	<u>\$ 88,078</u>	<u>\$ 21,920</u>	<u>\$ 2,241,649</u>	<u>\$ 220,909</u>	<u>\$ 220,909</u>	<u>\$ 2,462,558</u>	<u>\$ 2,109,447</u>

The accompanying notes are an integral part of these financial statements.

OAHE CHILD DEVELOPMENT CENTER, INC

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 477,811	\$ 109,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	111,049	119,512
(Gain) on sale of equipment	-	(5,875)
(Increase) decrease in assets:		
Grants receivable - U.S. Department of Health and Human Services	(269,256)	(37,055)
Grants receivable - State - Department of Education	2,494	734
Increase (decrease) in liabilities:		
Accounts payable	242,940	45,404
Accrued payroll	16,714	(4,949)
Accrued expenses	(5,352)	5,006
Amount held for others	-	(71)
Contracts payable	<u>7,103</u>	<u>1,003</u>
Net cash provided by operating activities	<u>583,503</u>	<u>233,459</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of assets	-	5,875
Purchase of property and equipment	(183,112)	(29,679)
Transfers made to reserve account	(2,621)	(2,619)
Transfers made to leave account	<u>(4,118)</u>	<u>(1,390)</u>
Net cash (used in) investing activities	<u>(189,851)</u>	<u>(27,813)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(394,565)</u>	<u>(188,801)</u>
Change in cash	(913)	16,845
Cash, Beginning of year	<u>39,668</u>	<u>22,823</u>
Cash, End of year	<u>\$ 38,755</u>	<u>\$ 39,668</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - notes payable	<u>\$ 34,167</u>	<u>\$ 34,962</u>

The accompanying notes are an integral part
of these financial statements.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Oahe Child Development Center, Inc. (the Center), was organized as a South Dakota nonprofit corporation in 1972. The Center was formed to provide comprehensive health, educational, nutritional, social, and other services to economically disadvantaged pre-school children and their families. The Center is primarily supported through grants from federal and state governments. Approximately 96% of the Center's grant revenue is received from the Department of Health and Human Services' Head Start funds.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (GAAP) in the United States of America, following the recommendations of the Financial Accounting Standards Board (FASB).

The FASB requires the Center to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended March 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

For financial statement reporting purposes, the Center includes all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, commercial paper and money market funds with a term to maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of gift, if donated, less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful life of the asset which range from five to forty years. The Center considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

Property and equipment purchased with grant funds are owned by the Center while used in the Center for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds are normally limited for use in specific programs operated by the Center.

Accrued Leave

Annual leave is accumulated by employees throughout the year. Employees may accumulate annual leave without limitation, provide that as of March 31 of each calendar year, the employee's maximum balance is not exceeded. The maximum balance is dependent upon length of service. Employees will not be given monetary compensation for accrued and unused annual leave time except in the case of termination. Upon termination, employees are entitled to receive compensation for up to five days of accrued annual leave if they have given thirty days of notice and are in good standing.

Classification of Net Assets

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

Net Assets Without Donor Restrictions – Net assets that are free of donor- or grantor-imposed stipulations are included in net assets without donor restrictions and are available for operating purposes under the direction of the Board or invested in property and equipment.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Net Assets, continued

Net Assets With Donor Restrictions – Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated 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. Resources with restrictions that are fulfilled within the same fiscal year are reported as net assets without donor restrictions.

Currently, the Center does not have any net assets with donor restrictions.

Grants and Contracts

Support received under grants and contracts is recognized as revenue when the related expenses are incurred and is reported as an increase in net assets without donor restrictions if the restrictions are met in the same fiscal year the grants and contracts are received. Grants receivable includes amounts receivable under grants and contracts and represents amounts due for expenses incurred prior to year-end.

In-Kind Contributions

The Center has recorded in-kind contributions for space, supplies, and professional services in the statement of activities in accordance with generally accepted accounting principles (GAAP). GAAP 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 GAAP are different than the in-kind requirements of the Center's grant awards. The Center received contributions of nonprofessional volunteers and consultants during the year with a value of \$686,558 for its Head Start and Early Head Start programs, which are not recorded in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity 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.

Oahe Child Development Center, Inc.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Federal Income Taxes

Oahe Child Development Center, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for federal income tax has been included in the financial statements.

Fundraising Activity

The Center does not maintain a formal fundraising or solicitation department. Currently, it does not conduct fundraising campaigns, door-to-door solicitations, telethons, mass mailings or special fundraising events. The Center directors do, however, compile data and applications necessary to renew and obtain new grants.

Functional Allocation of Expenses

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following:

Cash and cash equivalents	\$ 38,755
Grants receivable	<u>524,839</u>
	<u>\$ 563,594</u>

3. CONCENTRATION OF CREDIT RISK

The Center maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of March 31, 2020, the Center had no uninsured cash balances.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

4. CASH – RESERVE FOR REPLACEMENTS

The loan agreements with USDA require the establishment of a reserve account for future debt service or extension or improvement of the property subject to the approval of USDA. The Center transferred to reserve for replacement \$2,621 for the year ended March 31, 2020 in accordance with the loan provision. The balance of the reserve account at March 31, 2020 was \$35,234.

As of March 31, 2020, the Center had received from USDA the amounts required to payoff their loans. The payoff amount of \$269,024 is included in accounts payable on the Statement of Financial Position.

5. CASH – LEAVE ACCRUAL

The Center has established an account designated to be used to pay employees' accrued leave. The account had a balance of \$32,925 as of March 31, 2020. The Center's accrued leave liability was \$31,981 as of March 31, 2020.

6. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2020:

<u>Payee</u>	<u>Terms</u>	<u>2020</u>
BankWest, Inc. - Secured by real estate	Variable interest (6.75% at March 31, 2019), due in monthly installments of \$5,115, including interest. Final payment is due August 20, 2036.	<u>159,939</u>
		159,939
	Less Current Portion	<u>(52,179)</u>
	Long-Term Portion	<u>\$ 107,760</u>

Estimated maturities for the next five years and thereafter are as follows:

<u>Year Ending</u> <u>March 31,</u>	
2021	\$ 52,179
2022	55,812
2023	<u>51,948</u>
	<u>\$ 159,939</u>

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

7. NET ASSETS

Net assets at March 31, 2020, consist of the following:

Without Donor Restrictions:

Designated by the Board for the purpose	
of paying accrued leave benefits (Note 5)	\$ 32,925
USDA Rural Development reserves (Note 4)	35,234
Undesignated	<u>1,682,641</u>

Total net assets without donor restrictions	<u>\$1,750,800</u>
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8. OPERATING LEASES

The Center leases classroom space to operate and administer its programs. These leases have various monthly payments and expiration dates. Leases for its different locations are as follows:

The classroom located in Murdo, South Dakota is under a five-year operating lease agreement with the Jones County School District. The agreement is for the period of August 1, 2020 through July 31, 2025 and calls for no monthly lease payments for the term of the agreement. The Jones County School District is donating the use of the classroom to the Center for the period of August 1, 2019 to July 31, 2020.

The classrooms located on Irwin Street in Pierre, South Dakota are under a five-year operating lease expiring April 30, 2024. The current base monthly rent is \$3,000. The lease provides for increasing base monthly rental payment to \$3,150 on May 1, 2020.

The storage and office space located on Irwin Street in Pierre, South Dakota are under a five-year operating lease expiring April 30, 2024. The current base monthly rent is \$1,962.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

8. OPERATING LEASES, continued

The following are the future minimum payments on existing operating leases:

Year Ending <u>March 31,</u>	
2021	\$ 59,235
2022	61,348
2023	61,348
2024	61,348
2025	<u>5,112</u>
	<u>\$ 248,391</u>

Rental expense for the classrooms, storage, and office space was \$35,500 for the year ended March 31, 2020.

9. CONCENTRATION OF REVENUE SOURCES

Approximately 98% of the Center's revenue is derived from grants from the US Department of Health and Human Services. The current level of the Center's operations and program services may be impacted, or segments discontinued, if the funding is not renewed.

10. RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the period ended March 31, 2020, the Center managed its risks as follows:

Liability Insurance

The Center purchases liability insurance for risks related to torts, theft, or damage to property; and errors and omissions of directors and officers from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

The Center purchases liability insurance for worker's compensation from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

OAHE CHILD DEVELOPMENT CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020**

10. RISK MANAGEMENT, continued

Unemployment Benefits

The Center provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

10. RETIREMENT PLAN

The Center maintains a Simplified Employee Pension plan following the model IRS form. To qualify for participation, an employee must be 21 years old and have completed one year of service. Employer contributions are discretionary. The employer contribution for the year ended March 31, 2020 was \$142,057.

11. SUBSEQUENT EVENTS

Events occurring after March 31, 2020 were evaluated by management through August XX, 2020, the date which the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included.

The Center's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Center's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Center's customers and revenue, absenteeism in the Center's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Center, including property and equipment.

SUPPLEMENTARY INFORMATION

OAHE CHILD DEVELOPMENT CENTER, INC

**SCHEDULE OF PROGRAM ACTIVITY - REGULATORY BASIS
YEAR ENDED MARCH 31, 2020**

	<u>DOA</u>	<u>Department of Health and Human Services</u>				
	<u>10.558</u>	<u>93.600</u>				
	<u>Child & Adult Care Food Program</u>	<u>Head Start</u>	<u>Head Start Training and Tech. Assist.</u>	<u>Early Head Start</u>	<u>Early Head Start Training and Tech. Assist.</u>	<u>Total Programs</u>
REVENUE						
Grant revenue	\$ 88,078	\$ 2,170,500	\$ 19,037	\$ 618,105	\$ 13,145	\$ 2,908,865
Total Revenue	<u>88,078</u>	<u>2,170,500</u>	<u>19,037</u>	<u>618,105</u>	<u>13,145</u>	<u>2,908,865</u>
EXPENSES						
Salaries	-	1,014,872	-	345,620	-	1,360,492
Mortgage payments	-	383,631	-	45,101	-	428,732
Retirement	-	101,088	-	40,969	-	142,057
Payroll taxes	-	84,269	-	27,987	-	112,256
Food costs	88,078	1,929	-	754	-	90,761
Operating supplies	-	45,579	-	21,020	-	66,599
Occupancy	-	56,354	-	17,899	-	74,253
Employee benefits	-	62,821	-	19,181	-	82,002
Classroom	-	17,883	-	-	-	17,883
Repairs and maintenance	-	134,393	-	57,880	-	192,273
Travel and training	-	(993)	19,037	359	13,145	31,548
Insurance	-	24,422	-	10,232	-	34,654
Professional fees	-	14,134	-	6,053	-	20,187
Office supplies	-	9,757	-	4,325	-	14,082
One-time funds	-	168,850	-	-	-	168,850
Hiring	-	155	-	11	-	166
Technology services	-	28,099	-	8,509	-	36,608
Telephone	-	9,414	-	6,000	-	15,414
Printing and publishing	-	5,531	-	1,999	-	7,530
Vehicles	-	1,491	-	2,027	-	3,518
Postage	-	1,973	-	846	-	2,819
Family services	-	3,057	-	1,164	-	4,221
Mental health	-	657	-	-	-	657
Parent activities	-	452	-	169	-	621
Medical	-	682	-	-	-	682
Total Expenses	<u>88,078</u>	<u>2,170,500</u>	<u>19,037</u>	<u>618,105</u>	<u>13,145</u>	<u>2,908,865</u>
Change in Net Assets	-	-	-	-	-	-
Net Assets - Beginning of Year	-	-	-	-	-	-
NET ASSETS - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

OAHE CHILD DEVELOPMENT CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2020

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Award Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Funding:				
Head Start - Center Based/Home Based	93.600	08CH1049-05		\$ 2,170,500
Head Start - Training and Technical Assistance	93.600	08CH1049-05		19,037
Early Head Start - Home Based	93.600	08CH1049-05		618,105
Early Head Start - Training and Technical Assistance	93.600	08CH1049-05		<u>13,145</u>
Total U.S. Department of Health and Human Services				<u>2,820,787</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the S.D. Department of Education:				
Child Care Food Program	10.558		2020G-CACFP32401	<u>88,078</u>
Total U.S. Department of Agriculture				<u>88,078</u>
Total Federal Awards				<u>\$ 2,908,865</u>

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Oahe Child Development Center, Inc. under programs of the federal government for the year ended March 31, 2020. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Oahe Child Development Center, Inc., it is not intended to and does not present the financial position, changes in net position or cash flows of Oahe Child Development Center, Inc.

NOTE 2: 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.

The Center has not elected to use the 10% de minimus cost rate.

See Independent Auditor's Report

*Wohlenberg
Ritzman & Co., LLC*
certified public accountants

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

To the Board of Directors
Oahe Child Development Center, Inc.
Pierre, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oahe Child Development Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August XX, 2020.

Internal Control Over Financial Reporting

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

Madison Office	205 North Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

Toll Free: 1-800-456-0889

email: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPAs, South Dakota Society of CPAs



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

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

Compliance and Other Matters

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

Purpose of this Report

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

Yankton, South Dakota
August XX, 2020

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

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

To the Board of Directors
Oahe Child Development Center, Inc.
Pierre, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Oahe Child Development Center, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Oahe Child Development Center, Inc.'s major federal program for the year ended March 31, 2020. Oahe Child Development Center, 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

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

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Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Oahe Child Development Center, 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Oahe Child Development Center, 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 the major federal program. However, our audit does not provide a legal determination of Oahe Child Development Center, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Oahe Child Development Center, 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 March 31, 2020.

Report on Internal Control Over Compliance

Management of Oahe Child Development Center, 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 Oahe Child Development Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oahe Child Development Center, 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 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.

Yankton, South Dakota
August XX, 2020

OAHE CHILD DEVELOPMENT CENTER, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2020**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no prior financial statement audit findings reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior federal award program findings reported.

OAHE CHILD DEVELOPMENT CENTER, INC.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2020

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? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.600

Head Start

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

OAHE CHILD DEVELOPMENT CENTER, INC.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2020**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

There are no financial statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no major federal award program findings.