

**OAHE CHILD DEVELOPMENT
CENTER, INC.**

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

MARCH 31, 2023

**OAHE CHILD DEVELOPMENT
CENTER, INC.**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 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 Oahe Child Development Center, Inc. as of March 31, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oahe Child Development Center, 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 opinions.

Responsibilities of Management for the Financial Statements

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

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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 Oahe Child Development Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Oahe Child Development Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significance accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oahe Child Development Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Oahe Child Development Center, Inc's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary 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 June 16, 2023, 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
June 16, 2023

OAHE CHILD DEVELOPMENT CENTER, INC

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023
WITH COMPARATIVE TOTALS FOR MARCH 31, 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 95,714	\$ 202,191
Grants receivable:		
U.S. Department of Health and Human Services	558,793	431,496
State - Department of Education	16,494	15,465
Prepaid expenses	34,212	5,456
Total current assets	705,213	654,608
PROPERTY AND EQUIPMENT		
Land	150,000	150,000
Buildings	2,290,554	2,290,554
Leased buildings	289,414	-
Furniture and equipment	732,006	659,566
Less: accumulated depreciation	(1,478,481)	(1,384,594)
Less: accumulated amortization	(40,645)	-
Net property and equipment	1,942,848	1,715,526
OTHER ASSETS		
Cash - designated leave accrual	43,816	39,935
Total other assets	43,816	39,935
TOTAL ASSETS	\$ 2,691,877	\$ 2,410,069
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 460,392	\$ 289,556
Accrued payroll	69,989	63,992
Accrued expenses	56,550	51,821
Contracts payable	58,689	56,867
Current portion of long-term debt	54,794	-
Total current liabilities	700,414	462,236
LONG-TERM DEBT		
Leases payable, less current maturities	193,975	-
NET ASSETS		
Net assets without donor restrictions:		
Designated		
Leave accrual	43,816	39,935
Undesignated	1,753,672	1,907,898
Total net assets without donor restrictions	1,797,488	1,947,833
TOTAL LIABILITIES AND NET ASSETS	\$ 2,691,877	\$ 2,410,069

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

OAHE CHILD DEVELOPMENT CENTER, INC

STATEMENT OF ACTIVITIES
 YEAR ENDED MARCH 31, 2023
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022

	<u>2023</u>	<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>Total</u>
REVENUE		
Federal grant revenue	\$ 3,365,437	\$ 2,871,813
State grant revenue	-	38,150
Contributions	31,033	287,987
In-kind contributions	12,256	11,330
Interest earned	111	16
Total revenue	<u>3,408,837</u>	<u>3,209,296</u>
EXPENSES		
Program Activities:		
Head Start	1,968,393	1,880,762
Early Head Start	629,981	561,758
Cares Act Funding	501,761	253,496
CANS	114,418	113,495
Auxiliary assistance	22,031	31,380
Total program activities	<u>3,236,584</u>	<u>2,840,891</u>
Support Services:		
Management and general	322,598	302,356
Total support services	<u>322,598</u>	<u>302,356</u>
Total expenses	<u>3,559,182</u>	<u>3,143,247</u>
Change in Net Assets	(150,345)	66,049
Net Assets - Beginning of Year	<u>1,947,833</u>	<u>1,881,784</u>
Net Assets - End of Year	<u>\$ 1,797,488</u>	<u>\$ 1,947,833</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022

	Program Activities					Support Services		2023 Total Expenses	2022 Total Expenses	
	Head Start	Early Head Start	Cares Act Funding	CANS	Auxiliary Assistance	Total Program Activities	Management and General			Total Support Services
Salaries	\$ 1,233,636	\$ 301,011	\$ 140,712	\$ -	\$ -	\$ 1,675,359	\$ 214,300	\$ 214,300	\$ 1,889,659	\$ 1,880,961
Retirement	152,765	113,086	-	-	-	265,851	35,782	35,782	301,633	234,630
Repairs and maintenance	82,388	72,356	104,915	-	-	259,659	2,803	2,803	262,462	98,406
Employee benefits	104,374	15,095	137,643	-	-	257,112	337	337	257,449	80,109
Operating supplies	41,809	16,834	91,543	-	18,267	168,453	-	-	168,453	144,349
Payroll taxes	96,649	22,116	11,538	-	-	130,303	22,943	22,943	153,246	151,633
Food costs	3,353	895	-	114,418	1,364	120,030	-	-	120,030	109,314
Occupancy	42,674	14,235	-	-	-	56,909	1,169	1,169	58,078	139,070
Insurance	19,119	6,166	-	-	-	25,285	17,179	17,179	42,464	38,965
Travel and training	19,255	12,965	-	-	-	32,220	752	752	32,972	37,494
Professional fees	15,206	5,069	-	-	-	20,275	11,200	11,200	31,475	36,171
Printing and publishing	8,156	2,025	15,410	-	-	25,591	-	-	25,591	17,096
Classroom	20,458	1,756	-	-	-	22,214	-	-	22,214	16,218
Office supplies	9,540	3,215	-	-	-	12,755	2,143	2,143	14,898	16,836
In-kind expenses	10,519	1,737	-	-	-	12,256	-	-	12,256	11,330
Telephone	8,329	3,378	-	-	-	11,707	363	363	12,070	12,480
Interest expense - Irwin lease	5,374	1,791	-	-	-	7,165	-	-	7,165	-
Family services	1,871	1,101	-	-	-	2,972	-	-	2,972	2,344
Vehicles	1,828	766	-	-	-	2,594	-	-	2,594	(1,902)
Postage	1,741	571	-	-	-	2,312	175	175	2,487	2,948
Miscellaneous	-	-	-	-	2,400	2,400	-	-	2,400	6,016
Medical	611	18	-	-	-	629	-	-	629	1,120
Parent activities	453	161	-	-	-	614	-	-	614	711
Mental health	604	-	-	-	-	604	-	-	604	1,178
Hiring	235	-	-	-	-	235	-	-	235	400
	<u>1,880,947</u>	<u>596,347</u>	<u>501,761</u>	<u>114,418</u>	<u>22,031</u>	<u>3,115,504</u>	<u>309,146</u>	<u>309,146</u>	<u>3,424,650</u>	<u>3,037,877</u>
Depreciation & amortization	<u>87,446</u>	<u>33,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,080</u>	<u>13,452</u>	<u>13,452</u>	<u>134,532</u>	<u>105,370</u>
	<u>\$ 1,968,393</u>	<u>\$ 629,981</u>	<u>\$ 501,761</u>	<u>\$ 114,418</u>	<u>\$ 22,031</u>	<u>\$ 3,236,584</u>	<u>\$ 322,598</u>	<u>\$ 322,598</u>	<u>\$ 3,559,182</u>	<u>\$ 3,143,247</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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (150,345)	\$ 66,049
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	134,532	105,370
(Increase) decrease in assets:		
Grants receivable - U.S. Department of Health and Human Services	(127,297)	(251,842)
Grants receivable - State - Department of Education	(1,029)	(1,327)
Prepaid expenses	(28,756)	5,867
Increase (decrease) in liabilities:		
Accounts payable	170,836	186,436
Accrued payroll	5,997	9,621
Accrued expenses	4,729	5,506
Contracts payable	1,822	2,209
Net cash provided by (used in) operating activities	10,489	127,889
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(72,440)	(5,082)
Acquisition of leased assets	(289,414)	-
Transfers (made to) leave account	(3,881)	(2,878)
Net cash provided by (used in) investing activities	(365,735)	(7,960)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Leases payable issued	289,414	-
Principal payments on leases payable	(40,645)	-
Net cash provided by (used in) financing activities	248,769	-
 Change in cash	(106,477)	119,929
Cash, Beginning of year	202,191	82,262
Cash, End of year	\$ 95,714	\$ 202,191
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - lease payable	\$ 4,589	\$ -

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

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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 90% 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, 2022, 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, 2023

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.

Leased Asset

Leased assets are recorded at the discounted present value of the underlying lease payable. All acquisitions of leased assets valued in excess of \$5,000 are capitalized. Amortization is provided using the discounted present value over the life of the lease payable.

Lease Payable

The Center recognizes a lease liability and an intangible right-to-use lease asset (leased asset) in the financial statements. The Center recognizes lease liabilities with an initial, individual value of \$5,000

At the commencement of a lease, the Center initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a discounted present value over the life of the lease payable.

Key estimates and judgments related to leases include how the Center determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Lease Payable, continued

- The Center uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Center generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Center is reasonably certain to exercise.

The Center monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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, 2023

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 \$1,012,930 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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Advertising

The Center expenses advertising costs as they are incurred.

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. The Executive Director does compile data and applications necessary to renew and obtain program revenues. The Center does not track costs associated with this activity but believes the time and cost for this activity represents a very small percentage of the Executive Director's time. Accordingly, fundraising expense is not segregated and presented in the financial statements unless specifically required by and reported under grantor guidelines.

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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Implementation of New Accounting Standard

In 2022, the Center implemented the provisions of FASB ASU 2016-02, Leases (Topic 842). ASU 2016-02 affects any entity that enters into a lease. The main difference between previous US GAAP and ASU 2016-02 is the recognition of an intangible lease asset and lease liability for the lessee and the recognition of a lease receivable and an unearned revenue for the lessor. There was no effect on the beginning net position as a result of implementation of the standard.

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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	\$ 95,714
Grants receivable	<u>575,287</u>
	<u>\$ 671,001</u>

3. CONCENTRATION OF CREDIT RISK

Custodial credit risk is the risk that in the event of bank failure, the Center's deposits may not be returned to it. 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, 2023, the Center had no uninsured cash balances.

4. CASH – LEAVE ACCRUAL

The Center has established an account designated to be used to pay employees' accrued leave. The account had a balance of \$43,816 as of March 31, 2023. The Center's accrued leave liability was \$43,816 as of March 31, 2023.

5. LEASED ASSET

Leased assets consist of the following:

Classroom space	\$ 289,414
Accumulated amortization	<u>(40,645)</u>
	<u>\$ 248,769</u>

OAHE CHILD DEVELOPMENT CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

6. LEASE PAYABLE

Lease payable consists of the following:

Classroom Space Lease, 4% discount rate, due in monthly installments of \$5,312 annually, final maturity June 2027	\$ 248,769
Total lease payable	248,769
Less: current portion	<u>(54,794)</u>
	<u>\$ 193,975</u>

Maturity of the lease payable is as follows:

	<u>March 31, Classroom Space</u>	<u>Total</u>
2024	\$ 54,794	\$ 54,794
2025	57,027	57,027
2026	59,350	59,350
2027	61,768	61,768
2028	15,830	15,830
	<u>\$ 248,769</u>	<u>\$248,769</u>

7. CONCENTRATION OF REVENUE SOURCES

Approximately 90% 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.

8. 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, 2023, the Center managed its risks as follows:

OAHE CHILD DEVELOPMENT CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023**

8. RISK MANAGEMENT, continued

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.

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.

9. 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, 2023 was \$301,633.

10. SUBSEQUENT EVENTS

Events occurring after March 31, 2023 were evaluated by management through June 16, 2023, 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. There were no significant subsequent events needing disclosure.

SUPPLEMENTARY INFORMATION

OAHE CHILD DEVELOPMENT CENTER, INC

SCHEDULE OF PROGRAM ACTIVITY - REGULATORY BASIS
YEAR ENDED MARCH 31, 2023

	DOA	Department of Health and Human Services					
	10.558	93.600					
	Child & Adult Care Food Program	Cares Act Funding	Head Start	Head Start Training and Tech. Assist.	Early Head Start	Early Head Start Training and Tech. Assist.	Total Programs
REVENUE							
Grant revenue	\$ 114,418	\$ 168,506	\$ 2,136,842	\$ 19,037	\$ 718,246	\$ 13,145	\$ 3,170,194
In-kind contributions	-	-	10,519	-	1,737	-	12,256
Total Revenue	<u>114,418</u>	<u>168,506</u>	<u>2,147,361</u>	<u>19,037</u>	<u>719,983</u>	<u>13,145</u>	<u>3,182,450</u>
EXPENSES							
Salaries	-	59,412	1,384,189	-	364,758	-	1,808,359
In-kind expenses	-	-	10,519	-	1,737	-	12,256
Retirement	-	-	177,933	-	123,700	-	301,633
Payroll taxes	-	5,185	112,709	-	28,999	-	146,893
Occupancy	-	-	79,409	-	26,479	-	105,888
Food costs	114,418	-	3,353	-	895	-	118,666
Employee benefits	-	25,048	104,600	-	15,206	-	144,854
Operating supplies	-	28,510	41,809	-	16,833	-	87,152
Repairs and maintenance	-	32,854	84,490	-	73,057	-	190,401
Equipment	-	-	35,306	-	35,306	-	70,612
Insurance	-	-	32,003	-	10,461	-	42,464
Travel and training	-	-	684	19,037	106	13,145	32,972
Technology services	-	-	15,138	-	5,046	-	20,184
Classroom	-	11,877	22,642	-	2,445	-	36,964
Professional fees	-	-	8,468	-	2,823	-	11,291
Office supplies	-	5,620	11,147	-	3,751	-	20,518
Telephone	-	-	8,601	-	3,469	-	12,070
Printing and publishing	-	-	5,973	-	1,337	-	7,310
Postage	-	-	1,872	-	615	-	2,487
Vehicles	-	-	2,742	-	1,680	-	4,422
Family services	-	-	1,871	-	1,101	-	2,972
Medical	-	-	611	-	18	-	629
Mental health	-	-	604	-	-	-	604
Parent activities	-	-	453	-	161	-	614
Hiring	-	-	235	-	-	-	235
Total Expenses	<u>114,418</u>	<u>168,506</u>	<u>2,147,361</u>	<u>19,037</u>	<u>719,983</u>	<u>13,145</u>	<u>3,182,450</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>	<u>\$ -</u>

OAHE CHILD DEVELOPMENT CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2023

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Award Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Disbursements/ Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Head Start Cluster:				
Direct Funding:				
Head Start - Center Based/Home Based	93.600	08CH01143001		\$ 2,136,842
Head Start - Training and Technical Assistance	93.600	08CH01143001		19,037
Early Head Start - Home Based	93.600	08CH01143001		718,246
Early Head Start - Training and Technical Assistance	93.600	08CH01143001		13,145
COVID-19 - Head Start - ARP	93.600	08HE000484-01-01		<u>363,749</u>
Total Head Start Cluster:				<u>3,251,019</u>
Total U.S. Department of Health and Human Services				<u>3,251,019</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the S.D. Department of Education:				
Child and Adult Care Food Program	10.558		2021G-CACFP3240100	<u>114,418</u>
Total U.S. Department of Agriculture				<u>114,418</u>
Total Federal Awards				<u>\$ 3,365,437</u>

NOTE 1: BASIS OF PRESENTATION:

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, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of 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.



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, 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 June 16, 2023.

Report on 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) 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 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.

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.

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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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Yankton, South Dakota
June 16, 2023



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

Opinion on Each Major Federal Program

We have audited Oahe Child Development Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Oahe Child Development Center Inc.'s major federal programs for the year ended March 31, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Oahe Child Development Center 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 with its major federal program. Our audit does not provide a legal determination of Oahe Child Development Center Inc.'s compliance with the compliance requirements referred to above.

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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 Oahe Child Development Center Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oahe Child Development Center 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 judgement made by a reasonable user of the report on compliance about Oahe Child Development Center Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Oahe Child Development Center 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 Oahe Child Development Center 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 Oahe Child Development Center 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.

Yankton, South Dakota
June 16, 2023

OAHE CHILD DEVELOPMENT CENTER, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2023**

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 FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 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? _____ 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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 FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2023**

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.