

**NORTHEAST SOUTH DAKOTA
HEAD START PROGRAM, INC.**

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

OCTOBER 31, 2023

**NORTHEAST SOUTH DAKOTA
HEAD START PROGRAM, INC.**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast South Dakota Head Start Program, Inc.
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northeast South Dakota Head Start Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 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 Northeast South Dakota Head Start, Inc. as of October 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 States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issues 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 Northeast South Dakota Head Start, Inc. and to meet our 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 Northeast South Dakota Head Start, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors 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 Northeast South Dakota Head Start, 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 judgement, there are conditions or events considered in the aggregate, that raise substantial doubt about Northeast South Dakota Head Start, 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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or footnote disclosures. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles and accordingly is not covered in our Opinion section of our report. The comparative information should be read in conjunction with the Program's audited financial statements for the year ended October 31, 2023. We have previously audited Northeast South Dakota Head Start Program, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended October 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-regulatory basis 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 is also 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 schedule of program activity-regulatory basis and the schedule of expenditures of federal awards are 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 1, 2024, on our consideration of Northeast South Dakota Head Start Program, 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 Northeast South Dakota Head Start Program 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 Northeast South Dakota Head Start Program, Inc.'s internal control over financial reporting and compliance.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
August 1, 2024

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

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

ASSETS	2023	2022
CURRENT ASSETS		
Cash	\$ 251	147
Grants receivable:		
U.S. Department of Health and Human Services	150,378	184,677
State - Department of Education	-	-
Total current assets	150,629	184,824
PROPERTY AND EQUIPMENT		
Vehicles and equipment	1,006,146	978,622
Less: accumulated depreciation	(376,137)	(317,435)
Leased buildings	1,070,487	1,070,487
Less: accumulated amortization	(206,900)	(79,770)
Net property and equipment	1,493,596	1,651,904
 TOTAL ASSETS	 \$ 1,644,225	 \$ 1,836,728
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 97,684	\$ 107,829
Accrued payroll taxes	778	470
Contracts payable	52,167	18,147
Unearned revenue	-	58,380
Current portion - leases payable	131,940	127,130
Total current liabilities	282,569	311,956
LONG-TERM LIABILITIES		
Leases payable, less current portion	731,647	863,587
NET ASSETS		
Without donor restrictions	630,009	661,185
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,644,225	 \$ 1,836,728

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

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

STATEMENT OF ACTIVITIES
 YEAR ENDED OCTOBER 31, 2023
 WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED OCTOBER 31, 2023

	2023	2022
	Without Donor Restrictions	Total
REVENUE		
Grant revenue	\$ 3,525,594	\$ 3,549,187
Contributed nonfinancial assets	550,820	525,774
Gain/(Loss) on sale of property and equipment	502	(7,602)
Total revenue	4,076,916	4,067,359
EXPENSES		
Program activities:		
Child education	3,448,028	3,295,350
Food programs	293,551	295,725
Total program activities	3,741,579	3,591,075
Support services:		
Administrative costs	354,755	341,069
Fundraising	11,758	10,286
Total support services	366,513	351,355
Total expenses	4,108,092	3,942,430
Change in Net Assets	(31,176)	124,929
Net Assets - Beginning of Year	661,185	536,256
Net Assets - End of Year	\$ 630,009	\$ 661,185

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

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED OCTOBER 31, 2023
 WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED OCTOBER 31, 2022

	2023						2022	
	Program Activities			Support Services			Total Expenses	Total Expenses
	Child Education	Food Programs	Total Program Activities	Administrative Costs	Fundraising	Total Support Services		
Wages and salaries	\$ 1,665,457	\$ 115,607	\$ 1,781,064	\$ 230,972	\$ 9,910	\$ 240,882	\$ 2,021,946	\$ 1,873,504
Payroll taxes	137,782	9,844	147,626	17,742	758	18,500	166,126	154,196
Fringe benefits	352,255	-	352,255	26,409	1,090	27,499	379,754	361,423
Travel/transportation	108,059	-	108,059	10,115	-	10,115	118,174	158,215
Supplies	192,434	32,432	224,866	11,019	-	11,019	235,885	252,432
Food	-	135,668	135,668	-	-	-	135,668	131,316
Rental of space	10,783	-	10,783	3,167	-	3,167	13,950	88,600
Rental of space - amortization	127,130	-	127,130	-	-	-	127,130	52,476
Rental of space - interest	37,324	-	37,324	-	-	-	37,324	14,808
Utilities and maintenance	74,324	-	74,324	1,334	-	1,334	75,658	82,779
Insurance	24,544	-	24,544	13,680	-	13,680	38,224	51,983
Depreciation	67,021	-	67,021	-	-	-	67,021	66,794
Other expenses	100,095	-	100,095	40,317	-	40,317	140,412	128,130
Contributed nonfinancial assets	<u>550,820</u>	<u>-</u>	<u>550,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,820</u>	<u>525,774</u>
	<u>\$ 3,448,028</u>	<u>\$ 293,551</u>	<u>\$ 3,741,579</u>	<u>\$ 354,755</u>	<u>\$ 11,758</u>	<u>\$ 366,513</u>	<u>\$ 4,108,092</u>	<u>\$ 3,942,430</u>

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

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2023
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED OCTOBER 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (31,176)	\$ 124,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	67,021	66,794
Amortization	127,130	52,476
(Increase) decrease in assets:		
Grants receivable - U.S. Department of Health and Human Services	34,299	(67,376)
Increase (decrease) in liabilities:		
Accounts payable	(10,144)	5,910
Accrued payroll liabilities	308	38
Contracts payable	34,020	3,210
Unearned revenue	(58,379)	40,071
Net cash provided by (used in) operating activities	163,079	226,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of leased assets	-	(852,495)
Purchase of property and equipment	(35,845)	(206,356)
Book value of property and equipment disposed of	-	14,634
Net cash provided by (used in) investing activities	(35,845)	(1,044,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Leases payable issued	-	852,495
Principal payments on leases payable	(127,130)	(52,476)
Net cash provided by (used in) financing activities	(127,130)	800,019
Change in cash	104	(18,146)
Cash, Beginning of year	147	18,293
Cash, End of year	\$ 251	\$ 147
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - leases payable	\$ 37,324	\$ 14,808

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

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Northeast South Dakota Head Start Program, Inc. (the Program), was organized as a nonprofit corporation in 1987. The Program was formed to develop and provide comprehensive early child development for disadvantaged pre-school children and their families. The Program is primarily supported through grants from federal and state governments. Approximately 98% of the Program's grant revenue is received from the Department of Health and Human Services' Head Start funds.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Program is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Program's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

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

The FASB requires the Program 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.

Summarized 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 Program's audited financial statements for the year ended October 31, 2022, from which the summarized information was derived.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

For financial statement reporting purposes, the Program 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.

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 contains a donor or grantor condition when there is (1) an explicit identification of a barrier that must be overcome before the revenue can be earned and (2) an implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promises, if the condition is not met.

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

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grant awards that are contributions are recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions are those in which the resource provider or grantor received 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 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 unearned revenue.

Property and Equipment

Vehicles and equipment are stated at cost, if purchased, or at estimated 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. The Program considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment, continued

Property and equipment purchased with grant funds are owned by the Program while used in the Program 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 restricted for use in specific programs operated by the Program.

Leased Assets

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.

Leases Payable

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

At commencement of a lease, the Program 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 leased 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 judgements related to leases include how the Program determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Program uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Program generally uses its estimated incremental borrowing rate as the discount rate for leases.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Leases Payable continued,

- 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 Program is reasonably certain to exercise.

The Program monitors changes in circumstances that would require a measurement 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.

Classification of Net Assets

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

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 or grantor. Other donor or grantor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor or grantor-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 period are reported as net assets without donor restrictions.

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

Fundraising Activity

The Program 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 program directors do, however, compile data and applications necessary to renew and obtain new grants.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributed Nonfinancial Assets

The Program has recorded contributed nonfinancial assets for space, supplies, and professional services in the statement of activities in accordance with 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 contributed nonfinancial assets requirements of the Program's grant award.

The Program received contributions of nonprofessional volunteers and consultants during the year with a value of \$207,185 for its Head Start program, which are not recorded in the statement of activities.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statement 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 activities and supporting services benefited.

Federal Income Taxes

Northeast South Dakota Head Start Program, 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. In addition, the Program qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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.

Reclassification

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
OCTOBER 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	\$ 251
Receivables	<u>150,378</u>
	<u>\$ 150,629</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 Program 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 October 31, 2023, the Program had no uninsured cash balances.

4. LEASES PAYABLE

Lease payables consist of the followings:

Office space lease, 4% dicount rate, due in monthly installments of \$6,597, final maturity August 2027.	\$ 280,909
Building/parking area lease, 4% discount rate, due in monthly installments of varying amounts, final maturity May 2032.	443,346
Lots 14 and 15 lease, 4% discount rate, due in monthly installments of \$1,595, final maturity August 2031.	128,531
Living center lease, 4% discount rate, due in monthly installments of \$1,100, final maturity August 2024.	<u>10,801</u>
Total leases payable	863,587
Less: current portion	<u>(131,940)</u>
	<u>\$ 731,647</u>

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023

4. LEASES PAYABLE, continued

Maturity of the lease payables is as follows:

	Maturities				
	Office lease	Building/ Parking area	Lots 14 and 15	Living Center	Total
2024	\$ 69,187	\$ 37,694	\$ 14,258	\$ 10,801	\$ 131,940
2025	72,006	41,062	14,839	-	127,907
2026	74,939	44,569	15,444	-	134,952
2027	64,777	48,218	16,073	-	129,068
2028	-	52,016	16,728	-	68,744
Thereafter	-	219,787	51,189	-	270,976
	\$ 280,909	\$ 443,346	\$ 128,531	\$ 10,801	\$ 863,587

5. CONCENTRATION OF REVENUE SOURCES

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

6. RISK MANAGEMENT

The Program 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 October 31, 2023, the Program managed its risks as follows:

Employee Health Insurance

The Program purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The Program purchases liability insurance for risks related to torts, theft, or damage to property and for 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.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

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

6. RISK MANAGEMENT, continued

Worker's Compensation

The Program 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 Program provides coverage for unemployment benefits by paying into the unemployment compensation fund established by state law and managed by the State of South Dakota.

7. RETIREMENT PLAN

The Program maintains a 401(k) Retirement Plan for its employees. The Program will match 75 cents per employee dollar contribution for all eligible employees to a maximum of \$6,000 or 6% of employee annual earnings. Plan eligibility requires the employee to attain the age of 21 and to have one year of service. Retirement plan expense for the year ended October 31, 2023, was \$41,449.

8. SUBSEQUENT EVENTS

Events occurring after October 31, 2023, were evaluated by management through August 1, 2024, 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 are no significant subsequent events needing disclosure.

SUPPLEMENTARY INFORMATION

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

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

	<u>DOA</u>	<u>Department of Health and Human Services</u>				<u>Total Programs</u>
	<u>10,558</u>	<u>93,600</u>				
	<u>Child & Adult Care Food Program</u>	<u>Full-Year, Part-Day</u>	<u>Training and Tech. Assist.</u>	<u>COVID</u>	<u>In-Kind Elimination</u>	
REVENUE						
Grant revenue	\$ 173,997	\$ 3,257,794	\$ 35,424	58,379	-	\$ 3,525,594
Contributed nonfinancial assets	-	826,118	-	-	(68,114)	758,004
Gain/(Loss) on sale of property and equipment	-	502	-	-	-	502
Total Revenue	<u>173,997</u>	<u>4,084,414</u>	<u>35,424</u>	<u>58,379</u>	<u>(68,114)</u>	<u>4,284,100</u>
EXPENSES						
Wages and salaries	-	1,969,888	-	52,058	-	2,021,946
Contributed nonfinancial asset expenses	-	826,118	-	-	(68,114)	758,004
Fringe benefits	-	379,754	-	-	-	379,754
Vehicles/equipment	-	35,845	-	-	-	35,845
Other	-	116,113	24,085	214	-	140,412
Supplies	32,432	196,423	5,088	1,942	-	235,885
Rental of space	-	178,404	-	-	-	178,404
Payroll taxes	-	162,022	-	4,104	-	166,126
Travel/transportation	-	111,923	6,251	-	-	118,174
Occupancy	-	75,597	-	61	-	75,658
Insurance/bonding	-	38,224	-	-	-	38,224
Food	135,668	-	-	-	-	135,668
Total Expenses	<u>168,100</u>	<u>4,090,311</u>	<u>35,424</u>	<u>58,379</u>	<u>(68,114)</u>	<u>4,284,100</u>
Change in Net Assets	5,897	(5,897)	-	-	-	-
Net Assets - Beginning of Year	-	(3,829)	3,289	-	-	-
NET ASSETS - End of Year	<u>\$ 5,897</u>	<u>\$ (9,726)</u>	<u>\$ 3,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 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 - Full-Year, Part-Day	93.600	08CH012120-02-03		\$ 3,257,794
Head Start - Training and Technical Assistance	93.600	08CH012120-02-03		35,424
Head Start - American Rescue Plan (COVID-19)	93.600	08HE000846-01-01		<u>58,379</u>
Total Head Start Cluster				<u>3,351,597</u>
Total U.S. Department of Health and Human Services				<u>3,351,597</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the S.D. Department of Education:				
Child Care and Adult Care Food Program	10.558		LA064110	<u>173,997</u>
Total U.S. Department of Agriculture				<u>173,997</u>
Total Federal Awards				<u>\$ 3,525,594</u>

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Northeast South Dakota Head Start Program, Inc. (the Program) under programs of the federal government for the year ended October 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 (the Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Program, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Program.

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 Program has not elected to use the 10% de minimis 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
Northeast South Dakota Head Start Program, Inc.
Aberdeen, 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 Northeast South Dakota Head Start Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 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 August 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast South Dakota Head Start, 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 an opinion on the effectiveness of Northeast South Dakota Head Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast South Dakota Head Start, Inc.'s internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast South Dakota Head Start, Inc.'s organizations financial statements are free from material misstatement, we performed test 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 Northeast South Dakota Head Start Program, Inc.'s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
August 1, 2024



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
Northeast South Dakota Head Start Program, Inc.
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeast South Dakota Head Start Program, 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 Northeast South Dakota Head Start Program Inc.'s major federal programs for the year ended October 31, 2023. Northeast South Dakota Head Start Program 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, Northeast South Dakota Head Start, Inc. compiled, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended October 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 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 Northeast South Dakota Head Start, Inc. and to meet our 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 each major federal program. Our audit does not provide legal documentation of Northeast South Dakota Head Start, 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 Northeast South Dakota Head Start, 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 Northeast South Dakota Head Start, 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 Northeast South Dakota Head Start, 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 procedure includes examining, on a test basis, evidence regarding Northeast South Dakota Head Start, 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 Northeast South Dakota Head Start Program 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 Northeast South Dakota Head Start Program Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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 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.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
August 1, 2024

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 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.

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 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>CFDA Numbers</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

NORTHEAST SOUTH DAKOTA HEAD START PROGRAM, INC.

**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 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.