

The Warren Center, Inc.

Audited Financial Statements

August 31, 2015  
(with comparative totals for 2014)

The Warren Center, Inc.

Audited Financial Statements

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(with comparative totals for 2014)

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ALBRIGHT, HILL & SUMPTER  
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A Professional Corporation

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Independent Auditors' Report

Board of Trustees  
The Warren Center, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Warren Center, Inc., which comprise the Statements of Financial Position as of August 31, 2015 and the related Statements of Activities, Functional Expenses, and Cash Flows and the related notes to the financial statements for the year then ended. The prior year summarized **comparative information has been derived from The Warren Center, Inc.'s 2014** financial statements on which we expressed an unmodified opinion dated December 15, 2014.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the **auditors' judgment, including the assessment of risks of material misstatement of the** financial statements, whether due to fraud or error. In making those risk **assessments, the auditor considers internal control relevant to the entity's** preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of **expressing an opinion on the effectiveness of the entity's internal control.** Accordingly, we express no such opinion. An audit also includes evaluating the

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appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Warren Center, Inc., as of August 31, 2015, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

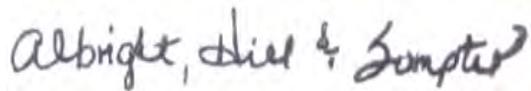
### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements 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 December 21, 2015, on our consideration of The Warren Center, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is 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 internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Warren Center, Inc.'s control over financial reporting and compliance.

In accordance with Office of Management and Budget (OMB) Circular A-133, ***Audits of States, Local Governments and Non-Profit Organizations***, we have also issued our report dated December 21, 2015, on our consideration of The Warren Center, **Inc.'s** compliance and internal control over compliance. The purpose of that report is to express an opinion on compliance with the types of compliance requirements required by OMB Circular A-133 that could have a direct and material effect on each of The Warren Center, **Inc.'s** major programs and to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on internal control over compliance.



Albright, Hill & Sumpter, PC  
Certified Public Accountants

December 21, 2015

The Warren Center, Inc.  
Statement of Financial Position  
August 31, 2015  
(with comparative totals for 2014)

	<u>ASSETS</u>	<u>2015</u>		<u>2014 Comparative Totals</u>
Current assets				
Cash and cash equivalents		\$ 688,571		\$ 657,983
Investments - certificate of deposit		50,160		50,000
Accounts receivable				
Early Childhood Intervention Program		458,098		146,588
Insurance (net of allowance for doubtful accounts of \$359,640)		205,903		136,059
Accounts receivable - other		3,130		725
Promises to give				
Unrestricted		42,070		142
Prepaid expenses		4,805		25,484
Total current assets		<u>1,452,737</u>		<u>1,016,981</u>
Non-current assets				
Property and equipment (net)		<u>1,339,382</u>		<u>1,380,529</u>
Total assets		<u><u>\$ 2,792,119</u></u>		<u><u>\$ 2,397,510</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities				
Accounts payable and accrued expenses		\$ 876,626		\$ 475,583
Deferred special event revenue		-		171,620
Total current liabilities		<u>876,626</u>		<u>647,203</u>
Net assets				
Unrestricted		1,861,743		1,706,593
Temporarily restricted		53,750		43,714
Total net assets		<u>1,915,493</u>		<u>1,750,307</u>
Total liabilities and net assets		<u><u>\$ 2,792,119</u></u>		<u><u>\$ 2,397,510</u></u>

The accompanying notes are an integral part of this statement.

The Warren Center, Inc.  
Statement of Activities  
For the year ended August 31, 2015  
(with comparative totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Totals	2014 Comparative Totals
Revenue, gains and other support				
Contributions	\$ 114,799	\$ 144,000	\$ 258,799	\$ 181,410
Grants and contracts	2,285,798	-	2,285,798	1,667,509
Program receipts	2,505,026	-	2,505,026	1,710,344
Family fees	126,032	-	126,032	95,980
Special events (net of direct costs of \$188,238)	474,188	-	474,188	283,709
Other revenue	22,768	-	22,768	19,995
Net assets released from restrictions				
Satisfaction of program restrictions	133,964	(133,964)	-	-
Total revenue, gains and other support	<u>5,662,575</u>	<u>10,036</u>	<u>5,672,611</u>	<u>3,958,947</u>
Expenses				
Program services				
Early Childhood Intervention	4,928,598	-	4,928,598	3,530,848
Family Outreach Support	59,396	-	59,396	35,451
Clinic Based Services	93,717	-	93,717	22,618
Total program services	<u>5,081,711</u>	<u>-</u>	<u>5,081,711</u>	<u>3,588,917</u>
Supporting services				
Management and general	170,591	-	170,591	219,683
Fund raising	255,123	-	255,123	153,626
Total expenses	<u>5,507,425</u>	<u>-</u>	<u>5,507,425</u>	<u>3,962,226</u>
Change in net assets	155,150	10,036	165,186	(3,279)
Net assets, beginning of year	1,706,593	43,714	1,750,307	1,753,586
Net assets, end of year	<u>\$ 1,861,743</u>	<u>\$ 53,750</u>	<u>\$ 1,915,493</u>	<u>\$ 1,750,307</u>

The accompanying notes are an integral part of this statement.

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The Warren Center, Inc.  
Statement of Functional Expenses  
For the year ended August 31, 2015  
(with comparative totals for 2014)

	Program Services		
	Early Childhood Intervention	Family Outreach Support	Clinic Based Services
Salaries and other payroll costs	\$ 4,132,479	\$ 45,547	\$ 83,678
Retirement	96,225	2,036	2,549
Advertising and promotions	2,471	1,017	234
Occupancy costs	227,295	791	1,938
Supplies and equipment	95,479	1,500	719
Travel	157,207	710	1,225
Professional fees	89,530	5,942	1,353
Office expenses	30,622	225	62
Telephone	43,181	414	651
Subscriptions	2,492	135	47
Depreciation	-	-	-
Other	51,617	1,079	1,261
Total expenses	<u>\$ 4,928,598</u>	<u>\$ 59,396</u>	<u>\$ 93,717</u>

The accompanying notes are an integral part of this statement.

The Warren Center, Inc.  
Statement of Functional Expenses  
For the year ended August 31, 2015  
(with comparative totals for 2014)

<u>Supporting Services</u>		2015	2014
<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>	<u>Comparative Totals</u>
\$ 50,423	\$ 172,244	\$ 4,484,371	\$ 3,197,300
1,586	4,879	107,275	99,287
12	11,952	15,686	12,306
9,238	8,999	248,261	177,880
4,852	9,268	111,818	45,417
519	208	159,869	116,137
35,698	29,541	162,064	116,738
40	5,447	36,396	16,945
461	1,702	46,409	35,835
910	766	4,350	2,467
62,114	-	62,114	92,859
4,738	10,117	68,812	49,055
<u>\$ 170,591</u>	<u>\$ 255,123</u>	<u>\$ 5,507,425</u>	<u>\$ 3,962,226</u>

The accompanying notes are an integral part of this statement.

The Warren Center, Inc.  
Statement of Cash Flows  
For the year ended August 31, 2015  
(with comparative totals for 2014)

	2015	2014 Comparative Totals
Cash flows from operating activities		
Change in net assets	\$ 165,186	\$ (3,279)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	62,114	92,859
Reinvested interest	(160)	-
Changes in:		
Accounts receivable	(425,687)	(24,386)
Deposits and prepaid expenses	20,679	19,795
Accounts payable	401,043	175,900
Deferred special event revenue	(171,620)	(53,780)
Net cash provided by operating activities	51,555	207,109
 Cash flows from investing activities		
Purchase of equipment	(20,967)	(12,274)
Net cash (used in) investing activities	(20,967)	(12,274)
 Cash flow from financing activities		
Purchase of certificate of deposit	-	(50,000)
Net cash (used in) financing activities	-	(50,000)
 Net increase in cash and cash equivalents	30,588	144,835
 Cash, at beginning of year	657,983	513,148
Cash, at end of year	\$ 688,571	\$ 657,983
 Supplemental non-cash flow information:		
 Interest expense	\$ -	\$ -

The accompanying notes are an integral part of this statement.

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**In fulfilling its responsibility for the preparation of The Warren Center, Inc.'s (the Center) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.**

Nature and Purpose of the Center

The Warren Center, Inc. is a non-profit organization chartered by the State of Texas. Three programs focus on helping children with disabilities reach their full potential through specialized therapies. Parents also receive resources and support in order to help their child learn and grow. The Early Childhood program serves children birth to 3 years of age in North Dallas County. The Family Education and Support program and the Therapy Services for 3 to 5 year olds serves children and families throughout the DFW metroplex.

Financial Statement Presentation

**The Center's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958, "Not-for-Profit Entities."** Under ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net assets and changes therein are classified as follows:

Unrestricted net assets – those funds available for support of the Center and its programs.

Temporarily restricted net assets – those funds limited by the donor(s) for later periods or specific purposes.

Permanently restricted net assets – those funds limited by the donor(s) for permanent investment of principal and use of income. As of August 31, 2015, there were no permanently restricted net assets.

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates and assumptions primarily relate to valuation and collectability of receivables, and the allocation of functional expenses as of the date of the financial statements. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Investments

**The Center's investments consist of a certificate of deposit with an initial maturity of greater than 90 days.** This certificate of deposit is reported at cost which approximates estimated fair value.

Property and Equipment

**It is the Center's policy to capitalize property and equipment over \$5,000.** Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value, less costs to sell.

Revenue Recognition

In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

the existence and/or nature of any donor restrictions. Contributions are recognized when received or when the donor makes a promise to give to the Center that is, in substance, unconditional. All contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If the restriction is met or expires in the same year the contribution is received, the amount is classified as unrestricted.

Donated materials and services are recorded at estimated fair value at the date of donation. During the year ended August 31, 2015, there were no donated materials or services meeting the requirements for recognition in the financial statements. In **the normal course of the Center's activities**, various individuals volunteer their time and perform a variety of tasks that assist the Center, but these services do not meet the criteria for recognition as contributed services.

#### Federal Income Tax

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### Functional Expenses

**The costs of providing the Center's various programs** and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain direct and indirect costs have been allocated among the programs and supporting services benefited based on allocation percentages **determined by the Center's management.**

#### Cash and Cash Equivalents

The Center maintains cash balances at one financial institution. Accounts at this financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in excess of \$250,000 approximated \$433,000 at August 31, 2015. For the purpose of the Statement of Cash Flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash and cash equivalents and receivables. Cash and cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Center has not experienced any losses on its cash or cash equivalents. As of August 31, 2015, 70% of accounts receivable were concentrated in one source. Because this source is from governmental funds, **the Center's risk of loss from** this source is minimal.

Basis of Presentation – Schedule of Expenditures of Federal and State Awards

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and state grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2015:

Furniture, fixtures and equipment	\$ 267,771
Software	97,870
Building and improvements	<u>1,516,090</u>
	1,881,731
Less: accumulated depreciation	<u>(676,205)</u>
	1,205,526
Land	<u>133,856</u>
Net fixed assets	<u><u>\$ 1,339,382</u></u>

Depreciation expense of \$62,114 was recorded for the year ended August 31, 2015.

NOTE 3 – LINE OF CREDIT

The Center has an established line of credit with a local bank. The total amount of this line of credit is \$200,000. As of August 31, 2015, no amounts had been borrowed on this line.

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes:

Client based services	\$ 16,667
Specialized training skills	3,750
Reflective supervision	33,333
	<u>\$ 53,750</u>

Net assets released from restrictions were as follows:

<u>Description</u>	<u>Amount</u>
Scholarships	\$ 8,131
Specialized training skills	17,500
Developmental delays	16,666
Other	8,333
Reflective supervision	83,334
	<u>\$ 133,964</u>

NOTE 5 – PROFIT SHARING PLAN

The Center has a profit sharing plan that covers all full-time employees with more than one year of service. Contributions to the plan are based on a formula and at the discretion of the Board of Trustees. During the year ended August 31, 2015, contributions to the plan charged to operations were \$104,374.

NOTE 6 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Center files an annual information return. With few exceptions, the Center is no longer subject to U.S. federal income tax examinations by tax authorities for years before August 2012.

The Center has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. There were no unrecognized tax benefits as of August 31, 2015.

The Center recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2015.

The Warren Center, Inc.  
Notes to Financial Statements  
August 31, 2015

NOTE 7 – CHANGE IN ACCOUNTING POLICIES (COMPENSATED ABSENCES)

In prior years the Center has recognized the cost of compensated absences when paid rather than when incurred due to it being impractical to estimate the liability for such absences. **During 2015, the Center's system now allows this cost to be calculated and accrued.** Since this is the more generally accepted accounting method, the Center has changed its policy to accrue for compensated absences when earned. The impact of this change is as follows:

Net assets 9/1/2013 as previously reported	\$ 1,850,519
Effect of change in accounting for compensated absences	<u>(96,933)</u>
Restated net assets as of 9/1/2013	\$ 1,753,586
Decrease in net assets	<u>(3,279)</u>
Restated net assets as of 8/31/2014	<u><u>\$ 1,750,307</u></u>

The change in the accrual from 9/1/2013 to 8/31/2014 was nominal.

As of August 31, 2015, \$127,098 was accrued for compensated absences.

NOTE 8 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to August 31, 2015 through the issue date of the financial statements, December 21, 2015. Based on this review, no events have occurred requiring disclosure.

The Warren Center, Inc.  
Schedule of Expenditures of Federal and State Awards  
For the year ended August 31, 2015

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Contract Number/ARRA Funds	Disbursements/ Expenditures
Department of Health and Human Services Texas Department of Health and Human Services			
Temporary Assistance for Needy Families	93.558		\$ 313,801
Total Department of Health and Human Services			<u>313,801</u>
Department of Education Texas Department of Rehabilitative Services			
Special Education - Grants for Infants and Families with Disabilities (IDEA Part C)	84.181		1,712,273
Department of Education - Grants to States	84.027		172,702
Total Department of Education			<u>1,884,975</u>
Total Federal Assistance			<u>2,198,776</u>
Texas Department of Assistance and Rehabilitative Services			
Division for Early Childhood Intervention Services (State General Revenue)			<u>330,452</u>
Total State Assistance			<u>330,452</u>
Total Expenditures of Federal/State Awards as Per Claims Made			2,529,228
Reconciliation to Financial Statements			
Deduct Claims Made for Items "Encumbered" as of August 31,2015			(243,430)
Total Per Financial Statements			<u>\$ 2,285,798</u>

The accompanying notes are an integral part of this schedule.



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

Board of Trustees  
The Warren Center, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States of America, the financial statements of The Warren Center, Inc., which comprise the Statements of Financial Position as of August 31, 2015, and the related Statements of Activities, Functional Expenses, Cash Flows and the related notes to the financial statements for the year then ended and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of 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 financial statements will not be prevented or detected and corrected on a timely basis. A **significant deficiency** is a deficiency, or 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

Board of Directors  
The Warren Center, Inc.

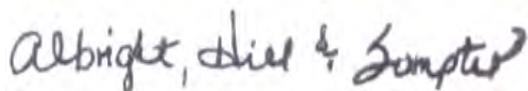
limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** in considering internal control and compliance. Accordingly, this communication is not suitable for any other purpose for the information and use of management, the Board of Trustees, others within the organization, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Albright, Hill & Sumpter, PC  
Certified Public Accountants

December 21, 2015



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
The Warren Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Warren Center, Inc.'s compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular **A-133, Compliance Supplement** that could have a direct and material effect on each of The Warren Center, Inc.'s major federal/state programs for the year ended August 31, 2015. The Warren Center, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Warren Center, Inc.'s major federal/state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments and Non-Profit Organization**. Those standards, OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Warren Center, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

Board of Directors  
The Warren Center, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Warren Center, Inc.'s **compliance**.

#### Opinion on Each Major Federal/State Program

In our opinion, The Warren 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 each of its major federal/state programs for the year ended August 31, 2015.

#### Report on Internal Control over Compliance

Management of The Warren Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Warren Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal/state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Warren Center, Inc. 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

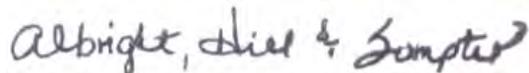
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

Board of Directors  
The Warren Center, Inc.

significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The Warren Center, Inc.'s **responses to the findings identified in our audit are** described in the accompanying Schedule of Findings and Questioned Costs. We did not audit The Warren Center, Inc.'s **responses**, and accordingly, we express no opinion on the responses.



Albright, Hill & Sumpter, PC  
Certified Public Accountants

December 21, 2015

The Warren Center, Inc.  
 Schedule of Findings and Questioned Costs  
 For the year ended August 31, 2015

**Section I - Summary of Auditor's Results**

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified?	___ Yes <u>X</u> No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes <u>X</u> No
Identification of major programs:	
CFDA #84.181	
Special Education - Grants for Infants and Families with Disabilities (IDEA Part C)	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u>X</u> Yes    ___ No

**Section II - Financial Statement Findings**

There were no findings related to the financial statements required to be reported under generally accepted government auditing standards.

**Section III - Federal Award Findings and Questioned Costs**

There were no findings related to the federal awards expended required to be reported under generally accepted government auditing standards.