



The Warren Center, Inc.

**Financial Statements
with Supplementary Information and Compliance Reports
August 31, 2022 (with summarized comparative totals for 2021)**

The Warren Center, Inc.

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Independent Auditors' Report

To the Board of Directors of
The Warren Center, Inc.

Opinion

We have audited the accompanying financial statements of The Warren Center (a nonprofit organization) which comprise the statement of financial position as of August 31, 2022, 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 referred to above present fairly, in all material respects, the financial position of The Warren Center, Inc. as of August 31, 2022, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Warren 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.

Report on Summarized Comparative Information

We have previously audited The Warren Center's 2021 financial statements, and we have expressed an unmodified opinion on those audited financial statements in our report dated March 31, 2022. In our opinion comparative information presented herein as of and for the year ended August 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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.

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 The Warren 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.

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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Warren Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Warren 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.

Supplementary Information

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 and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* under the State of Texas *Uniform Grant Management Standards*, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplemental 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 March 22, 2023 on our consideration of The Warren 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Warren Center, Inc.'s internal control over financial reporting and compliance.



A Limited Liability Partnership

Arlington, Texas
March 22, 2023

The Warren Center, Inc.
Statement of Financial Position
August 31, 2022
(with summarized comparative totals for 2021)

	2022	2021
Assets		
Current assets:		
Cash	\$ 964,533	\$ 868,296
Certificates of deposit	50,177	50,177
Accounts receivable, net	414,239	468,715
Unconditional promises to give	56,779	287,535
Prepaid expenses	78,727	57,107
Total current assets	1,564,455	1,731,830
Non-current assets:		
Unconditional promises to give, net	108,958	97,893
Property and equipment, net	1,155,926	1,189,811
Total non-current assets	1,264,884	1,287,704
Total assets	<u>\$ 2,829,339</u>	<u>\$ 3,019,534</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 94,246	\$ 100,012
Accrued expenses	505,013	453,687
Total current liabilities	599,259	553,699
Net assets:		
Without donor restrictions	2,010,335	2,166,525
With donor restrictions	219,745	299,310
Total net assets	2,230,080	2,465,835
Total liabilities and net assets	<u>\$ 2,829,339</u>	<u>\$ 3,019,534</u>

See notes to financial statements.

The Warren Center, Inc.
Statement of Activities
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Program service fees, net	\$ 4,110,982	\$ -	\$ 4,110,982	\$ 3,205,087
Government grants	2,794,930	-	2,794,930	2,827,779
Contributions	588,123	91,667	679,790	912,239
Contributed nonfinancial assets	5,090	-	5,090	8,121
Special events (net of direct costs of \$85,679)	279,829	-	279,829	248,300
Other revenue	3,992	-	3,992	37,034
Net assets released from restrictions	171,232	(171,232)	-	-
Total revenue and support	7,954,178	(79,565)	7,874,613	7,238,560
Expenses:				
Program services:				
Early Childhood Intervention	5,915,716	-	5,915,716	5,125,585
Family Outreach Support	77,768	-	77,768	56,461
Clinic Based Services	1,328,363	-	1,328,363	1,018,073
Total program services	7,321,847	-	7,321,847	6,200,119
Supporting services:				
Management and general	389,802	-	389,802	245,233
Fundraising	398,719	-	398,719	420,781
Total supporting services	788,521	-	788,521	666,014
Total expenses	8,110,368	-	8,110,368	6,866,133
Excess (deficit) of revenue over operating expenses	(156,190)	(79,565)	(235,755)	372,427
Bad debt loss	-	-	-	(24,000)
Increase (decrease) in net assets	(156,190)	(79,565)	(235,755)	348,427
Net assets at beginning of year	2,166,525	299,310	2,465,835	2,117,408
Net assets at end of year	\$ 2,010,335	\$ 219,745	\$ 2,230,080	\$ 2,465,835

See notes to financial statements.

The Warren Center, Inc.
Statement of Functional Expenses
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	2022							2021	
	Program Services				Supporting Services				
	Early Childhood Intervention	Family Outreach Support	Clinic Based Services	Total	Management and General	Fundraising	Total	Total	Total
Salaries and other payroll costs	\$ 4,851,091	\$ 66,195	\$ 1,184,637	\$ 6,101,923	\$ 126,594	\$ 265,075	\$ 391,669	\$ 6,493,592	\$ 5,573,996
Advertising and promotions	14,493	-	2,141	16,634	103,354	5,102	108,456	125,090	67,537
Occupancy	166,842	2,118	16,333	185,293	3,674	16,142	19,816	205,109	173,206
Contracted services	176,445	25	4,150	180,620	21	634	655	181,275	77,394
Insurance	17,119	144	3,135	20,398	288	584	872	21,270	20,803
Supplies and equipment	52,009	4,674	22,975	79,658	10,381	11,334	21,715	101,373	194,658
Travel	135,336	5	753	136,094	95	1,046	1,141	137,235	32,789
Professional fees	186,912	2,333	43,905	233,150	35,220	40,636	75,856	309,006	232,683
Special events	-	-	-	-	-	114,294	114,294	114,294	148,753
Office	233,961	1,058	30,926	265,945	29,106	17,368	46,474	312,419	283,161
Telephone	54,994	757	9,856	65,607	784	1,386	2,170	67,777	60,056
In-kind goods and services	238	173	52	463	401	4,226	4,627	5,090	8,121
Training and development	5,163	127	3,046	8,336	25,637	1,205	26,842	35,178	20,025
Depreciation	-	-	2,216	2,216	52,076	-	52,076	54,292	52,170
Other	21,113	159	4,238	25,510	2,171	5,366	7,537	33,047	23,471
Total expenses	5,915,716	77,768	1,328,363	7,321,847	389,802	484,398	874,200	8,196,047	6,968,823
Less expenses included with revenues on the statement of activities:									
Direct costs of special events	-	-	-	-	-	(85,679)	(85,679)	(85,679)	(102,690)
Total expenses included in the expense section on the statement of activities	\$ 5,915,716	\$ 77,768	\$ 1,328,363	\$ 7,321,847	\$ 389,802	\$ 398,719	\$ 788,521	\$ 8,110,368	\$ 6,866,133

See notes to financial statements.

The Warren Center, Inc.
Statement of Cash Flows
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (235,755)	\$ 348,427
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	54,292	52,170
Allowance for doubtful accounts	339,871	(15,676)
Change in discount on unconditional promises to give	(11,065)	(6,385)
Changes in assets and liabilities:		
Accounts receivable	(285,395)	(117,880)
Unconditional promises to give	230,756	(38,562)
Prepaid expenses	(21,620)	6,326
Accounts payable	(5,766)	62,796
Accrued expenses	51,326	38,131
Refundable advance	-	(481,543)
Net cash provided (used) by operating activities	116,644	(152,196)
Cash flows from investing activities:		
Purchases of property and equipment	(20,407)	(80,690)
Loss on disposal of property and equipment	-	31,265
Net cash used by investing activities	(20,407)	(49,425)
Net increase (decrease) in cash	96,237	(201,621)
Cash at beginning of year	868,296	1,069,917
Cash at end of year	\$ 964,533	\$ 868,296

See notes to financial statements.

The Warren Center, Inc.

Notes to Financial Statements

1. Organization

The Warren Center, Inc. (Organization) was formed in 1968 as a Texas not-for-profit organization. The Organization was formed to assure that children with developmental differences or disabilities, and their families, receive the resources and support they need to reach their full potential. The Organization offers three types of services: early childhood intervention for newborns to three-year olds, clinic based services for children three to five years of age, and family outreach support. The Warren Center operates out of three locations: Richardson, Carrollton, and Garland.

The Organization is primarily supported by program service fees, government grants, and contributions from individuals and other organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Summarized Comparative Totals

The accompanying financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance GAAP.

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

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

The Warren Center, Inc.

Notes to Financial Statements

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy. As of August 31, 2022, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with donor-imposed restrictions that are met in the same year as the contributions were received are reported as net assets without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash, certificates of deposit, accounts receivable and unconditional promises to give.

The Organization places cash and certificates of deposit, which at times may exceed the federally insured limits, with high quality financial institutions to minimize risk. Accounts at each institute are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had uninsured bank balances totaling \$776,541 at August 31, 2022. The Organization has not experienced any losses on such assets.

Accounts receivable are unsecured and are due from government agencies and third-party payers. Unconditional promises to give are unsecured and are due from various donors. The Organization continually evaluates the collectability of accounts receivable and unconditional promises to give and maintains allowances for potential losses, if considered necessary.

A significant portion of revenue is received from Medicaid and the Texas Department of Health and Human Services Commission (HHSC). For the year ended August 31, 2022, revenue from Medicaid and HHSC comprised 41% and 33%, respectively, of total revenue. Continuation of such funding in future periods is subject to various factors such as economic conditions, compliance with laws and regulations and changes in legislation regarding health care and Medicaid.

Of the total unconditional promises to give, 67% was due from two donors at August 31, 2022.

The Warren Center, Inc.

Notes to Financial Statements

Certificates of Deposit

The Organization has certificates of deposit with initial maturities of no more than one year. The certificates of deposit are reported at cost which approximates estimated fair value.

Accounts Receivable

The Organization maintains receivables due from government agencies and third-party payers for services performed. The Organization carries its accounts receivable due from third-party payers at standard charges, less an allowance for doubtful accounts and contractual adjustments. The allowance is determined by management based on the Organization's historical net collection percentages, specific patient circumstances and general economic conditions. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in accounts receivable.

Unconditional Promises to Give

Unconditional promises to give which are expected to be collected within one year are recorded as support at net realizable value when the unconditional promise to give is made. Unconditional promises to give that are expected to be collected in future years are recorded as support at an amount that approximates the present value of their estimated future cash flows. Risk-free rates are used to discount long-term unconditional promises to give.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 3 to 40 years.

Impairment of Long Lived Assets

The Organization's long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to the long-lived assets as of August 31, 2022.

The Warren Center, Inc.

Notes to Financial Statements

Revenue Recognition

Program service fees are reported at net realizable amounts from patients, third-party payers, and others for services rendered. Accounts receivable and revenues are recorded when patient services are performed. Amounts received from third-party payers are different from established billing rates of the Organization, and these differences are accounted for as contractual allowances.

Revenue from government grants and contracts consist of cost reimbursable federal and state contracts and grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances. The Organization was awarded cost-reimbursable grants of \$91,667 that have not been received or recognized at August 31, 2022 as qualifying expenditures have not been incurred.

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to the Organization; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

Allocation of Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Costs are allocated between program services and support services based on space used, time and effort, or direct relation to the program and support service benefited.

Federal Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended August 31, 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

The Warren Center, Inc.

Notes to Financial Statements

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a leases' classification. The standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncement Adopted

The Organization adopted ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancement to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP's, as well as the amount of those contributions used in an NFP's programs and other activities. ASU 2020-07 requires NFPs to present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities. The Organization has adopted this ASU on the modified retrospective basis as of and for the year ended August 31, 2022.

The Warren Center, Inc.
Notes to Financial Statements

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes in-kind contributions, and therefore, no changes were required to net assets as of September 1, 2021. The presentation and disclosures of in-kind contributions have been enhanced in accordance with the standard.

Reclassifications

Certain reclassifications were made to the August 31, 2021 financial statements to confirm to the August 31, 2022 presentation.

3. Accounts Receivable

Accounts receivable consist of the following at August 31, 2022:

Federal and state grants	\$	765
Commercial insurance		745,255
Medicaid/CHIP		1,281,914
Clinic based services		83,909
Family cost share		33,615
Tricare		11,064
Selfpay		11,759
		<u>2,168,281</u>
Less: allowance		<u>(1,754,042)</u>
	\$	<u>414,239</u>

4. Unconditional Promises to Give

Unconditional promises to give at August 31, 2022 were as follows:

Amount due in:		
Less than one year	\$	56,779
One year to five years		<u>110,000</u>
Subtotal		166,779
Unamortized present value discount		<u>(1,042)</u>
	\$	<u>165,737</u>

Unconditional promises to give beyond August 31, 2022 are valued using a discount rate of 5.5%.

The Warren Center, Inc.
Notes to Financial Statements

5. Property and Equipment

Property and equipment consist of the following at August 31, 2022:

Building and improvements	\$ 1,662,513
Land	133,856
Furniture and equipment	<u>352,192</u>
	2,148,561
Less: accumulated depreciation	<u>(992,635)</u>
	<u><u>\$ 1,155,926</u></u>

Depreciation expense totaled \$54,292 for the year ended August 31, 2022.

6. Accrued Expenses

Accrued expenses consist of the following at August 31, 2022:

Accrued wages	\$ 306,708
Accrued paid time off	183,370
Other	<u>14,935</u>
	<u><u>\$ 505,013</u></u>

7. Line of Credit

The Organization has a \$300,000 line of credit with a bank with interest at the bank's prime rate plus .75% (6.25% at August 31, 2022) maturing April 2023 collateralized by accounts receivable and other assets. No amounts were borrowed against the line at August 31, 2022.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at August 31, 2022:

Early childhood intervention and time	\$ 79,166
Family education and support	12,500
Time restricted pledges	<u>128,079</u>
	<u><u>\$ 219,745</u></u>

The Warren Center, Inc.
Notes to Financial Statements

Net assets released from restrictions during the year ended August 31, 2022 were as follows:

Early childhood intervention	\$	32,354
Clinic		17,187
Clinic/autism		21,250
Family education and support		14,688
Time restricted pledges		85,753
	\$	<u>171,232</u>

9. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ended August 31, 2022:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Services	\$ <u>463</u>	\$ <u>401</u>	\$ <u>4,226</u>	\$ <u>5,090</u>

Services

Contributed services consist of printing services donated to the Organization and are reported at the fair market value of the retail price of the printing services.

10. Retirement Plan

The Organization sponsors a 401(k) plan that covers all full-time employees with more than one year of service. Employees may contribute a portion of their salary to the plan. Employees who have attained the age of 50 are eligible to make additional catch-up contributions. Employer contributions to the plan are at the discretion of the board of directors. For the year ended August 31, 2022, no employer contributions were made to the plan.

The Warren Center, Inc.
Notes to Financial Statements

11. Leases

The Organization has non-cancelable operating lease agreements that expire at various dates through 2033. The following is a schedule of required future minimum lease payments under these lease agreements for the years ending August 31:

2023	\$ 49,176
2024	181,051
2025	185,816
2026	190,580
2027	195,345
Thereafter	<u>1,272,121</u>
	<u>\$2,074,089</u>

Rent expense totaled \$93,172 for the year ended August 31, 2022.

12. Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

13. Related Party Transactions

The Organization received contributions totaling \$171,480 during the year ended August 31, 2022 from members of the board of directors. During the year ended August 31, 2022, unconditional promises to give from board members totaled \$129,121.

14. Provider Relief Funding

The Organization received \$36,629 from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) program (Federal Financial Assistance Listing #93.498) during the year ended August 31, 2020. In accordance with GAAP, these funds were reported as a refundable advance at August 31, 2020 because eligible expenses had not been incurred. The Organization met the PRF program requirements during the year ended August 31, 2021 and, therefore, recognized revenue totaling \$36,629 in the accompanying statement of activities. In accordance with the compliance supplement addendum, the PRF expenditures recognized on the schedule of expenditures of federal and state awards are based on the reporting to HHS for the calendar year ending December 31, 2022, as required under the PRF program. During the year ended August 31, 2022, \$36,629 of PRF expenditures are recognized on the statement of federal and state expenditures.

The Warren Center, Inc.
Notes to Financial Statements

The Organization received an additional \$223,945 from HHS through the PRF program during the year ended August 31, 2021. The Organization met the PRF program requirements during the year ended August 31, 2022 and, therefore, recognized revenue totaling \$223,945 in the accompanying statement of activities. In accordance with the compliance supplement addendum, the PRF expenditures recognized on the schedule of expenditures of federal and state awards are based on the reporting to HHS for the fiscal year ending August 31, 2023, as required under the PRF program.

15. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from August 31, 2022 are as follows:

Cash	\$ 964,533
Certificates of deposit	50,177
Accounts receivable, net	414,239
Unconditional promises to give, net	<u>165,737</u>
Total financial assets	1,594,686
Less amounts not available for general expenditures within one year:	
Unconditional promises to give - due after one year, net	<u>(108,958)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,485,728</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity monthly. The Organization also has a committed line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need. Donor restrictions for major, ongoing programs are considered available for general expenditure. During the year ended August 31, 2022, the level of liquidity was managed within the Organization's expectations.

16. Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

The Warren Center, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2022

Federal or State Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Grantor Number	Total Expenditures
U.S. Department of Education:			
Texas Health and Human Services Commission			
Special Education Grants for Infants and Families	84.181	HHS000640200014	\$ 976,921
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	HHS000640200014	14,647
			<u>991,568</u>
Special Education Cluster			
Special Education Grants to States	84.027	HHS000640200014	231,120
			<u>231,120</u>
U.S. Department of Health and Human Services:			
Texas Health and Human Services Commission			
Temporary Assistance for Needy Families	93.558	HHS000640200014	235,278
Provider Relief Fund	93.498	-	36,629
			<u>1,494,595</u>
Total expenditures of federal awards			
Texas Health and Human Services Commission			
Early Childhood Intervention Services	N/A	HHS000640200014	1,113,228
			<u>1,113,228</u>
Total expenditures of state awards			
			<u>\$ 2,607,823</u>
Total expenditures of federal and state awards			

See notes to schedule of expenditures of federal and state awards.

The Warren Center, Inc.

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of The Warren Center (Organization) under programs of the federal and state governments for the year ended August 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or the State of Texas UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

Report of Independent Auditors' 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 of
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, the financial statements of The Warren Center, Inc. (Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, 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 March 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Sutton Frost Canyon".

A Limited Liability Partnership

Arlington, Texas
March 22, 2023

**Report of Independent Auditors' on Compliance for Each Major Federal and State Program
and on Internal Control Over Compliance Required by the Uniform Guidance and the State of
Texas *Uniform Grant Management Standards***

To the Board of Directors of
The Warren Center, Inc.

Report on Compliance for each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited The Warren Center, Inc.'s (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2022. The Organization's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 and state programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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) and the State of Texas UGMS. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal and state programs.

Auditors' 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 the Organization'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 GAAS, *Government Auditing Standards*, Uniform Guidance and the State of Texas UGMS and the will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance and the State of Texas UGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization'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 and the State of Texas UGMS, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 or state 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 or state 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 or state program that are less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 was 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 and the State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
March 22, 2023

The Warren Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or State of Texas UGMS?	No

Identification of Major Federal and State Programs:

Federal:	<u>Assistance Listing Number</u>
Special Education Grants for Infants and Families	84.181
Special Education Grants to States	84.027
Temporary Assistance for Needy Families	93.558
State:	
Early Childhood Intervention Services	N/A
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary of Prior Year Audit Findings

None