



The Warren Center, Inc.

**Financial Statements with Supplementary
Information and Compliance Reports
August 31, 2020 (with summarized comparative totals for 2019)**

The Warren Center, Inc.

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Warren Center, Inc. as of August 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited The Warren Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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*, 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 or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 February 19, 2021 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, grant 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 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
February 19, 2021

The Warren Center, Inc.
Statement of Financial Position
August 31, 2020
(with summarized comparative totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash	\$ 1,069,917	\$ 367,821
Certificates of deposit	50,177	50,177
Accounts receivable, net	335,159	272,405
Unconditional promises to give	117,481	378,518
Prepaid expenses	63,433	22,570
Total current assets	1,636,167	1,091,491
Non-current assets:		
Unconditional promises to give, net	223,000	309,940
Property and equipment, net	1,192,556	1,171,864
Total non-current assets	1,415,556	1,481,804
Total assets	<u>\$ 3,051,723</u>	<u>\$ 2,573,295</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 37,216	\$ 78,075
Accrued expenses	415,556	483,174
Line of credit	-	150,000
Refundable advance	481,543	-
Total current liabilities	934,315	711,249
Net assets:		
Without donor restrictions	1,769,908	1,206,461
With donor restrictions	347,500	655,585
Total net assets	2,117,408	1,862,046
Total liabilities and net assets	<u>\$ 3,051,723</u>	<u>\$ 2,573,295</u>

See notes to financial statements.

The Warren Center, Inc.
Statement of Activities
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Program service fees, net	\$ 3,429,015	\$ -	\$ 3,429,015	\$ 3,455,554
Government grants	3,056,526	-	3,056,526	1,925,409
Contributions	656,949	-	656,949	850,877
Special events (net of direct costs of \$2,758)	74,420	-	74,420	356,615
Other revenue	8,260	-	8,260	6,390
Net assets released from restrictions	308,085	(308,085)	-	-
Total revenue and support	7,533,255	(308,085)	7,225,170	6,594,845
Expenses:				
Program services:				
Early Childhood Intervention	5,320,218	-	5,320,218	5,130,892
Family Outreach Support	78,215	-	78,215	73,191
Clinic Based Services	958,786	-	958,786	764,886
Total program services	6,357,219	-	6,357,219	5,968,969
Supporting services:				
Management and general	350,343	-	350,343	309,953
Fundraising	262,246	-	262,246	285,033
Total supporting services	612,589	-	612,589	594,986
Total expenses	6,969,808	-	6,969,808	6,563,955
Increase (decrease) in net assets	563,447	(308,085)	255,362	30,890
Net assets at beginning of year	1,206,461	655,585	1,862,046	1,831,156
Net assets at end of year	\$ 1,769,908	\$ 347,500	\$ 2,117,408	\$ 1,862,046

See notes to financial statements.

The Warren Center, Inc.
Statement of Functional Expenses
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020							2019	
	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	\$ 4,605,093	\$ 67,906	\$ 853,608	\$ 5,526,607	\$ 111,367	\$ 212,148	\$ 323,515	\$ 5,850,122	\$ 5,356,255
Advertising and promotions	-	-	-	-	114,369	249	114,618	114,618	55,983
Occupancy	141,952	1,911	9,632	153,495	2,262	1,257	3,519	157,014	172,347
Contracted services	181,516	1,780	41,453	224,749	2,768	2,454	5,222	229,971	263,249
Insurance	15,060	74	1,751	16,885	117	187	304	17,189	15,480
Supplies and equipment	157,100	2,085	29,240	188,425	11,555	4,734	16,289	204,714	193,530
Travel	90,415	1,031	1,941	93,387	52	1,605	1,657	95,044	149,686
Professional fees	30,152	1,153	3,541	34,846	17,843	9,495	27,338	62,184	101,418
Special events	-	-	-	-	100	2,967	3,067	3,067	203,987
Office	19,931	1,237	3,775	24,943	12,855	16,649	29,504	54,447	33,810
Telephone	48,749	751	6,851	56,351	733	1,594	2,327	58,678	53,816
Training and development	15,635	39	354	16,028	14,744	7,958	22,702	38,730	34,436
Depreciation	-	-	4,218	4,218	56,615	-	56,615	60,833	63,463
Other	14,615	248	2,422	17,285	4,963	3,707	8,670	25,955	31,802
Total expenses	5,320,218	78,215	958,786	6,357,219	350,343	265,004	615,347	6,972,566	6,729,262
Less expenses included with revenues on the statement of activities:									
Direct costs of special events	-	-	-	-	-	(2,758)	(2,758)	(2,758)	(165,307)
Total expenses included in the expense section on the statement of activities	\$ 5,320,218	\$ 78,215	\$ 958,786	\$ 6,357,219	\$ 350,343	\$ 262,246	\$ 612,589	\$ 6,969,808	\$ 6,563,955

See notes to financial statements.

The Warren Center, Inc.
Statement of Cash Flows
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 255,362	\$ 30,890
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	60,833	63,463
Allowance for doubtful accounts	197,376	79,245
Change in discount on unconditional promises to give	(17,568)	36,060
Changes in assets and liabilities:		
Accounts receivable	(260,130)	(78,070)
Unconditional promises to give	365,545	(314,688)
Prepaid expenses	(40,863)	1,420
Accounts payable	(40,859)	57,888
Accrued expenses	(67,618)	99,191
Refundable advance	481,543	-
Net cash provided (used) by operating activities	933,621	(24,601)
Cash flows from investing activities:		
Draws on line of credit	-	225,000
Repayments on line of credit	(150,000)	(75,000)
Proceeds from certificates of deposit	-	119,948
Purchases of property and equipment	(81,525)	(12,655)
Net cash provided (used) by investing activities	(231,525)	257,293
Net increase in cash	702,096	232,692
Cash at beginning of year	367,821	135,129
Cash at end of year	\$ 1,069,917	\$ 367,821

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 U.S. generally accepted accounting principles (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, 2019, 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 with U.S. generally accepted accounting principles (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, 2020, 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 \$930,750 at August 31, 2020. 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 (THHS). For the year ended August 31, 2020, revenue from Medicaid and THHS comprised 27% and 35%, 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, approximately 79% was due from two donors at August 31, 2020.

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, 2020.

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 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, 2020. 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, 2020, 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 Pronouncements Adopted

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective October 1, 2019, using the full retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption on this ASU had no impact on total beginning net assets.

The Warren Center, Inc.
Notes to Financial Statements

The Organization adopted the amendments of ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this ASU had no impact on total beginning net assets.

3. Accounts Receivable

Accounts receivable consist of the following at August 31, 2020:

Federal and state grants	\$	205,282
Commercial insurance		930,079
Medicaid/CHIP		456,600
Clinic based services		83,909
Family cost share		59,860
Tricare		7,138
Selfpay		22,138
		<u>1,765,006</u>
Less: allowance		<u>(1,429,847)</u>
	\$	<u>335,159</u>

4. Unconditional Promises to Give

Unconditional promises to give at August 31, 2020 were as follows:

Unconditional promises to give	\$	358,973
Less: unamortized discount		<u>(18,492)</u>
	\$	<u>340,481</u>
Due in one year or less	\$	117,481
Due from one year to five years		<u>223,000</u>
	\$	<u>340,481</u>

Unconditional promises to give beyond August 31, 2020 are valued using a discount rate of 3.25%.

The Warren Center, Inc.
Notes to Financial Statements

5. Property and Equipment

Property and equipment consist of the following at August 31, 2020:

Building and improvements	\$ 1,587,103
Land	133,856
Furniture and equipment	331,278
Construction in progress	43,405
	<u>2,095,642</u>
Less: accumulated depreciation	<u>(903,086)</u>
	<u><u>\$ 1,192,556</u></u>

6. Accrued Expenses

Accrued expenses consist of the following at August 31, 2020:

Accrued wages	\$ 231,069
Accrued paid time off	174,353
Other	10,134
	<u><u>\$ 415,556</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% (4% at August 31, 2020) maturing January 2021 collateralized by accounts receivable and other assets. No amounts were borrowed against the line at August 31, 2020.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31, 2020 represent time restricted pledges available to be used in future periods.

Net assets released from restrictions during the year ended August 31, 2020 were as follows:

Early childhood intervention	\$ 50,000
Clinic	65,000
Recess	1,250
Management and general	76,500
Development	2,835
Time restricted pledges	112,500
	<u><u>\$ 308,085</u></u>

The Warren Center, Inc.
Notes to Financial Statements

9. 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 an additional catch-up contributions. Employer contributions to the plan are at the discretion of the board of directors. Employer contributions were made to the plan totaling \$50,000 for the year ended August 31, 2020.

10. Leases

The Organization has non-cancelable operating lease agreements that expire at various dates through 2023. The following is a schedule of required future minimum lease payments under these lease agreements for the years ending August 31:

2021	\$ 98,168
2022	52,836
2023	<u>44,030</u>
	<u>\$ 195,034</u>

Rent expense totaled \$94,150 for the year ended August 31, 2020.

11. 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.

12. Related Party Transactions

The Organization received contributions totaling \$119,970 during 2020 from members of the board of directors. At August 31, 2020, unconditional promises to give from board members totaled \$347,500.

The Warren Center, Inc.
Notes to Financial Statements

13. CARES Act Funding and COVID-19

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic and recommended containment and mitigation measures worldwide. The coronavirus outbreak has caused business disruption through mandated closings of non-essential businesses and severely restricted the level of economic activity. The Organization has adjusted operational plans to protect the employees and individuals served while still meeting client and family needs for essential services. The Organization continues to closely monitor the impact of COVID-19 on all aspects of its business. Given the uncertainty of the spread and duration of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

In response to economic uncertainty associated with the pandemic, the Organization has applied for or has taken advantage of temporary programs designed to provide economic relief to small businesses.

Paycheck Protection Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law. On April 21, 2020, the Organization received a loan in the amount of \$987,269 pursuant to the Paycheck Protection Program. The Organization anticipates using all of the proceeds to make eligible payments. The Organization has elected to account for the Paycheck Protection Program forgivable loan as a conditional grant in accordance with FASB Accounting Standard Codification Topic 958. As such, the portion received but not yet spent on allowable expenditures at year end in the amount of \$444,914 has been recorded as a refundable advance on the statement of financial position. The portion received and spent on allowable expenditures during the year ended August 31, 2020 totaling \$542,355 has been recognized as revenue and included in federal grant revenue on the statement of activities. In January 2021 the Organization received notification that the Paycheck Protection Program loan was forgiven and paid in full by the Small Business Administration.

Provider Relief Funding

The Organization received \$36,629 in provider relief funds (PRF) from the Department of Health and Human Services during the year ended August 31, 2020. If recipients do not expend PRF funds in full by the end of calendar year 2020, they will have an additional six months in which to use remaining amounts toward expenses attributable to coronavirus but not reimbursed by other sources, or to apply toward lost revenues in an amount not to exceed the 2019 net gain. The Organization has reported all PRF funds at August 31, 2020 as a refundable advance. The Organization anticipates using all of the proceeds in the next fiscal year and will recognize the revenue at that time.

The Warren Center, Inc.
Notes to Financial Statements

14. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year from August 31, 2020 are as follows:

Cash	\$ 1,069,917
Certificates of deposit	50,177
Accounts receivable, net	335,159
Unconditional promises to give, net	<u>340,481</u>
Total financial assets	1,795,734
Less amounts not available for general expenditures within one year:	
Unconditional promises to give - due after one year, net	<u>(223,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,572,734</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. During the year ended August 31, 2020, the level of liquidity was managed within the Organization's expectations.

15. 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, 2020

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Expenditures
U.S. Department of Education:			
Texas Health and Human Services Commission			
Special Education Grants for Infants and Families	84.181	5382001578	\$ 1,321,042
Special Education Grants to States	84.027	5382001578	<u>213,840</u>
			1,534,882
U.S. Department of Health and Human Services:			
Texas Health and Human Services Commission			
Temporary Assistance for Needy Families	93.558	5382001578	313,496
Every Student Succeeds Act/Preschool Development	93.434	5382001578	<u>8,750</u>
			<u>322,246</u>
Total expenditures of federal awards			1,857,128
Texas Health and Human Services Commission			
Early Childhood Intervention Services	N/A	5382001578	<u>657,043</u>
Total expenditures of state awards			<u>657,043</u>
Total expenditures of federal and state awards			<u><u>\$ 2,514,171</u></u>

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
Year Ended August 31, 2020

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, Inc. (Organization). 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). 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.

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 Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

Independent Auditors' 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 of
The Warren Center, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards 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), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Limited Liability Partnership

Arlington, Texas
February 19, 2021

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited The Warren Center, Inc.'s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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 programs for the year ended August 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



A Limited Liability Partnership

Arlington, Texas
February 19, 2021

The Warren Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified? ☐ yes ☒ 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 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

CFDA 84.181 Special Education Grants for Infants and Families
CFDA 84.027 Special Education Grants to States
CFDA 93.558 Temporary Assistance for Needy Families

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

The Warren Center, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

Section IV – Summary of Prior Year Audit Findings

Finding No. 2019-001: Period of Performance

Summary: Certain expenses were improperly charged to the 2018-2019 grant award due to management not completely understanding the federal guidance regarding period of performance.

Status: Management implemented processes and controls as indicated in the prior year corrective action plan. Finding resolved.