

**BRIGHTON CENTER
AND
SUBSIDIARY**

**Audited Consolidated Financial Statements
and
Single Audit Reports**

August 31, 2022

ADKF, P.C.
Certified Public Accountants

BRIGHTON CENTER AND SUBSIDIARY
Table of Contents
August 31, 2022

	<u>Page</u>
Audited Consolidated Financial Statements	
Independent Auditor's Report	1
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Audited Financial Statements	9
Supplementary Schedules	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18
Consolidating Statement of Functional Expenses	19
Single Audit Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i> and the <i>Texas Uniform Grant Management Standards</i>	24
Schedule of Expenditures of Federal and State Awards	27
Notes to Schedule of Expenditures of Federal and State Awards	29
Schedule of Findings and Questioned Costs	30



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brighton Center and Subsidiary
San Antonio, Texas

Report on Audit of the Consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Brighton Center and Subsidiary (collectively, "Brighton Center") which comprise the consolidated statement of financial position as of August 31, 2022, and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brighton Center as of August 31, 2022 and 2021, and its activities, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brighton Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to your audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighton Center's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

- 1 -

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 Brighton Center'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brighton Centers' ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating schedules and the schedule of expenditures of state awards for the year ended August 31, 2022, as required by Texas Uniform Grants Management Standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 4, 2023 on our consideration of Brighton Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brighton Center's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighton Center's internal control over financial reporting and compliance.

ADKF, PC
ADKF, P.C.
San Antonio, Texas
January 4, 2023

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statements of Financial Position
August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,032,482	\$ 2,126,748
Accounts receivable, net	516,763	441,604
Grants receivable	202,462	749,403
Pledges receivable, current portion	144,541	324,785
Employee retention credit receivable	1,583,144	-
Prepaid expenses	208,704	197,502
Total current assets	<u>3,688,096</u>	<u>3,840,042</u>
Non-current Assets:		
Investments, at fair value	1,496,117	-
Pledges receivable, long-term, net	-	185,085
Property and equipment, net	8,620,809	9,043,302
Total other assets	<u>10,116,926</u>	<u>9,228,387</u>
Total Assets	<u><u>\$ 13,805,022</u></u>	<u><u>\$ 13,068,429</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 229,246	\$ 477,610
Retirement payable	30,366	20,948
Accrued expenses	967,179	803,106
Capital lease, current portion	66,042	62,042
Deferred income	192,524	495,553
Note payable	-	480,000
Total current liabilities	<u>1,485,357</u>	<u>2,339,259</u>
Non-Current Liabilities:		
Long-term capital lease, net of current portion	<u>504,270</u>	<u>565,559</u>
Total liabilities	<u>1,989,627</u>	<u>2,904,818</u>
Net Assets:		
Without donor restrictions:	11,815,395	10,163,611
With donor restrictions	-	-
Total net assets	<u>11,815,395</u>	<u>10,163,611</u>
Total Liabilities and Net Assets	<u><u>\$ 13,805,022</u></u>	<u><u>\$ 13,068,429</u></u>

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statements of Activities
Years Ended August 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Support:						
Grants	\$ 4,999,552	\$ -	\$ 4,999,552	\$ 4,160,083	\$ -	\$ 4,160,083
ERC/PPP Grant	1,583,144	-	1,583,144	1,431,500	-	1,431,500
Contributions	1,963,411	-	1,963,411	1,252,329	46,215	1,298,544
Special event, net of expenses	1,005,397	-	1,005,397	109,067	-	109,067
Revenues:						
Program service fees	6,564,746	-	6,564,746	5,112,563	-	5,112,563
Interest income	2,784	-	2,784	224	-	224
(Loss) on disposal of assets	(2,505)	-	(2,505)	(15,853)	-	(15,853)
Other income	2,116	-	2,116	57,945	-	57,945
Total support and revenues	16,118,645	-	16,118,645	12,107,858	46,215	12,154,073
Expenses						
Program services:						
Early Childhood Intervention	8,677,005	-	8,677,005	7,198,336	-	7,198,336
Early Childhood Education	1,689,533	-	1,689,533	1,283,740	-	1,283,740
Special Education Support	308,260	-	308,260	247,251	-	247,251
Pediatric Therapy Clinic	540,343	-	540,343	44,962	-	44,962
Support services:						
Management and general	2,664,195	-	2,664,195	2,489,149	-	2,489,149
Fundraising	587,525	-	587,525	502,867	-	502,867
Total expenses	14,466,861	-	14,466,861	11,766,305	-	11,766,305
Change in Net Assets	1,651,784	-	1,651,784	341,553	46,215	387,768
Net assets released from restrictions	-	-	-	615,063	(615,063)	-
Net assets at beginning of year	10,163,611	-	10,163,611	9,206,995	568,848	9,775,843
Net Assets at Year End	<u>\$ 11,815,395</u>	<u>\$ -</u>	<u>\$ 11,815,395</u>	<u>\$ 10,163,611</u>	<u>\$ -</u>	<u>\$ 10,163,611</u>

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended August 31, 2022

	Program Services				Support Services			2022 Totals	
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Pediatric Therapy Clinic	Total Program Services	Management and General	Fundraising		Total Support Services
Salaries and Related Expenses									
Salaries and wages	\$ 6,746,452	\$ 1,052,745	\$ 253,584	\$ 398,463	\$ 8,451,244	\$ 1,238,284	\$ 342,078	\$ 1,580,362	\$ 10,031,606
Payroll taxes	491,241	78,348	17,059	28,719	615,367	87,506	26,545	114,051	729,418
Employee health benefits	488,979	127,482	20,780	25,961	663,202	75,890	20,562	96,452	759,654
Retirement benefits	139,867	8,620	5,835	8,722	163,044	31,755	11,806	43,561	206,605
Total Salaries and Related Expenses	<u>7,866,539</u>	<u>1,267,195</u>	<u>297,258</u>	<u>461,865</u>	<u>9,892,857</u>	<u>1,433,435</u>	<u>400,991</u>	<u>1,834,426</u>	<u>11,727,283</u>
Other Operating Expenses									
Special events - indirect	-	-	-	-	-	-	143,503	143,503	143,503
Occupancy	13,109	17,122	-	8,199	38,430	28,132	3,247	31,379	69,809
Telephone	101,091	24,165	4,685	5,731	135,672	18,931	2,532	21,463	157,135
Postage	1,873	7	-	39	1,919	7,523	-	7,523	9,442
Capital campaign	-	-	-	-	-	(585)	-	(585)	(585)
Advertising	38,155	67,798	793	1,241	107,987	183,169	1,446	184,615	292,602
Equipment maintenance and rental	160,755	74,554	1,894	23,230	260,433	241,413	5,019	246,432	506,865
Rent	19,200	-	-	-	19,200	-	-	-	19,200
Supplies expense	35,522	133,898	525	20,246	190,191	47,471	8,649	56,120	246,311
Professional fees	6,320	2,869	-	4,387	13,576	122,349	-	122,349	135,925
Travel	187,218	298	-	15	187,531	6,102	582	6,684	194,215
Conferences and meetings	32,354	1,707	2,811	1,849	38,721	87,418	-	87,418	126,139
Bad debt	-	10,669	-	-	10,669	-	-	-	10,669
Insurance	10,328	11,506	-	5,333	27,167	56,552	1,984	58,536	85,703
Contract labor	48,604	2,900	-	6,400	57,904	-	-	-	57,904
Licenses and permits	-	2,493	-	-	2,493	8,608	-	8,608	11,101
ECI - respite	8,514	-	-	-	8,514	-	-	-	8,514
Printing	526	-	-	1	527	45,360	-	45,360	45,887
Membership and dues	-	-	123	-	123	8,605	-	8,605	8,728
Interest expense	29,823	-	-	-	29,823	4,122	3,394	7,516	37,339
Miscellaneous	18,393	17,556	156	473	36,578	98,140	-	98,140	134,718
Total Other Operating Expenses	<u>711,785</u>	<u>367,542</u>	<u>10,987</u>	<u>77,144</u>	<u>1,167,458</u>	<u>963,310</u>	<u>170,356</u>	<u>1,133,666</u>	<u>2,301,124</u>
Total Expenses Before Depreciation	8,578,324	1,634,737	308,245	539,009	11,060,315	2,396,745	571,347	2,968,092	14,028,407
Depreciation	98,681	54,796	15	1,334	154,826	267,450	16,178	283,628	438,454
Total Expenses	<u>\$ 8,677,005</u>	<u>\$ 1,689,533</u>	<u>\$ 308,260</u>	<u>\$ 540,343</u>	<u>\$ 11,215,141</u>	<u>\$ 2,664,195</u>	<u>\$ 587,525</u>	<u>\$ 3,251,720</u>	<u>\$ 14,466,861</u>
Special Events Direct Costs, Not Included Above:									
Supplies							\$ 360,840		
Other							15,793		
							<u>\$ 376,633</u>		

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended August 31, 2021

	Program Services					Support Services			2022 Totals
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Pediatric Therapy Clinic	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and Related Expenses									
Salaries and wages	\$ 5,352,402	\$ 727,664	\$ 186,032	\$ 20,713	\$ 6,286,811	\$ 1,049,821	\$ 371,425	\$ 1,421,246	\$ 7,708,057
Payroll taxes	383,256	53,850	11,892	941	449,939	85,954	27,830	113,784	563,723
Employee health benefits	389,161	97,965	18,361	716	506,203	55,831	24,942	80,773	586,976
Retirement benefits	219,216	35,512	10,273	3,454	268,455	56,743	19,445	76,188	344,643
Total Salaries and Related Expenses	<u>6,344,035</u>	<u>914,991</u>	<u>226,558</u>	<u>25,824</u>	<u>7,511,408</u>	<u>1,248,349</u>	<u>443,642</u>	<u>1,691,991</u>	<u>9,203,399</u>
Other Operating Expenses									
Special events - indirect	-	-	-	-	-	-	7,571	7,571	7,571
Occupancy	11,263	20,983	1,158	-	33,404	24,947	2,631	27,578	60,982
Telephone	54,455	16,439	3,057	1,804	75,755	21,030	3,769	24,799	100,554
Postage	-	4	-	7	11	6,793	128	6,921	6,932
Capital campaign	-	-	-	-	-	158,236	-	158,236	158,236
Advertising	51,362	1,107	-	-	52,469	113,790	24,967	138,757	191,226
Equipment maintenance and rental	34,943	81,506	6,163	-	122,612	81,012	4,600	85,612	208,224
Rent	5,307	-	-	-	5,307	845	-	845	6,152
Supplies expense	347,614	176,326	5,872	16,542	546,354	202,525	10,387	212,912	759,266
Professional fees	1,776	16,261	-	-	18,037	88,342	34	88,376	106,413
Travel	92,638	843	-	87	93,568	9,630	489	10,119	103,687
Conferences and meetings	91,105	3,284	357	99	94,845	11,715	480	12,195	107,040
Bad debt	-	1,711	-	-	1,711	-	-	-	1,711
Insurance	7,116	10,479	3,981	-	21,576	42,546	810	43,356	64,932
Contract labor	19,495	3,998	-	-	23,493	-	-	-	23,493
Licenses and permits	-	3,377	-	599	3,976	3,507	-	3,507	7,483
ECI - respite	6,340	-	-	-	6,340	-	-	-	6,340
Printing	-	-	-	-	-	37,117	-	37,117	37,117
Membership and dues	-	18	-	-	18	3,945	-	3,945	3,963
Interest expense	35,431	-	-	-	35,431	5,941	3,260	9,201	44,632
Miscellaneous	4,456	10,531	105	-	15,092	64,754	99	64,853	79,945
Total Other Operating Expenses	<u>763,301</u>	<u>346,867</u>	<u>20,693</u>	<u>19,138</u>	<u>1,149,999</u>	<u>876,675</u>	<u>59,225</u>	<u>935,900</u>	<u>2,085,899</u>
Total Expenses Before Depreciation	7,107,336	1,261,858	247,251	44,962	8,661,407	2,125,024	502,867	2,627,891	11,289,298
Depreciation	91,000	21,882	-	-	112,882	364,125	-	364,125	477,007
Total Expenses	<u>\$ 7,198,336</u>	<u>\$ 1,283,740</u>	<u>\$ 247,251</u>	<u>\$ 44,962</u>	<u>\$ 8,774,289</u>	<u>\$ 2,489,149</u>	<u>\$ 502,867</u>	<u>\$ 2,992,016</u>	<u>\$ 11,766,305</u>
Special Events Direct Costs, Not Included Above:									
Facilities rental						\$	5,176		
Catering							4,652		
Entertainment							1,150		
Marketing							5,299		
						<u>\$</u>	<u>16,277</u>		

See notes to audited consolidated financial statements

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statement of Cash Flows
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 1,651,784	\$ 387,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	438,455	477,007
Loss on disposal of assets	4,185	15,853
PPP grant	-	(1,431,500)
Unrealized losses (gains) in investments	923	-
Change in operating assets and liabilities:		
Accounts and grants receivable	471,782	(439,710)
Employee Retention Credit receivable	(1,583,144)	-
Pledges receivable	365,329	156,844
Prepaid expenses	(11,202)	(42,389)
Accounts payable	(248,364)	(619,228)
Retirement payable	9,418	(18,796)
Accrued expenses	164,073	121,286
Deferred revenue	(303,029)	352,628
Net cash provided (used) by operating activities	<u>960,210</u>	<u>(1,040,237)</u>
Investing Activities		
Purchases of property and equipment	(20,147)	(548,415)
Net investment activity	<u>(1,497,040)</u>	<u>-</u>
Net cash (used) by investing activities	<u>(1,517,187)</u>	<u>(548,415)</u>
Financing Activities		
Payments on capital lease	(57,289)	(57,992)
Proceeds from issuance of long-term debt	<u>(480,000)</u>	<u>480,000</u>
Net cash (used) provided by investing activities	<u>(537,289)</u>	<u>422,008</u>
Change in cash and cash equivalents	(1,094,266)	(1,166,644)
Cash and cash equivalents at beginning of year	<u>\$ 2,126,748</u>	<u>3,293,392</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,032,482</u></u>	<u><u>\$ 2,126,748</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ 37,339	\$ 44,632

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Brighton Center (Center), a Texas non-profit corporation, was incorporated on April 5, 1984 to provide the right help at the right time to children with disabilities and developmental delays in San Antonio. Brighton Center provides family and community education and developmental services to children with disabilities or delays empowering them to achieve their individual potential, making them successful in every community.

Pediatric Therapy Clinic (PTC) was incorporated and a wholly owned subsidiary of Brighton Center in November 2021. PTC provides physical, occupational and speech therapy services to children 3 to 5 years of age through insurance and private pay.

Brighton Center and PTC (collectively, “Brighton Center”) are consolidated in these financial statements, all intercompany transactions have been eliminated.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Brighton Center and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered “restricted” under GAAP, though for internal reporting Brighton Center tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the action of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions that are more restrictive than Brighton Center’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: Fees for program services are recorded at the time of service and generally are billed to the recipient, insurance company, or corporate entity. The insurance companies are billed at fully allocated revenue rates per hour of service. Brighton Center expects many of these invoices will not be paid in full due to the insurance company’s payment structure not supporting Brighton Center’s fully allocated revenue rates. Revenue is reduced by the amount expected not to be paid (contract adjustment). The performance obligation of delivering childcare services is simultaneously received and consumed by the children; therefore, the revenue is recognized as services are provided.

Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest 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.

A portion of revenue is derived from cost-reimbursable federal and state grants and contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Brighton Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to, if any, are reported as deferred revenue in the statement of financial position.

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions are reclassified to without donor restrictions and reported in the statements of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Brighton Center reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

In-kind Contributions–Services: Brighton Center receives donations of professional services as well as volunteers for program services and fundraising campaigns. Donations of time for professional services meet the criteria to be reported in the financial statements. There were no in-kind contributions for services in 2022 or 2021. Volunteers for program services and fundraising campaigns are not reflected in the financial statements since the services does not require specialized skills.

Functional Allocation of Expenses: The costs of providing the services and other activities are summarized on a functional basis in the statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses require allocations to be consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimated time and effort, as well as depreciation, office, and occupancy, which are allocated on square-footage or another reasonable basis.

Special Events: Direct costs associated with special events are netted against the related revenue and totaled \$376,333 in 2022 and \$16,277 in 2021. Indirect costs associated with special events are report on the statement of functional expenses.

Cash and Cash Equivalents: Cash and cash equivalents consists of cash on hand, demand deposits held by financial institutions and any equivalent securities with a maturity of three months or less.

Accounts Receivable: Accounts receivable represents amounts due from program service fees and are reported at outstanding principal, net of an allowance for doubtful accounts or approximately \$517,000 at August 31, 2022 and \$468,000 at August 31, 2021. The allowance is generally determined based on an account-by-account review and historic trends. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. Interest is generally not charged on receivables. Accounts receivable at September 1, 2021, totaled \$339,763.

Pledges Receivable: Legally enforceable pledges and contributions are recorded as pledges and revenue in the year made unless the pledge or contribution is dependent upon occurrence of a specified future and uncertain event to bind the promiser. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. The receivable has been reduced by an allowance for uncollectible and discounted to present value. The balance includes the remaining pledge commitments for the capital campaign.

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment: Property and equipment with a value of at least \$5,000 and an estimated useful life of greater than one year is reported at historical cost or estimated fair value at the date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three to forty years.

Portable buildings under a capital lease are included in buildings and depreciated over 10 years, the term of the lease.

Investments: Investments are reported at fair market value determined by quoted market prices. Gains and losses (realized and unrealized) are reported as investment earnings, net of fees, of \$2,784, in the accompanying statements of activities. Donated investment instruments are recorded at fair value at the date of donation. Investments are classified as non-current on the statement of financial position since they are not expected to be used in operations during the next year.

Advertising Costs: Advertising costs are expensed as incurred.

Employee Benefit Plan: The Center has a 403(b) plan that covers substantially all employees age 18 and over. Employees may contribute a percentage of their annual compensation up to the limit allowed by the IRS. Brighton Center matches a portion of employee's contribution. Brighton Center contributions to the Plan were approximately \$197,000 in 2022 and \$345,000 in 2021.

Income Taxes: Brighton Center and Pediatric Therapy Clinic are a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and are not a "private foundation" within the meaning of Section 509(a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Center and PTC are not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

Concentrations of Credit Risk: Financial instruments that potentially subject Brighton Center to concentrations of credit risk consist principally of cash and cash equivalents, accounts, grants and pledges receivable. Brighton Center maintains cash deposits with major banks which, from time to time, may exceed federally insured limits. Brighton Center periodically assesses the financial condition of the institutions and believes the risk of loss is minimal. Brighton Center also has concentrations of credit risk with respect to accounts and grants receivable due primarily from insurance companies and governmental agencies. Pledges receivable primarily have been received from prominent businesses, individuals, and other organizations within the San Antonio area. The Center believes the risk of non-collection of these accounts, grants and pledges receivable is minimal.

Use of Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Pronouncements: In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable are as follows at August 31:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 147,436	\$ 324,785
Receivable in one to five years	-	204,972
Total pledges receivable	<u>147,436</u>	<u>529,757</u>
Less allowance for uncollectible pledge	(2,895)	(10,592)
Less discount for long-term pledges	-	(9,295)
Pledges receivable, net	<u><u>\$ 144,541</u></u>	<u><u>\$ 509,870</u></u>

The pledges have been discounted at a rate of 4.75%, Brighton Center's bank rate for borrowing, to account for the present value of future cash flows at August 31, 2022.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 1,317,271	\$ 1,322,057
Buildings	8,466,878	8,480,495
Equipment	895,283	912,339
Software	293,742	293,742
	<u>10,973,174</u>	<u>11,008,633</u>
Accumulated depreciation	<u>(2,352,365)</u>	<u>(1,965,331)</u>
Total Property and Equipment, net	<u><u>\$ 8,620,809</u></u>	<u><u>\$ 9,043,302</u></u>

Equipment purchased from Early Childhood Intervention funds, under the terms of the contract, revert to the funding agency or any other party designated by the funding agency. The funding agency may, at its option and to the extent allowed by law, transfer title to such property to Brighton Center. At August 31, 2022, no equipment purchases from funds under the contract and subject to the terms discussed above were noted.

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE D – NOTES PAYABLE

Brighton Center has a \$500,000 line of credit with Frost Bank that is secured by all accounts, equipment, contract rights and furniture. The line of credit matures November 30, 2023 and bears an interest rate of prime plus 0.75%. For the years ended August 31, 2022 and 2021, the line of credit balance was zero and \$480,000, respectively.

In December 2018, Brighton Center obtained a \$3,000,000 note with Frost Bank with an interest rate of prime less .25% or 5%, and did not have a balance at August 31, 2022 and 2021. The note, matured December 14, 2022, and was not renewed.

NOTE E – CAPITAL LEASE

Brighton Center has a capital lease for portable buildings with a balance of \$570,312 at August 31, 2022 and \$627,601 at August 31, 2021. The lease matures in June 2029 and has an imputed interest rate of 6.77%. Lease payments of \$8,552 are due monthly.

Future minimum payments, excluding interest, are as follows:

<u>Year Ending August 31:</u>	
2023	\$ 66,042
2024	70,654
2025	75,588
2026	80,867
2027	86,514
Thereafter	<u>190,647</u>
Total	<u>\$ 570,312</u>

NOTE F – LEASES

Brighton Center leases office equipment under non-cancelable leases expiring through March 2027. Rent expense reported in the financial statements was \$38,478 for 2022 and \$36,204 for 2021.

Future minimum lease payments are as follows:

<u>Year Ending August 31:</u>	
2023	\$ 40,752
2024	40,752
2025	40,752
2026	40,690
Thereafter	<u>30,006</u>
Total	<u>\$ 192,952</u>

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE G – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, Brighton Center utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Brighton Center has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to measure fair value nor transfers between levels.

Money market funds: Valued at its carrying amount due to short term maturity of the investment.

Equity securities: Valued at the closing price reported in the active market on which the individual securities are traded.

US Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

The following table sets forth, by level within the fair value hierarchy, Brighton Center's investments measured at fair value as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>August 31, 2022</i>				
Money market funds	\$ 200	\$ -	\$ -	\$ 200
Equity securities	9,905	-	-	9,905
US Government securities	-	1,486,012	-	1,486,012
Investments measured at fair value	<u>\$ 10,105</u>	<u>\$ 1,486,012</u>	<u>\$ -</u>	<u>\$ 1,496,117</u>

BRIGHTON CENTER AND SUBSIDIARY
Notes to Consolidated Audited Financial Statements
August 31, 2022 and 2021

NOTE H – EMPLOYEE RETENTION CREDIT/ PAYCHECK PROTECTION PROGRAM

Brighton Center applied for Employee Retention Credit (ERC) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and the Taxpayer Certainty and Disaster Relief Act of 2020. Accordingly, the 2022 financial statements include \$1,583,144 in revenue and a corresponding receivable.

Proceeds from Small Business Administration (SBA) Paycheck Protection Program (PPP) were received on April 17, 2020. All proceeds were used for qualifying expenses and forgiveness was received on November 19, 2020. Accordingly, the proceeds were recognized as a income in the 2021 financial statements and reported on the statement of cash flows as a non-cash adjustment to net cash used by operating activities.

NOTE I – COMMITMENTS AND CONTINGENCIES

Brighton Center participates in several federal, state, and local grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Management does not believe there are any significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Brighton Center has approximately \$3,400,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. This consists of operating cash and cash equivalents accounts, grants and pledges receivable and investments. In addition, Brighton Center maintains a line of credit for \$500,000. Brighton Center has a goal of maintaining financial assets to meet three months of recurring operating expenses, which on average, total approximately \$1,200,000 per month given full programmatic operations excluding direct fundraising costs and depreciation. Brighton Center relies on its program services to continue funding operations throughout the year.

NOTE K – CURRENT ECONOMIC CONDITIONS

Certain current economic events have arisen which could impact Brighton Center's ongoing operations. As a result of the COVID-19 pandemic, mandated and voluntary closings have caused various business and supply chain disruptions which have an indeterminate duration. Additionally, the effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital and labor. Any related financial impact cannot be reasonably estimated at this time.

**BRIGHTON CENTER
AND
SUBSIDIARY**

**Supplementary Schedules
Consolidated Financial Statements**

August 31, 2022

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Financial Position
August 31, 2022

	<u>Brighton Center</u>	<u>BC-PTC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,032,482	\$ -	\$ -	\$ 1,032,482
Accounts receivable, net	493,710	23,053	-	516,763
Grants receivable	202,462	-	-	202,462
Pledges receivable	144,541	-	-	144,541
Employee retention credit receivable	1,583,144	-	-	1,583,144
Prepaid expenses	208,704	-	-	208,704
Total current assets	<u>3,665,043</u>	<u>23,053</u>	<u>-</u>	<u>3,688,096</u>
Intercompany receivable/payable	190,375	(190,375)	-	-
Non-Current Assets:				
Investments, at fair value	1,496,117	-	-	1,496,117
Property and equipment, net	8,620,809	-	-	8,620,809
Total other assets	<u>10,116,926</u>	<u>-</u>	<u>-</u>	<u>10,116,926</u>
Total Assets	<u>\$ 13,972,344</u>	<u>\$ (167,322)</u>	<u>\$ -</u>	<u>\$ 13,805,022</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 229,246	\$ -	\$ -	\$ 229,246
Retirement payable	30,366	-	-	30,366
Accrued expenses	967,179	-	-	967,179
Capital lease, current portion	66,042	-	-	66,042
Deferred income	192,524	-	-	192,524
Total current liabilities	<u>1,485,357</u>	<u>-</u>	<u>-</u>	<u>1,485,357</u>
Non-Current Liabilities:				
Long-term capital lease, net of current portion	504,270	-	-	504,270
Total liabilities	<u>1,989,627</u>	<u>-</u>	<u>-</u>	<u>1,989,627</u>
Net Assets:				
Without donor restrictions:	11,982,717	(167,322)	-	11,815,395
With donor restrictions	-	-	-	-
Total net assets	<u>11,982,717</u>	<u>(167,322)</u>	<u>-</u>	<u>11,815,395</u>
Total Liabilities and Net Assets	<u>\$ 13,972,344</u>	<u>\$ (167,322)</u>	<u>\$ -</u>	<u>\$ 13,805,022</u>

See independent auditor's report.

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Activities
Year Ended August 31, 2022

	Brighton Center		Pediatric Therapy Clinic		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Support and Revenues						
Support:						
Grants	\$ 4,999,552	\$ -	\$ -	\$ -	\$ -	\$ 4,999,552
ERC	1,583,144	-	-	-	-	1,583,144
Contributions	1,687,627	-	275,784	-	-	1,963,411
Special event, net of expenses	1,005,397	-	-	-	-	1,005,397
Revenues:						
Program service fees	6,414,736	-	150,010	-	-	6,564,746
Interest income	2,784	-	-	-	-	2,784
(Loss) on sale of assets	(2,505)	-	-	-	-	(2,505)
Other income	2,116	-	-	-	-	2,116
Total support and revenues	<u>15,692,851</u>	<u>-</u>	<u>425,794</u>	<u>-</u>	<u>-</u>	<u>16,118,645</u>
Expenses						
Program services:						
Early Childhood Intervention	8,677,005	-	-	-	-	8,677,005
Early Childhood Education	1,689,533	-	-	-	-	1,689,533
Special Education Support	308,260	-	-	-	-	308,260
Pediatric Therapy Clinic	-	-	540,343	-	-	540,343
Support services:						
Management and general	2,611,422	-	52,773	-	-	2,664,195
Fundraising	587,525	-	-	-	-	587,525
Total expenses	<u>13,873,745</u>	<u>-</u>	<u>593,116</u>	<u>-</u>	<u>-</u>	<u>14,466,861</u>
Change in Net Assets	1,819,106	-	(167,322)	-	-	1,651,784
Net assets released from restrictions	-	-	-	-	-	-
Net assets at beginning of year	<u>10,163,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,163,611</u>
Net Assets at Year End	<u>\$ 11,982,717</u>	<u>\$ -</u>	<u>\$ (167,322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,815,395</u>

See independent auditor's report.

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Functional Expenses
Year Ended August 31, 2022

Brighton Center

	Program Services				Support Services			2022 Totals
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and Related Expenses								
Salaries and wages	\$ 6,746,452	\$ 1,052,745	\$ 253,584	\$ 8,052,781	\$ 1,198,000	\$ 342,078	\$ 1,540,078	\$ 9,592,859
Payroll taxes	491,241	78,348	17,059	586,648	84,743	26,545	111,288	697,936
Employee health benefits	488,979	127,482	20,780	637,241	73,657	20,562	94,219	731,460
Retirement benefits	139,867	8,620	5,835	154,322	30,710	11,806	42,516	196,838
Total Salaries and Related Expenses	<u>7,866,539</u>	<u>1,267,195</u>	<u>297,258</u>	<u>9,430,992</u>	<u>1,387,110</u>	<u>400,991</u>	<u>1,788,101</u>	<u>11,219,093</u>
Other Operating Expenses								
Special events - indirect	-	-	-	-	-	143,503	143,503	143,503
Occupancy	13,109	17,122	-	30,231	33,415	3,247	36,662	66,893
Telephone	101,091	24,165	4,685	129,941	20,300	2,532	22,832	152,773
Postage	1,873	7	-	1,880	7,310	-	7,310	9,190
Capital campaign	-	-	-	-	(585)	-	(585)	(585)
Advertising	38,155	67,798	793	106,746	183,163	1,446	184,609	291,355
Equipment maintenance and rental	160,755	74,554	1,894	237,203	244,337	5,019	249,356	486,559
Rent	19,200	-	-	19,200	-	-	-	19,200
Supplies expense	35,522	133,898	525	169,945	46,897	8,649	55,546	225,491
Professional fees	6,320	2,869	-	9,189	117,940	-	117,940	127,129
Travel	187,218	298	-	187,516	6,040	582	6,622	194,138
Conferences and meetings	32,354	1,707	2,811	36,872	87,063	-	87,063	123,935
Bad debt	-	10,669	-	10,669	-	-	-	10,669
Insurance	10,328	11,506	-	21,834	58,859	1,984	60,843	82,677
Contract labor	48,604	2,900	-	51,504	-	-	-	51,504
Licenses and permits	-	2,493	-	2,493	8,375	-	8,375	10,868
ECI - respite	8,514	-	-	8,514	-	-	-	8,514
Printing	526	-	-	526	44,194	-	44,194	44,720
Membership and dues	-	-	123	123	8,523	-	8,523	8,646
Interest expense	29,823	-	-	29,823	3,652	3,394	7,046	36,869
Miscellaneous	18,393	17,556	156	36,105	97,686	-	97,686	133,791
Total Other Operating Expenses	<u>711,785</u>	<u>367,542</u>	<u>10,987</u>	<u>1,090,314</u>	<u>967,169</u>	<u>170,356</u>	<u>1,137,525</u>	<u>2,227,839</u>
Total Expenses Before Depreciation	8,578,324	1,634,737	308,245	10,521,306	2,354,279	571,347	2,925,626	13,446,932
Depreciation	<u>98,681</u>	<u>54,796</u>	<u>15</u>	<u>153,492</u>	<u>257,143</u>	<u>16,178</u>	<u>273,321</u>	<u>426,813</u>
Total Expenses	<u>\$ 8,677,005</u>	<u>\$ 1,689,533</u>	<u>\$ 308,260</u>	<u>\$ 10,674,798</u>	<u>\$ 2,611,422</u>	<u>\$ 587,525</u>	<u>\$ 3,198,947</u>	<u>\$ 13,873,745</u>

See notes to combined audited financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Functional Expenses
Year Ended August 31, 2022

Pediatric Therapy Clinic

	Program Services		Management and General	Fundraising	2022 Totals
	Pediatric Therapy Clinic	Total Program Services			
Salaries and Related Expenses					
Salaries and wages	\$ 398,463	\$ 398,463	\$ 40,284	-	\$ 438,747
Payroll taxes	28,719	28,719	2,763	-	31,482
Employee health benefits	25,961	25,961	2,233	-	28,194
Retirement benefits	8,722	8,722	1,045	-	9,767
Total Salaries and Related Expenses	<u>461,865</u>	<u>461,865</u>	<u>46,325</u>	<u>-</u>	<u>508,190</u>
Other Operating Expenses					
Occupancy	8,199	8,199	(5,283)	-	2,916
Telephone	5,731	5,731	(1,369)	-	4,362
Postage	39	39	213	-	252
Advertising	1,241	1,241	6	-	1,247
Equipment maintenance and rental	23,230	23,230	(2,924)	-	20,306
Supplies expense	20,246	20,246	574	-	20,820
Professional fees	4,387	4,387	4,409	-	8,796
Travel	15	15	62	-	77
Conferences and meetings	1,849	1,849	355	-	2,204
Insurance	5,333	5,333	(2,307)	-	3,026
Contract labor	6,400	6,400	-	-	6,400
Licenses and permits	-	-	233	-	233
Printing	1	1	1,166	-	1,167
Membership and dues	-	-	82	-	82
Interest expense	-	-	470	-	470
Miscellaneous	473	473	454	-	927
Total Other Operating Expenses	<u>77,144</u>	<u>77,144</u>	<u>(3,859)</u>	<u>-</u>	<u>73,285</u>
Total Expenses Before Depreciation	539,009	539,009	42,466	-	581,475
Depreciation	<u>1,334</u>	<u>1,334</u>	<u>10,307</u>	<u>-</u>	<u>11,641</u>
Total Expenses	<u>\$ 540,343</u>	<u>\$ 540,343</u>	<u>\$ 52,773</u>	<u>\$ -</u>	<u>\$ 593,116</u>

See notes to combined audited financial statements.

**BRIGHTON CENTER
AND
SUBSIDIARY**

**Single Audit Reports
Federal and State Awards**

August 31, 2022



ADKF

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Member of the AICPA & TXCPA.

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

To the Board of Directors
Brighton Center and Subsidiary
San Antonio, Texas

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 consolidated financial statements of Brighton Center and Subsidiary (collectively, “Brighton Center”), which comprise the statement of financial position of as of August 31, 2022, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Brighton Center’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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brighton Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of Brighton Center’s internal control.

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

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

MAIN OFFICE:

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Report on Compliance and Other Matters

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

Purpose of this Report

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

ADKF, PC

ADKF, P.C.
San Antonio, Texas
January 4, 2023



ADKF

with you
all the way

Member of the AICPA & TXCPA.

Registered with Public Company
Accounting Oversight Board.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
Brighton Center and Subsidiary
San Antonio, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brighton Center and Subsidiary (collectively, “Brighton Center”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Brighton Center’s major federal and state programs for the year ended August 31, 2022. Brighton Center’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Brighton Center’s 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 of 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Texas Uniform Grant Management Standards (TUGMS). Our responsibilities under those standards, Uniform Guidance TUGMS are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Brighton Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to 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 on Brighton Center’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 grants agreements applicable to Brighton Center’s federal and state programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Brighton Center'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 general accepted auditing standards, *Government Auditing Standards*, Uniform Guidance and TUGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Brighton Center's compliance with the requirements of each major federal and state program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Brighton Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Brighton Center'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 Uniform Guidance and TUGMS, but not for the purpose of expressing an opinion on the effectiveness of Brighton Center'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 weakness in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Report on Internal Control Over Compliance – continued

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

ADKF, PC

ADKF, P.C.
San Antonio, Texas
January 4, 2023

BRIGHTON CENTER
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>FEDERAL AWARDS</i>			
<i>U.S. Department of Agriculture</i>			
Child and Adult Care Food Program	10.558	806780706	\$ 25,051
Total U.S. Department of Agriculture			25,051
<i>U.S. Department of Education</i>			
Pass-through Health and Human Services Commission			
Early Childhood Intervention			
Special Education Grants for Infants and Families with Disabilities	84.181	HHS000640200025	1,826,204
COVID-19 - Special Education Grants for Infants and Families with Disabilities	84.181	HHS000640200025	4,929
Total Assistance Listing 84.181			<u>1,831,133</u>
Special Education Grants for Infants and Families with Disabilities - IDEA, Part B	84.027	HHS000640200025	<u>227,160</u>
Special Education Personnel Development to Improve Services and Results for Children with Disabilities	84.325	HHS000640200025	<u>19,030</u>
Total U.S. Department of Education			2,077,323
<i>U.S. Department of Health and Human Services</i>			
Pass-through Health and Human Services Commission			
Early Childhood Intervention			
Temporary Assistance for Needy Families	93.558	HHS000640200025	<u>325,845</u>
Total U.S. Department of Health and Human Services			<u>325,845</u>
Total Expenditures of Federal Awards			\$ 2,428,219

See notes to Schedule of Expenditures of Federal and State Awards

BRIGHTON CENTER
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>STATE AWARDS</i>			
<i>U.S. Department of Health and Human Services</i>			
Pass-through Health and Human Services Commission			
Early Childhood Intervention		HHS000640200025	\$ 2,112,772
Early Childhood Intervention - Respite		HHS000640200025	<u>8,514</u>
Total Expenditures of State Awards			<u>2,121,286</u>
Total Expenditures of Federal and State Awards			<u><u>\$ 4,549,505</u></u>

See notes to Schedule of Expenditures of Federal and State Awards

BRIGHTON CENTER
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Brighton Center under programs of the federal and state government for the year ended August 31, 2022. The information in the schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Texas Uniform Grant Management Standards*. Because the schedule presents only a selected portion of the operations of Brighton Center, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Brighton Center. Therefore, some amounts presented in this schedule may differ from amount presented in, or used in the preparation of, the basic financial statements.

All of Brighton Center’s federal and state awards were in the form of cash assistance. Brighton Center had no federal funded insurance programs or loan guarantees during the year ended August 31, 2022.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in 2CFR Section 200.502 wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Center does not have an indirect cost reimbursement rate and did not elect to use the de minimis indirect cost rate allowed under Uniform Guidance.

NOTE D – RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

Federal grants	\$ 2,428,219
State grants	2,121,286
Other grants	<u>450,047</u>
Total Grants	<u>\$ 4,999,552</u>

BRIGHTON CENTER
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I - Summary of Auditors' Results

Description

Financial Statements

Type of report of independent auditors	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
Type of report of independent auditors 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) of Uniform Guidance?	No

Major Federal Programs:

<u>Name of Federal Program or Cluster:</u>	<u>CFDA Number</u>
Early Childhood Intervention - Special Education Grants for Infants and Families with Disabilities	84.181
COVID-19-Special Education Grants for Infants and Families with Disabilities	84.181
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

BRIGHTON CENTER
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I - Summary of Auditors' Results - continued

Description

State Awards

Internal control over major programs:

Material weaknesses identified

No

Significant deficiencies identified

None reported

Type of report of independent auditors 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) of Uniform Guidance and Texas Uniform Grant Management Standards?

No

Major State Programs:

Name of State Program or Cluster:

ID Number

Early Childhood Intervention

HHS000640200025

Dollar threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

Section IV - State Award Findings

None