BRIGHTON CENTER
AND
SUBSIDIARY

Audited Consolidated Financial Statements
and
Single Audit Reports

August 31, 2023

ADKF, P.C.
Certified Public Accountants

BRIGHTON CENTER AND SUBSIDIARY
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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 statements of financial position as of August 31, 2023 and 2022, 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, 2023 and 2022, and its activities, functional expenses and its cash flows for the years 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 the 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.

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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 federal and state awards for the year ended August 31, 2023, as required by *Texas 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 24, 2024, 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 24, 2024

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,967,962	$ 1,032,482
Accounts receivable, net	573,221	516,763
Grants receivable	923,556	202,462
Pledges receivable, current portion	11,300	144,541
Employee retention credit receivable	-	1,583,144
Prepaid expenses	331,144	208,704
Total current assets	4,807,183	3,688,096
Non-current Assets:		
Investments, at fair value	1,547,070	1,496,117
Right-of-use asset	143,248	-
Property and equipment, net	8,308,197	8,620,809
Total other assets	9,998,515	10,116,926
Total Assets	$ 14,805,698	$ 13,805,022
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 265,993	$ 229,246
Retirement payable	57,886	30,366
Accrued expenses	1,054,688	967,179
Operating lease obligation, current portion	36,699	-
Finance lease, current portion	70,654	66,042
Deferred income	293,500	192,524
Total current liabilities	1,779,420	1,485,357
Non-Current Liabilities:		
Operating lease obligation, net of current portion	106,549	-
Finance lease, net of current portion	433,616	504,270
Total liabilities	2,319,585	1,989,627
Net Assets:		
Without donor restrictions	12,486,113	11,815,395
With donor restrictions	-	-
Total net assets	12,486,113	11,815,395
Total Liabilities and Net Assets	$ 14,805,698	$ 13,805,022

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statements of Activities
Years Ended August 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Support:						
Grants	$ 6,905,792	$ -	$ 6,905,792	$ 4,999,552	$ -	$ 4,999,552
ERC Grant	-	-	-	1,583,144	-	1,583,144
Contributions	1,864,229	-	1,864,229	1,963,411	-	1,963,411
Special event, net of expenses	711,532	-	711,532	1,005,397	-	1,005,397
Revenues:						
Program service fees	9,390,504	-	9,390,504	6,564,746	-	6,564,746
Investment earnings, net	60,984	-	60,984	2,784	-	2,784
Interest income	140,428	-	140,428	-	-	-
(Loss) on disposal of assets	(33,103)	-	(33,103)	(2,505)	-	(2,505)
Other income	-	-	-	2,116	-	2,116
Total support and revenues	19,040,366	-	19,040,366	16,118,645	-	16,118,645
Expenses						
Program services:						
Early Childhood Intervention	11,767,317	-	11,767,317	8,677,005	-	8,677,005
Early Childhood Education	1,916,602	-	1,916,602	1,689,533	-	1,689,533
Special Education Support	394,435	-	394,435	308,260	-	308,260
Pediatric Therapy Clinic	708,325	-	708,325	540,343	-	540,343
Support services:						
Management and general	3,011,479	-	3,011,479	2,664,195	-	2,664,195
Fundraising	571,490	-	571,490	587,525	-	587,525
Total expenses	18,369,648	-	18,369,648	14,466,861	-	14,466,861
Change in Net Assets	670,718	-	670,718	1,651,784	-	1,651,784
Net assets released from restrictions	-	-	-	-	-	-
Net assets at beginning of year	11,815,395	-	11,815,395	10,163,611	-	10,163,611
Net Assets at Year End	$ 12,486,113	$ -	$ 12,486,113	$ 11,815,395	$ -	$ 11,815,395

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended August 31, 2023

	Program Services					Support Services			
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Pedriatic Therapy Clinic	Total Program Services	Management and General	Fundraising	Total Support Services	2023 Totals
Salaries and Related Expenses									
Salaries and wages	$ 9,028,818	$ 1,324,890	$ 307,879	$ 557,786	$ 11,219,373	$ 1,234,385	$ 361,755	$ 1,596,140	$ 12,815,513
Payroll taxes	677,957	99,327	20,840	40,128	838,252	94,198	27,219	121,417	959,669
Employee health benefits	660,027	145,551	23,931	36,796	866,305	68,288	21,088	89,376	955,681
Retirement benefits	185,864	20,367	8,106	9,317	223,654	39,110	11,021	50,131	273,785
Total Salaries and Related Expenses	10,552,666	1,590,135	360,756	644,027	13,147,584	1,435,981	421,083	1,857,064	15,004,648
Other Operating Expenses									
Special events - indirect	-	-	-	-	-	-	111,866	111,866	111,866
Occupancy	11,096	17,666	-	8,098	36,860	36,041	-	36,041	72,901
Telephone	64,211	5,843	1,071	-	71,125	88,621	-	88,621	159,746
Postage	3,073	8	-	-	3,081	7,820	-	7,820	10,901
Capital campaign	-	-	-	-	-	-	6,231	6,231	6,231
Advertising	31,260	9,545	111	-	40,916	209,976	22,935	232,911	273,827
Equipment maintenance and rental	370,814	47,129	11,371	20,182	449,496	401,863	6,103	407,966	857,462
Rent	30,300	-	10,000	-	40,300	-	-	-	40,300
Supplies expense	51,498	155,082	3,908	17,404	227,892	68,957	231	69,188	297,080
Professional fees	38,005	-	384	3,000	41,389	160,144	-	160,144	201,533
Travel	274,328	986	85	19	275,418	2,147	365	2,512	277,930
Conferences and meetings	100,235	3,590	5,734	2,885	112,444	90,853	209	91,062	203,506
Bad debt	-	4,194	-	-	4,194	286	-	286	4,480
Insurance	2,827	1,274	-	433	4,534	98,335	-	98,335	102,869
Contract labor	96,176	895	-	11,727	108,798	30,012	-	30,012	138,810
Licenses and permits	100	3,525	-	-	3,625	4,165	-	4,165	7,790
ECI - respite	10,893	-	-	-	10,893	-	-	-	10,893
Printing	-	963	-	-	963	42,501	-	42,501	43,464
Membership and dues	2,000	667	292	-	2,959	4,792	-	4,792	7,751
Interest expense	12,194	-	-	-	12,194	24,388	-	24,388	36,582
Miscellaneous	13,108	6,883	723	550	21,264	74,207	310	74,517	95,781
Total Other Operating Expenses	1,112,118	258,250	33,679	64,298	1,468,345	1,345,108	148,250	1,493,358	2,961,703
Total Expenses Before Depreciation	11,664,784	1,848,385	394,435	708,325	14,615,929	2,781,089	569,333	3,350,422	17,966,351
Depreciation	102,533	68,217	-	-	170,750	230,390	2,157	232,547	403,297
Total Expenses	$ 11,767,317	$ 1,916,602	$ 394,435	$ 708,325	$ 14,786,679	$ 3,011,479	$ 571,490	$ 3,582,969	$ 18,369,648
Special Events Direct Costs, Not Included Above:									
Supplies							$ 37,656		
Other							224,040		
							$ 261,696		

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			
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Pediatric Therapy Clinic	Total Program Services	Management and General	Fundraising	Total Support Services	2022 Totals
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	7,866,539	1,267,195	297,258	461,865	9,892,857	1,433,435	400,991	1,834,426	11,727,283
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	711,785	367,542	10,987	77,144	1,167,458	963,310	170,356	1,133,666	2,301,124
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	$ 8,677,005	$ 1,689,533	$ 308,260	$ 540,343	$ 11,215,141	$ 2,664,195	$ 587,525	$ 3,251,720	$ 14,466,861
Special Events Direct Costs, Not Included Above:									
Supplies							$ 360,840		
Other							15,793		
							$ 376,633		

See notes to audited consolidated financial statements.

BRIGHTON CENTER AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 670,718	$ 1,651,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	403,297	438,455
Loss on disposal of assets	33,103	4,185
Unrealized losses (gains) in investments	(11,499)	923
Change in operating assets and liabilities:		
Accounts and grants receivable	(777,552)	471,782
Employee retention credit receivable	1,583,144	(1,583,144)
Pledges receivable	133,241	365,329
Prepaid expenses	(122,440)	(11,202)
Operating lease asset	35,523	-
Accounts payable	36,747	(248,364)
Retirement payable	27,520	9,418
Accrued expenses	87,509	164,073
Operating lease liability	(35,523)	-
Deferred revenue	100,976	(303,029)
Net cash provided by operating activities	2,164,764	960,210
Investing Activities		
Purchases of property and equipment	(123,788)	(20,147)
Net investment activity	(39,454)	(1,497,040)
Net cash (used) by investing activities	(163,242)	(1,517,187)
Financing Activities		
Payments on finance lease	(66,042)	(57,289)
Proceeds from issuance of long-term debt	-	(480,000)
Net cash (used) by financing activities	(66,042)	(537,289)
Change in cash and cash equivalents	1,935,480	(1,094,266)
Cash and cash equivalents at beginning of year	1,032,482	2,126,748
Cash and Cash Equivalents at End of Year	$ 2,967,962	$ 1,032,482
Supplemental Disclosures		
Cash paid for interest	$ 36,582	$ 37,339

See notes to audited consolidated financial statements.

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) is a wholly owned subsidiary of Brighton Center and was incorporated 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, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions: Gifts of cash and other assets are reported as with donor restrictions 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, 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 activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Brighton Center reports gifts of goods and equipment as without donor restrictions 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 with donor restrictions. 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 2023 or 2022. Volunteers for program services and fundraising campaigns are not reflected in the financial statements since those services do 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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These 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 $261,696 in 2023 and $376,333 in 2022. 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 of approximately $358,000 and $343,000 at August 31, 2023 and 2022, respectively. 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, 2022, totaled $441,604.

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 pledge 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.

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 finance lease are included in buildings and depreciated over 10 years, the term of the lease. These assets are recorded at $1,185,081 as of August 31, 2023 and 2022. Accumulated depreciation related to these assets was recorded at $466,070 and $347,562 as of August 31, 2023 and 2022, respectively.

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, which were not significant in 2023 and 2022. Investments consist of US Treasury Bills which have a 6 month maturity but 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 $271,000 in 2023 and $197,000 in 2022.

Income Taxes: Brighton Center and Pediatric Therapy Clinic are not-for-profit organizations exempt from federal income taxation under Section 50l(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.

Leases: Brighton Center determines if an arrangement is an operating lease or financing lease at commencement of the lease. For all operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. Brighton Center uses the risk-free discount rate to determine the present value of lease payments, according to the Brighton Center's elected policy, unless a readily determinable implicit rate is available. In determining lease asset values, Brighton Center considers fixed and variable payment terms, prepayments, incentives and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 federal insured limits. At August 31, 2023, Brighton Center's uninsured cash balances totaled approximately $2,718,000. Brighton Center periodically assesses the financial condition of the institution and believes 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.

Recently Adopted 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 is required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases.

Brighton Center adopted the new standard using the modified retrospective transition approach effective September 1, 2022, the first day of the fiscal year beginning after the lease standard implementation date. The new standard applied to leases that have commenced as of the effective date, January 1, 2022, with a cumulative effect adjustment recorded as of that date. Brighton Center also elected to apply the package of practical expedients allowed in ASC 842-10-65-1 whereby Brighton Center need not reassess whether any expired or existing contracts are or contain leases, Brighton Center need not reassess the lease classification for any expired or existing leases, and Brighton Center need not reassess initial direct costs for any existing leases. Brighton Center's adoption of the ASU resulted in the addition of operating lease right-of-use assets on the statement of financial position for the right to use the underlying assets of operating leases. Brighton Center elected to use hindsight for transition when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. In addition, the corresponding liability for the remaining balance of the operating leases is included in the liability section of the balance sheet. For all asset classes, Brighton Center elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not have a material adjustment to the statements of activities. At September 1, 2022, Brighton Center recognized a right of use asset and a corresponding lease liability of $178,771, and a cumulative effect adjustment to net assets of $0.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable are as follows at August 31:

	2023	2022
Receivable in less than one year	$ 11,300	$ 147,436
Receivable in one to five years	-	-
Total pledges receivable	11,300	147,436
Less allowance for uncollectible pledge	-	(2,895)
Pledges receivable, net	$ 11,300	$ 144,541

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	2023	2022
Land and land improvements	$ 1,332,271	$ 1,317,271
Buildings	8,504,713	8,466,878
Equipment	878,778	895,283
Software	254,936	293,742
	10,970,698	10,973,174
Accumulated depreciation	(2,662,501)	(2,352,365)
Total Property and Equipment, net	$ 8,308,197	$ 8,620,809

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, 2023, no equipment purchases from funds under the contract and subject to the terms discussed above were noted.

NOTE D – LINE OF CREDIT

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 December 31, 2024 and bears an interest rate of prime plus 0.75%. For the years ended August 31, 2023 and 2022, there were no borrowings on the line of credit.

NOTE E – OPERATING LEASES

Brighton Center has multiple operating leases for office equipment, office space, and vehicles. Operating lease expense is recognized in continuing operations by amortizing the amount recorded as an asset on a straight-line basis over the lease term.

Rent expense associated with these non-cancellable operating lease agreements was approximately $40,800 in 2023 and $20,800 in 2022. The weighted average remaining lease term is 3.8 years, and the weighted average discount rate is 3.26% at August 31, 2023. Future commitments related to this lease agreement are as follows:

Year Ending August 31,	
2024	$ 40,824
2025	40,824
2026	40,688
2027	30,006
Total minimum lease payments	152,342
Less: imputed interest	(9,094)
Total lease liability	$ 143,248

NOTE F – FINANCING LEASE

Brighton Center has one finance lease for portable buildings. The lease terms extends through August 2029. Payments related to finance leases are fixed.

Amounts recognized as right-of-use assets related to finance leases are included in the property and equipment section of the statements of financial position, while related lease liabilities are included in current maturities of finance leases and the long-term liabilities sections.

The weighted average remaining lease term is 5.9 years, and the weighted average discount rate is 6.77% at August 31, 2023. The future payments due under finance leases as of August 31, 2023 are as follows:

Year Ending August 31,	
2024	$ 102,624
2025	102,624
2026	102,624
2027	102,624
2028	102,624
Thereafter	102,624
Total minimum lease payments	615,744
Less: imputed interest	(111,474)
Total lease liability	$ 504,270

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:

NOTE G – FAIR VALUE MEASUREMENTS - continued

	Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
August 31, 2023				
Money market funds	$ 1,188	$ -	$ -	$ 1,188
US Government securities	-	1,545,882	-	1,545,882
Investments measured at fair value	$ 1,188	$ 1,545,882	$ -	$ 1,547,070
August 31, 2022				
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	$ 10,105	$ 1,486,012	$ -	$ 1,496,117

NOTE H – EMPLOYEE RETENTION CREDIT

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. All amounts were received in 2023.

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 $6,000,000 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 $1,500,000 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.

BRIGHTON CENTER
AND
SUBSIDIARY

Supplementary Schedules
Consolidated Financial Statements

August 31, 2023

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Financial Position
August 31, 2023

	Brighton Center	BC-PTC	Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,967,962	$ -	$ -	$ 2,967,962
Accounts receivable, net	535,386	37,835	-	573,221
Grants receivable	923,556	-	-	923,556
Pledges receivable	11,300	-	-	11,300
Prepaid expenses	331,144	-	-	331,144
Total current assets	4,769,348	37,835	-	4,807,183
Intercompany receivable (payable)	627,967	(627,967)	-	-
Non-Current Assets:				
Investments, at fair value	1,547,070	-	-	1,547,070
Right-of-use asset	143,248	-	-	143,248
Property and equipment, net	8,308,197	-	-	8,308,197
Total other assets	9,998,515	-	-	9,998,515
Total Assets	$ 15,395,830	$ (590,132)	$ -	$ 14,805,698

	Brighton Center	BC-PTC	Eliminations	Total
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 265,993	$ -	$ -	$ 265,993
Retirement payable	57,886	-	-	57,886
Accrued expenses	1,054,688	-	-	1,054,688
Operating lease obligation, current portion	36,699	-	-	36,699
Finance lease, current portion	70,654	-	-	70,654
Deferred income	293,500	-	-	293,500
Total current liabilities	1,779,420	-	-	1,779,420
Non-Current Liabilities:				
Operating lease obligation, net of current portion	106,549	-	-	106,549
Finance lease, net of current portion	433,616	-	-	433,616
Total non-current liabilities	540,165	-	-	540,165
Total liabilities	2,319,585	-	-	2,319,585
Net Assets:				
Without donor restrictions:	13,076,245	(590,132)	-	12,486,113
With donor restrictions	-	-	-	-
Total net assets	13,076,245	(590,132)	-	12,486,113
Total Liabilities and Net Assets	$ 15,395,830	$ (590,132)	$ -	$ 14,805,698

See independent auditor's report.

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Activities
Year Ended August 31, 2023

	Brighton Center		Pedriatic Therapy Clinic			
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Support and Revenues						
Support:						
Grants	$ 6,905,792	$ -	$ -	$ -	$ -	$ 6,905,792
Contributions	1,764,811	-	99,418	-	-	1,864,229
Special event, net of expenses	711,532	-	-			711,532
Revenues:						
Program service fees	9,008,960	-	381,544	-	-	9,390,504
Investment earnings, net	60,984	-	-	-	-	60,984
Interest income	140,428	-	-	-	-	140,428
(Loss) on sale of assets	(33,103)	-	-	-	-	(33,103)
Total support and revenues	18,559,404	-	480,962	-	-	19,040,366
Expenses						
Program services:						
Early Childhood Intervention	11,767,317	-	-	-	-	11,767,317
Early Childhood Education	1,916,602	-	-	-	-	1,916,602
Special Education Support	394,435	-	-	-	-	394,435
Pediatric Therapy Clinic	-	-	708,325	-	-	708,325
Support services:						
Management and general	2,816,032	-	195,447	-	-	3,011,479
Fundraising	571,490	-	-	-	-	571,490
Total expenses	17,465,876	-	903,772	-	-	18,369,648
Change in Net Assets	1,093,528	-	(422,810)	-	-	670,718
Net assets released from restrictions	-	-	-	-	-	-
Net assets at beginning of year	11,982,717	-	(167,322)	-	-	11,815,395
Net Assets at Year End	$ 13,076,245	$ -	$ (590,132)	$ -	$ -	$ 12,486,113

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Functional Expenses
Year Ended August 31, 2023

Brighton Center

	Program Services				Support Services			
	Early Childhood Intervention	Early Childhood Education	Special Education Support Services	Total Program Services	Management and General	Fundraising	Total Support Services	2023 Totals
Salaries and Related Expenses								
Salaries and wages	$ 9,028,818	$ 1,324,890	$ 307,879	$ 10,661,587	$ 1,153,669	$ 361,755	$ 1,515,424	$ 12,177,011
Payroll taxes	677,957	99,327	20,840	798,124	88,337	27,219	115,556	913,680
Employee health benefits	660,027	145,551	23,931	829,509	63,735	21,088	84,823	914,332
Retirement benefits	185,864	20,367	8,106	214,337	36,725	11,021	47,746	262,083
Total Salaries and Related Expenses	10,552,666	1,590,135	360,756	12,503,557	1,342,466	421,083	1,763,549	14,267,106
Other Operating Expenses								
Special events - indirect	-	-	-	-	-	111,866	111,866	111,866
Occupancy	11,096	17,666	-	28,762	17,570	-	17,570	46,332
Telephone	64,211	5,843	1,071	71,125	83,492	-	83,492	154,617
Postage	3,073	8	-	3,081	7,405	-	7,405	10,486
Capital campaign	-	-	-	-	-	6,231	6,231	6,231
Advertising	31,260	9,545	111	40,916	208,204	22,935	231,139	272,055
Equipment maintenance and rental	370,814	47,129	11,371	429,314	400,332	6,103	406,435	835,749
Rent	30,300	-	10,000	40,300	-	-	-	40,300
Supplies expense	51,498	155,482	3,908	210,888	67,543	231	67,774	278,662
Professional fees	38,005	-	384	38,389	153,959	-	153,959	192,348
Travel	274,328	986	85	275,399	1,880	365	2,245	277,644
Conferences and meetings	100,235	3,590	5,734	109,559	90,853	209	91,062	200,621
Bad debt	-	3,794	-	3,794	286	-	286	4,080
Insurance	2,827	1,274	-	4,101	92,643	-	92,643	96,744
Contract labor	96,176	895	-	97,071	28,806	-	28,806	125,877
Licenses and permits	100	3,525	-	3,625	3,743	-	3,743	7,368
ECI - respite	10,893	-	-	10,893	-	-	-	10,893
Printing	-	963	-	963	40,041	-	40,041	41,004
Membership and dues	2,000	667	292	2,959	4,642	-	4,642	7,601
Interest expense	12,194	-	-	12,194	20,624	-	20,624	32,818
Miscellaneous	13,108	6,883	723	20,714	55,162	310	55,472	76,186
Total Other Operating Expenses	1,112,118	258,250	33,679	1,404,047	1,277,185	148,250	1,425,435	2,829,482
Total Expenses Before Depreciation	11,664,784	1,848,385	394,435	13,907,604	2,619,651	569,333	3,188,984	17,096,588
Depreciation	102,533	68,217	-	170,750	196,381	2,157	198,538	369,288
Total Expenses	$ 11,767,317	$ 1,916,602	$ 394,435	$ 14,078,354	$ 2,816,032	$ 571,490	$ 3,387,522	$ 17,465,876

BRIGHTON CENTER AND SUBSIDIARY
Consolidating Statement of Functional Expenses
Year Ended August 31, 2023

Pedriatic Therapy Clinic

	Program Services				
	Pedriatic Therapy Clinic	Total Program Services	Management and General	Fundraising	2023 Totals
Salaries and Related Expenses					
Salaries and wages	$ 557,786	$ 557,786	$ 80,716	-	$ 638,502
Payroll taxes	40,128	40,128	5,861	-	45,989
Employee health benefits	36,796	36,796	4,553	-	41,349
Retirement benefits	9,317	9,317	2,385	-	11,702
Total Salaries and Related Expenses	644,027	644,027	93,515	-	737,542
Other Operating Expenses					
Occupancy	8,098	8,098	18,471	-	26,569
Equipment maintenance and rental	20,182	20,182	1,531	-	21,713
Supplies expense	17,404	17,404	1,414	-	18,818
Professional fees	3,000	3,000	6,185	-	9,185
Travel	19	19	267	-	286
Conferences and meetings	2,885	2,885	-	-	2,885
Insurance	433	433	5,692	-	6,125
Licenses and permits	-	-	422	-	422
Telephone	-	-	5,129	-	5,129
Postage	-	-	415	-	415
Printing	-	-	2,460	-	2,460
Advertising	-	-	1,772	-	1,772
Membership and dues	-	-	150	-	150
Interest expense	-	-	3,764	-	3,764
Depreciation	-	-	34,009	-	34,009
Contract labor	11,727	11,727	1,206	-	12,933
Miscellaneous	550	550	19,045	-	19,595
Total Other Operating Expenses	64,298	64,298	101,932	-	166,230
Total Expenses	$ 708,325	$ 708,325	$ 195,447	$ -	$ 903,772

BRIGHTON CENTER
AND
SUBSIDIARY

Single Audit Reports
Federal and State Awards

August 31, 2023

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, 2023, 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.

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.

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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 24, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE* AND *TEXAS 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, 2023. 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, 2023.

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 Grant Management Standards (TxGMS). Our responsibilities under those standards, Uniform Guidance, TxGMS 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 TxGMS 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 TxGMS, 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 TxGMS, 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 TxGMS. Accordingly, this report is not suitable for any other purpose.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
January 24, 2024

BRIGHTON CENTER
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL AWARDS			
U.S. Department of Agriculture			
Child and Adult Care Food Program	10.558	806780706	$ 33,133
Total U.S. Department of Agriculture			33,133
U.S. Department of Education			
Pass-through Health and Human Services Commission			
Early Childhood Intervention			
Special Education Grants for Infants and Families with Disabilities	84.181	HHS000640200025	3,400,209
Special Education Grants for Infants and Families with Disabilities - IDEA, Part B	84.027	HHS000640200025	257,040
Special Education Personnel Development to Improve Services and Results for Children with Disabilities	84.325	HHS000640200025	9,912
Total U.S. Department of Education			3,667,161
U.S. Department of Health and Human Services			
Pass-through Health and Human Services Commission			
Early Childhood Intervention			
Temporary Assistance for Needy Families	93.558	HHS000640200025	409,297
Child Care and Development Block Grant	93.575	HHS000640200025	54,660
Every Student Succeeds Act/Preschool Development Grants	93.434	HHS000640200025	497,995
Total U.S. Department of Health and Human Services			961,952
Total Expenditures of Federal Awards			$ 4,662,246

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, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number		Federal Expenditures
STATE AWARDS				
U.S. Department of Health and Human Services				
Pass-through Health and Human Services Commission				
Early Childhood Intervention		HHS000640200025	$	1,479,098
Early Childhood Intervention - Respite		HHS000640200025		10,893
Total Expenditures of State Awards				1,489,991
Total Expenditures of Federal and State Awards			$	6,152,237

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, 2023

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, 2023. 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 Grant Management Standards (TxGMS)*. 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, 2023.

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	$ 4,662,246
State grants	1,489,991
Other grants	753,555
Total Grants	$ 6,905,792

BRIGHTON CENTER
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

<u>**Section I - Summary of Auditors' Results**</u>	<u>**Description**</u>
Financial Statements	
Type of report of independent auditors	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	None reported
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weaknesses identified	None reported
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>AL Number</u>
Early Childhood Intervention - 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

Section I - Summary of Auditors' Results - continued	**Description**
State Awards	
Internal control over major programs:	
Material weaknesses identified	None reported
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 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	$750,000
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