Brighton Center

Financial Statements
and Supplementary Information

August 31, 2018 and 2017

SCHRIVER CARMONA
Certified Public Accountants

Brighton Center

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Independent Auditor's Report

To the Board of Directors of
Brighton Center

Report on the Financial Statements

We have audited the accompanying financial statements of Brighton Center (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brighton Center as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Brighton Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and as required by the *State of Texas Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighton Center's internal control over financial reporting and compliance.

Schriver, Carmona & Company, PLLC

San Antonio, Texas

January 23, 2019

Financial Statements

Brighton Center

Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
Assets		
Current Assets:		
Cash and Cash Equivalents	**$ 1,722,570**	$ 768,193
Accounts Receivable, net of allowance for doubtful accounts	**643,960**	396,416
Current Portion of Capital Campaign Pledges Receivable, net of allowance and discounts	**1,981,316**	-
Prepaid Expenses	**108,952**	61,759
Total Current Assets	**4,456,798**	1,226,368
Long-term portion of Capital Campaign Pledges Receivable, net of allowance and discounts	**334,368**	-
Property and Equipment, net of accumulated depreciation	**1,894,109**	1,926,101
Total Assets	**$ 6,685,275**	$ 3,152,469
Liabilities and Net Assets		
Liabilities:		
Current Liabilities:		
Accounts Payable	**$ 140,355**	$ 133,865
Retirement Payable	**16,637**	16,116
Accrued Expenses	**563,606**	424,538
Deferred Income	**97,000**	64,494
Total Current Liabilities	**817,598**	639,013
Total Liabilities	**817,598**	639,013
Net Assets:		
Unrestricted	**2,446,377**	2,306,695
Temporarily Restricted	**3,421,300**	206,761
Total Net Assets	**5,867,677**	2,513,456
Total Liabilities and Net Assets	**$ 6,685,275**	$ 3,152,469

The Accompanying Notes are an Integral Part of These Financial Statements.

Brighton Center

Statement of Activities
Year Ended August 31, 2018 (with Comparative Totals for the Year Ended August 31, 2017)

	2018			2017
	Unrestricted	**Temporarily Restricted**	**Totals**	Totals
Support and Revenues				
Support:				
Contributions	**$ 184,736**	**$ 3,640,380**	**$ 3,825,116**	$ 597,465
Special Events, net of direct expenses of $202,717 and $239,078 in 2018 and 2017, respectively	**861,603**	**-**	**861,603**	614,176
Revenues:				
Program Service Fees	**7,512,064**	**-**	**7,512,064**	6,863,205
Other Income	**712**	**-**	**712**	-
Net Assets Released from Restrictions	**425,841**	**(425,841)**	**-**	-
Total Support and Revenues	**8,984,956**	**3,214,539**	**12,199,495**	8,074,846
Expenses				
Program Services:				
Early Childhood Intervention	**5,769,831**	**-**	**5,769,831**	5,262,723
Early Childhood Education	**981,636**	**-**	**981,636**	1,008,132
Parenting Programs	**209,338**	**-**	**209,338**	220,542
Support Services:				
Management and General	**1,305,820**	**-**	**1,305,820**	1,315,954
Fundraising	**578,648**	**-**	**578,648**	299,902
Total Expenses	**8,845,274**	**-**	**8,845,274**	8,107,253
Change in Net Assets	**139,682**	**3,214,539**	**3,354,221**	(32,407)
Net Assets at Beginning of Year	**2,306,695**	**206,761**	**2,513,456**	2,545,863
Net Assets at End of Year	**$ 2,446,377**	**$ 3,421,300**	**$ 5,867,677**	$ 2,513,456

Brighton Center

Statement of Functional Expenses
Year Ended August 31, 2018 (with Comparative Totals for the Year Ended August 31, 2017)

	Program Services				Support Services				
	Early Childhood Intervention	Early Childhood Education	Parenting Programs	Total Program Services	Management and General	Fundraising	Total Support Services	**2018 Totals**	2017 Totals
Salaries and Wages	$ 4,183,913	$ 684,962	$ 151,966	$ 5,020,841	$ 887,215	$ 255,242	$ 1,142,457	**$ 6,163,298**	$ 5,728,632
Payroll Taxes	316,346	52,583	10,374	379,303	69,357	19,830	89,187	**468,490**	439,065
Employee Health Benefits	323,591	94,839	15,385	433,815	65,943	16,800	82,743	**516,558**	512,637
Retirement Benefits	91,820	7,729	436	99,985	27,142	6,703	33,845	**133,830**	117,376
Workers' Compensation Insurance	7,404	2,898	422	10,724	2,129	479	2,608	**13,332**	9,129
Total Salaries and Related Expenses	4,923,074	843,011	178,583	5,944,668	1,051,786	299,054	1,350,840	**7,295,508**	6,806,839
Other Operating Expenses:									
Special Events - Indirect	-	-	-	-	-	132,369	132,369	**132,369**	52,766
Occupancy	32,769	5,365	1,190	39,324	9,831	-	9,831	**49,155**	50,518
Telephone	56,476	9,246	2,051	67,774	16,943	-	16,943	**84,717**	124,423
Postage	4,409	722	160	5,290	1,323	-	1,323	**6,613**	5,579
Capital Campaign	-	-	-	-	-	147,225	147,225	**147,225**	-
Advertising	11,915	1,951	433	14,298	3,575	-	3,575	**17,873**	18,225
Equipment Maintenance and Rental	91,161	14,924	3,311	109,396	27,349	-	27,349	**136,745**	137,196
Rent	18,492	3,027	672	22,191	5,548	-	5,548	**27,739**	23,664
Supplies Expense	191,892	31,415	6,970	230,278	57,569	-	57,569	**287,847**	230,366
Professional Fees	44,827	7,339	1,628	53,794	13,448	-	13,448	**67,242**	45,702
Travel	105,218	17,226	3,822	126,265	31,566	-	31,566	**157,831**	149,646
Conferences and Meetings	35,397	5,795	1,286	42,478	10,619	-	10,619	**53,097**	33,948
Bad Debt	2,905	476	106	3,486	872	-	872	**4,358**	1,159
Insurance	30,002	4,912	1,090	36,003	9,001	-	9,001	**45,004**	42,790
Contract Labor	99,264	16,251	3,605	119,121	29,780	-	29,780	**148,901**	208,911
Licenses and Permits	2,887	473	105	3,464	866	-	866	**4,330**	4,000
ECI - Respite	7,833	1,282	285	9,400	2,350	-	2,350	**11,750**	11,140
Printing	13,885	2,273	504	16,662	4,166	-	4,166	**20,828**	6,316
Other	-	-	-	-	-	-	-	**-**	791
Membership and Dues	1,983	325	72	2,380	595	-	595	**2,975**	8,865
Miscellaneous	440	72	16	528	132	-	132	**660**	-
Total Other Operating Expenses	751,755	123,072	27,305	902,132	225,533	279,594	505,127	**1,407,259**	1,156,005
Total Expenses before Depreciation	5,674,829	966,083	205,888	6,846,800	1,277,319	578,648	1,855,967	**8,702,767**	7,962,844
Depreciation	95,002	15,553	3,451	114,006	28,501	-	28,501	**142,507**	144,409
Total Expenses	$ 5,769,831	$ 981,636	$ 209,338	$ 6,960,806	$ 1,305,820	$ 578,648	$ 1,884,468	**$ 8,845,274**	$ 8,107,253

The Accompanying Notes are an Integral Part of These Financial Statements.

Brighton Center

Statements of Cash Flows
Years Ended August 31, 2018 and 2017

		2018		2017
Cash Flows From Operating Activities:				
Change in Net Assets	**$**	**3,354,221**	$	(32,407)
Adjustments to Reconcile Change in Net Assets				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation		**142,507**		144,409
Bad Debt		**4,358**		1,159
Net Present Value Discount on Pledges		**22,709**		-
Loss on Disposal of Fixed Assets		**-**		791
(Increase) Decrease in:				
Accounts Receivable		**(251,902)**		1,782
Capital Campaign Pledges Receivable		**(3,357,075)**		-
Prepaid Expenses		**(47,193)**		(5,659)
Increase (Decrease) in:				
Accounts Payable		**6,490**		(72,118)
Accrued Liabilities		**139,589**		(9,404)
Deferred Income		**32,506**		17,234
Net Cash Provided by Operating Activities		**46,210**		45,787
Cash Flows From Investing Activities:				
Purchase of Property and Equipment		**-**		(48,099)
Capital Campaign Expenditures Related to				
Architecture, Design, and Engineering		**(110,515)**		-
Net Cash Used by Investing Activities		**(110,515)**		(48,099)
Cash Flows From Financing Activities:				
Proceeds from Capital Campaign Pledges		**1,018,682**		-
Net Cash Provided by Financing Activities		**1,018,682**		-
Net Increase (Decrease) in Cash		**954,377**		(2,312)
Cash and Cash Equivalents, Beginning of Year		**768,193**		770,505
Cash and Cash Equivalents, End of Year	**$**	**1,722,570**	$	768,193

The Accompanying Notes are an Integral Part of These Financial Statements.

Note A: Nature of Organization

Brighton Center (a Texas non-profit corporation) dba Brighton Center (the Center) was incorporated on April 5, 1984 to help children in Texas, many of which have disabilities and/or developmental delays, by establishing, operating, and developing programs and services in health, welfare, and education which are necessary for their development.

Note B: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to three classes of net assets:

- *Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.
- *Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by the Center.

Fair Value of Financial Instruments

The Center's financial instruments include cash, receivables and payables. The carrying amount of these financial instruments as reflected in the Statements of Financial Position approximates fair value.

Functional Allocation of Expenses

Expenses which can be directly identified with specific programs are allocated to those programs. Any expenses not directly chargeable are allocated to programs and supporting service classifications on the basis of management estimates.

Estimates

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

Cash and Cash Equivalents

For purposes of reporting cash flows, the Center considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Note B: Summary of Accounting Principles (Continued)

Accounts and Pledges Receivable

Accounts receivable are recorded in two categories: Insurance Billing Activity and Grants and Other.

Insurance Billing Activities

Insurance billing consists of insurance companies being billed at fully allocated revenue rates per hour of service. The Center expects many of these invoices will not be paid in full due to the insurance company's payment structure not supporting the Center's fully allocated revenue rates. These accounts are considered as part of the nonprofit services provided by the Center. Revenue is reduced by the amount expected not to be paid (write-off). This is understood and allowed for at the time of invoice by reducing the revenue and recording the offset to a contra account to accounts receivable. This essentially allows both revenue and accounts receivable to be accurate at period end.

Grants and Other

Grants are recorded at the value of the grant. Rarely is there any write down of these accounts receivable, hence bad debt will be recorded if/when it is determined the account receivable is uncollectible. The Center regularly reviews and adjusts bad debt percentages to an average based on the type of receivable. Other types of receivables are related to Early Childhood Education program services, support services, and capital campaign pledges. These other receivables are recorded at invoice amounts and written off if management determines the receivable is uncollectible.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Assets costing $1,500 or more with useful lives greater than one year are capitalized; all others are expensed as repairs and maintenance.

Revenue Recognition

Contributions received and unconditional promises to give are recorded when earned rather than received, and are reported as an increase in net assets. The Center reports gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

The 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, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Note B: Summary of Accounting Principles (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ending August 31, 2018 and 2017 was **$17,873** and $18,225, respectively.

Donated Services, Goods and Facilities

Volunteers have donated time to the program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market value at the date of receipt.

Federal Income Taxes

The Center is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Contributions to the Center are deductible to the extent allowed by law. Management of the Center believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. In addition, the Center has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended August 31, 2018 and 2017. The Center is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

New Accounting Pronouncements

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. Management of Brighton Center is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2019. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management of Brighton Center expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will result in significant changes to financial reporting and disclosures for non-for-profit organizations and is effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. Management of Brighton Center is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note B: Summary of Accounting Principles (Continued)

New Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Management of Brighton Center is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note C: Accounts Receivable

Accounts receivable consisted of the following at August 31:

	2018	2017
Grants Receivable	**$ 419,358**	$ 70,866
Patients and Other	**376,461**	1,523,856
	795,819	1,594,722
Less: Allowance for Doubtful Accounts	**(151,859)**	(1,198,306)
Total Accounts Receivable, net	**$ 643,960**	$ 396,416

Accounts receivable at August 31, 2018 are expected to be collected within a year.

Note D: Capital Campaign Pledges Receivable

During the year ended August 31, 2018 the Center received capital campaign pledges totaling $3,334,366, net of discount on pledges. Capital campaign pledges receivable consist of unconditional promises to give from various contributors totaling **$2,315,684** and $0 at August 31, 2018 and 2017, respectively. The outstanding amounts pledged range from $117 to $1,500,000 and are to be received over a range of one to three years. The pledges have been discounted at a rate of 4.75%, Brighton Center's bank rate to borrow, to account for the present value of future cash flows at August 31, 2018.

Capital Campaign Pledges Receivable at August 31, 2018 is summarized as follows:

Year Ending August 31,	
2019	$ 2,029,038
2020	206,535
2021	150,542
Total capital campaign pledges receivable	2,386,115
Less: allowance for doubtful accounts	(47,722)
Less: net present value discount	(22,709)
Total Capital Campaign Pledges Receivable, net of allowance and discount	2,315,684
Less: Current Portion of Capital Campaign Pledges Receivable, net of allowance and discount	(1,981,316)
Long-term Portion of Capital Campaign Pledges Receivable, net of allowance and discount	$ 334,368

Five contributors represented 88% of the capital campaign pledges receivable balance outstanding at August 31, 2018.

Note E: Property and Equipment

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

	2018	2017
Land (see **Note K**)	**$ 435,681**	$ 435,681
Buildings (see **Note K**)	**1,839,060**	1,839,060
Equipment	**779,600**	779,600
Construction In Progress	**110,515**	-
	3,164,856	3,054,341
Accumulated Depreciation	**(1,270,747)**	(1,128,240)
Total Property and Equipment, net of accumulated depreciation	**$ 1,894,109**	$ 1,926,101

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 the Center. At August 31, 2018, equipment purchases from funds under the contract and subject to the terms discussed above were $309,676.

Depreciation expense for the years ended August 31, 2018 and 2017 was **$142,507** and $144,409, respectively.

Note F: Program Service Fees

The Center records grants, fees from tuition, and fees charged to patients based upon their ability to pay as program service fees. The amounts billed consisted of the following at August 31:

	2018	2017
Grants-Government	**$ 2,692,307**	$ 2,686,889
Medicaid/Medicare	**3,774,009**	2,778,971
Tuition	**1,027,379**	1,016,026
Other	**18,369**	381,319
Total Program Service Fees	**$ 7,512,064**	$ 6,863,205

Note G: Special Events

Special events held by the Center included Taste of the Northside (TONS) and Best Night Ever (BNE), and consisted of the following for the years ended August 31:

	2018			2017		
	TONS and BNE	**Other**	**Total**	TONS and BNE	Other	Total
Revenue	**$ 986,092**	**$ 78,228**	**$ 1,064,320**	$ 781,356	$ 71,898	$ 853,254
Direct Benefit Expenses	**(176,576)**	**(26,141)**	**(202,717)**	(193,010)	(46,068)	(239,078)
Total Special Events, net	**$ 809,516**	**$ 52,087**	**$ 861,603**	$ 588,346	$ 25,830	$ 614,176

Note H: Notes Payable

Line of Credit

The 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 was renewed in October 2017 and bears an interest rate of prime plus 1.25%, or 6.25% as of August 31, 2018. For the years ended August 31, 2018 and 2017, the line of credit balance was $0.

Note I: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the Center to a concentration of credit risk consist of its cash balances held at its financial institution. The Center maintains several bank accounts at one institution in San Antonio, Texas. The accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At August 31, 2018 and 2017, the Center exceeded the insured limit in the amount of **$1,489,175** and $527,757, respectively. It is the opinion of the Center's management that the solvency of the financial institution is not a particular concern at this time due to the financial strength and reputation of the financial institution. The Center continues to monitor the uncollateralized deposits.

Support and Revenue

A source of the Center's revenues is grants funded with federal and state funds from the Health and Human Services Commission for Early Childhood Intervention. These are annual grants which require renewal every year. The revenue from these grants for the year ended August 31, 2018 was $2,643,913 which was 21% of total revenue. The grants for the year ending August 31, 2018 have been approved and management believes that future grants will continue.

Note J: Leases

Lessee

The Center leases office space and equipment. The following is a schedule of future minimum lease payments for operating leases that had initial or remaining non-cancellable lease terms in excess of one year as of August 31, 2018:

2019	$ 36,204
2020	36,204
2021	36,204
2022	36,204
Thereafter	434
Total	$ 145,250

Total building and equipment rent expenses included in Equipment Maintenance and Rental in the Statement of Functional Expenses for the year ended August 31, 2018 and 2017 were **$37,306** and $46,982, respectively.

Note K: Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consisted of the following at August 31:

	2018	2017
Donated Property*		
Buildings	**$ 159,384**	$ 159,384
Land	**33,100**	33,100
Less: Accumulated Depreciation	**(65,413)**	(61,428)
Total Donated Property	**127,071**	131,056
Pledge Receivable United Way of San Antonio and Bexar County	**59,369**	58,639
Special Education Support and Services (formerly PALS Program)	**11,009**	17,066
Capital Campaign	**3,223,851**	-
Total Temporarily Restricted Net Assets	**$ 3,421,300**	**$** $ 206,761

*On March 25, 2002, a donor contributed property to the Center. As required by the donor, the property must be used continuously for the benefit, development and/or education of mentally or physically challenged children for a period of fifty-five (55) years. The property's fair value at the date of its contribution is listed above. The fair value of the property was determined using Bexar County Appraisal estimates for comparable properties in the area.

Note L: Federal Financial Assistance

The Center has been awarded a grant to provide Early Childhood Intervention services. The grant is considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Grant activity for the years ended August 31, 2018 and 2017 is reported on the Schedule of Expenditures of Federal and State awards.

Note M: Insurance Coverage

The Center procures insurance from reputable firms at amounts sufficient to mitigate any insurable risks that management deems appropriate to insure. This includes property and general liability insurance, officer and director insurance, cyber security, and auto insurance. In addition, the Center has an umbrella policy that covers above and beyond the limits directly related to these policies. Furthermore, the Center maintains coverage for worker’s compensation, crime, volunteer and fundraising, employee benefits liability, professional liability, business interruption, and an accident policy oriented towards the Center’s day care facilities.

Note N: Subsequent Events

Subsequent events have been evaluated through January 23, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

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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 of
Brighton Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brighton Center (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brighton Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Schriver, Carmona & Company, PLLC

San Antonio, Texas

January 23, 2019

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

To the Board of Directors of
Brighton Center

Report on Compliance for Each Major Federal and State Program

We have audited Brighton Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and in the Texas Comptroller of Public Accounts, *State of Texas Uniform Grant Management Standards*, which includes the *State of Texas Single Audit Circular* 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, 2018. Brighton Center's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedules of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Brighton Center 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, 2018.

Report on Internal Control Over Compliance

Management of Brighton Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brighton Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brighton Center's internal control over compliance.

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

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

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

Schriver, Carmona & Company, PLLC

San Antonio, Texas

January 23, 2019

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2018

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass Through Grant ID Number	Federal Grant Expended During the Year	State Grant Expended During the Year
U.S. Department of Agriculture				
Child and Adult Care Food Program	10.558	N/A	$ 48,394	$ -
Total U.S. Department of Agriculture			48,394	-
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	N/A	919,148	-
Special Education Grants for Infants and Families with Disabilities - IDEA, Part B	84.027	N/A	197,083	-
Total U.S. Department of Education			1,116,231	-
U.S. Department of Health and Human Services				
Pass through Health and Human Services Commission				
Early Childhood Intervention				
Temp. Assistance for Needy Families	93.558	N/A	735,528	-
Total U.S. Department of Health and Human Services			735,528	-
Texas General Revenue Funding				
Pass through Health and Human Services Commission				
Early Childhood Intervention	N/A	5382001525	-	775,258
Early Childhood Intervention - Respite	N/A	5382001525	-	11,750
Total Texas General Revenue Funding			-	787,008
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			**$ 1,900,153**	**$ 787,008**

See Accompanying Notes to the Schedule of Expenditures of Federal and State Awards

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 governments for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements of the *State of Texas Uniform Grant Management Standards* (UGMS).

Because the Schedule presents only a selected portion of the operations of Brighton Center, it is not intended, and does not, present the financial position, changes in net assets or cash flows of Brighton Center. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements.

All of Brighton Center's federal and state awards were in the form of cash assistance for the year ended August 31, 2018.

Note B: Summary of Significant Accounting Policies (*Federal Awards Only*)

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, *Costs Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Brighton Center has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note C: Reconciliation to Financial Statements

Total Expenditures of Federal Awards	$ 1,900,153
Total Expenditures of State Awards	787,008
Other Contracts and Fees	4,824,903
Program Service Fees	$ 7,512,064

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.181	Special Education Grants for Infants and Families with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

State Awards

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the *State of Texas Single Audit Circular*?	No

Identification of Major Programs:

Grant Number	Name of Federal Program or Cluster
5382001525	Early Childhood Intervention

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee?	No