

WEST CENTRAL TEXAS REGIONAL FOUNDATION

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
September 30, 2022

WEST CENTRAL TEXAS REGIONAL FOUNDATION

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November 8, 2023

**To the Board of Directors
West Central Texas Regional Foundation
Abilene, Texas**

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of West Central Texas Regional Foundation (the "Foundation"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in material respects, the respective financial position of the Foundation as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amount and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 8, 2023 on our consideration of West Central Texas Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering West Central Texas Regional Foundation's internal control over financial reporting and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal 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* 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 related 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 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 State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Certified Public Accountants

WEST CENTRAL TEXAS REGIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
September 30, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 12,802
Grants receivable	<u>134,175</u>
Total Current Assets	<u>146,977</u>
Other Assets:	
Beneficial interest in assets held by Community Foundation of Abilene	<u>58,847</u>
Total Other Assets	<u>58,847</u>
TOTAL ASSETS	<u>\$ 205,824</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ <u>134,175</u>
Total Current Liabilities	<u>134,175</u>
Net Assets:	
Without donor restrictions	<u>71,649</u>
Total Net Assets	<u>71,649</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 205,824</u>

The accompanying notes are an integral part of the financial statements.

WEST CENTRAL TEXAS REGIONAL FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>
REVENUES, GAINS AND OTHER SUPPORT:	
Government grants	\$ 1,732,233
Local contributions	
Net investment loss on beneficial interest in assets held by Community Foundation of Abilene	<u>(8,650)</u>
Total Revenues, Gains and Other Support	<u>1,723,583</u>
EXPENSES:	
Contract staff	1,007,322
Program services	559,113
Facilities costs	87,081
Supplies	44,899
Copier, printing and publications	5,954
Travel, meetings and training	19,238
Telephone and communication	4,576
Postage and shipping	3,090
Outreach and education	<u>960</u>
Total Expenses	<u>1,732,233</u>
Change in net assets	<u>(8,650)</u>
Net assets at beginning of year	80,299
NET ASSETS AT END OF YEAR	<u>\$ 71,649</u>

The accompanying notes are an integral part of the financial statements.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended September 30, 2022

Cash Flows From Operating Activities:	
Change in net assets without donor restrictions	\$ (8,650)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net investment loss on beneficial interest in assets held by Community Foundation of Abilene	8,650
Increase in:	
Grants receivable	(83,926)
Increase in:	
Accounts payable and accrued expenses	<u>83,926</u>
Net Cash Provided by Operating Activities	<u>-</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	<u>2,293</u>
Net Cash Provided by Investing Activities	<u>2,293</u>
Net Increase In Cash and Cash Equivalents	2,293
Cash and Cash Equivalents at Beginning of Period	<u>10,509</u>
Cash and Cash Equivalents at End of Period	<u><u>\$ 12,802</u></u>

The accompanying notes are an integral part of the financial statements.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1: STATEMENT OF ORGANIZATION AND PURPOSE

West Central Texas Regional Foundation (the "Foundation") was established with the purposes of improving the health, education, safety, housing, environment and general welfare of the citizens and to plan for the future development of the area embraced by the communities predominantly within the State of Texas counties of Brown, Callahan, Coleman, Comanche, Eastland, Fisher, Haskell, Jones, Kent, Knox, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor, and Throckmorton. The Foundation operates out of Abilene, Texas and participates in grant programs as its primary source of funding.

Capitalization

The Foundation was organized in April 2009, and is incorporated as a non-profit corporation under the laws of the State of Texas and is exempt from federal income tax under section 501(c)(3).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Foundation conform to accounting principles generally accepted in the United States of America. Policies and practices which materially affect the determination of financial position are summarized as follows:

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount will be recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions, and related gains and investment income, received with donor-imposed restrictions that are met in the same year as received are reported as revenues of net assets without donor restrictions.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as an increase to net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, building and equipment with such donor stipulations are reported as an increase to net assets with donor restrictions; the restrictions are considered to be released at the time the assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Grants Receivable

Grants receivable represents differences in timing of amounts spent and the related reimbursement of grant funds. Management considers these amounts fully collectible as of September 30, 2022 and accordingly, no allowance for doubtful accounts has been recorded.

Investments

Investments are carried at fair value. Unrealized and realized gains and losses are recorded in the accompanying Statement of Activities as "Net investment gain (loss) on beneficial interest in assets held by Community Foundation of Abilene". Cost basis of assets sold is determined by specific identification.

Revenue Recognition

The Foundation receives funding from grant programs. The governmental agency determined funding is based on the services provided based on the grant agreement. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance. Grants that are considered exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Federal Income Taxes

The Foundation is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for Federal income taxes is reflected in the accompanying financial statements. In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes* management has evaluated the Foundation's tax positions and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for three years prior to the most recent tax filing.

Subsequent Events

Management has evaluated subsequent events through November 8, 2023, the date the financial statements were available to be issued.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

Recent Accounting Pronouncements

Adopted

ASU 2016-02

The FASB finalized the standard on leases in ASU 2016-02 *Leases* in February 2016. This update was to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The core principle is that the lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee and therefore recognition of those lease assets and lease liabilities represent an improvement over previous GAAP. Under the guidance a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Additional guidelines for finance leases, operating leases and lessors is included in the guidance. The amendments are effective for fiscal years beginning after December 15, 2018 for not-for-profit entities that have issued or is a conduit bond obligor. For all other entities the amendments are effective for fiscal years beginning after December 15, 2021. The Foundation adopted the standard during the year ended September 30, 2022, which resulted in no changes to the financial statement presentation.

Not Adopted

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Foundation's present or future financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the September 30, 2022 statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 12,802
Grants receivable	134,175
Beneficial interest in assets held by Community Foundation of Abilene	<u>58,847</u>
Total Financial assets	<u>205,824</u>
Less:	
Beneficial interest in assets held by Community Foundation of Abilene	<u>(58,847)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 146,977</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The beneficial interest in assets held by Community Foundation of Abilene were reduced from the financial assets as these assets are less liquid and not characterized by the Foundation as being available for general expenditures; however, distributions from these interests are made and expected on an annual basis, some of which can be used for general expenditures.

NOTE 4: GRANTS RECEIVABLE

The Foundation was granted funds from the U.S. Department of Veterans Affairs, Texas Veterans Commission, and the U.S. Department of Health and Human Services. These are reimbursement grants and as of September 30, 2022, the following receivables were accrued:

U.S. Department of Veterans Affairs	\$ 90,655
U.S. Department of Health and Human Services	<u>43,520</u>
Total Grants Receivable for Contracts	<u>\$ 134,175</u>

NOTE 5: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION OF ABILENE

The Foundation transferred \$50,000 to the Community Foundation of Abilene ("CFA") in 2015, in which the Foundation was designated as the beneficiary. The Foundation has accounted for the transfer in accordance with ASC 958-605 as it relates to a recipient organization (the CFA) and specified beneficiary (the Foundation) under a reciprocal transaction that does not qualify as an equity transaction. Accordingly, the initial and any subsequent transfers of assets between the organizations are accounted for as an asset by the Foundation and a corresponding liability by the CFA. The asset has been adjusted to reflect its activity throughout the current year, as well as adjusted to its fair value at September 30, 2022.

The agency fund agreement between the Foundation and the CFA states that the transfers to the CFA are to be known as the West Central Texas Regional Foundation Fund (the "Fund"). It is the intent of the Foundation that the Fund is an endowed fund for the benefit of the Foundation and

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

the net earnings from the Fund shall be distributable to the Foundation, or as the Foundation directs, for qualified charitable purposes. The Fund and all net earnings are to be held exclusively for the Foundation. The assets of the Fund are to be held and administered by the CFA. Assets of the Fund may be invested and reinvested from time to time in any securities, obligations or other property of any kind that the CFA may deem advisable, including, but not limited to, interest bearing accounts, certificates of deposit, and common trust funds administered by the CFA.

According to the Fund agreement, the Foundation is authorized to withdraw annually an amount not greater than four percent of a rolling twelve quarter average of the value of the Fund as of the previous January 31st. Any withdrawal in excess of the four percent limitation must be requested in writing certifying that the requested withdrawal has the approval of the Foundation's Board of Directors. The agreement does however allow the Foundation to withdrawal the entire outstanding balance of the Fund pending written certification of approval from the Foundation's Board of Directors. It is the intent of the Foundation to distribute the authorized four percent to the Foundation on an annual basis. Should the Foundation ever cease to exist or to perform its charitable functions, the CFA will make available distributions of the Fund to other qualified charitable organizations that provide similar services as the Foundation as defined in Section 501 (c)(3) of the Internal Revenue Code. The CFA will consider the original purpose of the Fund and those individuals, groups, or causes that the Foundation previously sought to benefit in making such distributions. During the year ended September 30, 2022, the Foundation withdrew \$2,293 for the benefit of the Foundation in accordance with the Fund agreement.

Activity related to the beneficial interest for the year ended September 30, 2022 is as follows:

Beginning balance	\$	69,790
Unrealized loss		(8,650)
Distributions to the Foundation		<u>(2,293)</u>
Ending balance	\$	<u>58,847</u>

NOTE 6: COMMITMENTS AND CONTINGENCIES

The Foundation participates in federal programs that are fully or partially funded by grants or contracts received from various governmental entities. Expenditures financed by these grants and contracts are subject to audit by the appropriate grantor government agency. If expenditures are disallowed due to noncompliance with grant or contract program regulations, the Foundation may be required to reimburse the grantor government agency. As of September 30, 2022, some grant expenditures have not been audited, but the Foundation believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on the overall financial position of the Foundation.

NOTE 7: CONCENTRATIONS OF RISK

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, the Foundation may have balances at the financial institutions in excess of insured amounts.

The Foundation relies heavily on funding from the U.S. Department of Veterans Affairs and if funding from this agency was eliminated or significantly reduced, the operating capacity of the Foundation would be significantly altered. Revenues for the year ended September 30, 2022, related to the U.S. Department of Veterans Affairs, comprised 95% of total revenues. Grants

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

receivable as of September 30, 2022, related to the U. S. Department of Veterans Affairs, comprised 68% of the balance.

NOTE 8: RELATED PARTIES

Accounts payable and accrued expenses at September 30, 2022 totaling \$134,175 are owed to a related party and represent temporary advances resulting from shared personnel, facilities, and other general and administrative expenses.

NOTE 9: FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

For fiscal year ended September 30, 2022, the application of valuation techniques applied to similar assets has been consistent. There were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measured at fair value.

Beneficial interest in assets held by Community Foundation of Abilene: valued at the net asset value as a practical expedient reported by CFA at the reporting date. As such, these amounts are not included in the fair value hierarchy.

WEST CENTRAL TEXAS REGIONAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

The following table presents the balances of assets measured at fair value:

Description	September 30, 2022	Fair Value Measurements at Reporting Date Using			
		(Level 1)	(Level 2)	(Level 3)	NAV
Beneficial interest in assets held by CFA	\$ 58,847	\$ -	\$ -	\$ -	\$ 58,847

The above assets that calculate fair value using net asset value per share or its equivalent have no unfunded commitments or redemption notice periods, and the redemption frequency is daily.

NOTE 10: EXPENSES BY NATURE AND FUNCTION

The following table presents expenses by both their nature and their function for the year ended September 30, 2022.

	SSVF (Program)	TCDD (Program)	General and Administrative (Supporting)	Total
Contract staff	\$ 812,584	\$ 29,828	\$ 164,910	\$ 1,007,322
Program services	552,968	6,145	-	559,113
Facilities costs	87,081	-	-	87,081
Supplies	37,958	6,941	-	44,899
Copier, printing and publications	5,954	-	-	5,954
Travel, meetings and training	18,427	811	-	19,238
Telephone and communication	3,958	618	-	4,576
Postage and shipping	3,090	-	-	3,090
Outreach and education	960	-	-	960
	<u>\$ 1,522,980</u>	<u>\$ 44,343</u>	<u>\$ 164,910</u>	<u>\$ 1,732,233</u>

Expenses which apply to more than one functional category have been allocated among program and supporting services based on the time spent on these functions by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

SUPPLEMENTAL INFORMATION

November 8, 2023

Independent Auditor's Report

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

Board of Directors
West Central Texas Regional Foundation
Abilene, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Central Texas Regional Foundation (the "Foundation"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of the Foundation's 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*.

West Central Texas Regional Foundation's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on West Central Texas Council of Governments' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. West Central Texas Regional Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Condly and Company, L.L.P.".

Certified Public Accountants

November 8, 2023

Independent Auditor's Report

Report on Compliance for each Major Federal and State Program, and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
West Central Texas Regional Foundation
Abilene, Texas

Opinion on Each Major Federal Program

We have audited West Central Texas Regional Foundation's (the "Foundation") 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 the Foundation's major federal programs for the year ended September 30, 2022. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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 the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

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

- Exercise reasonable judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation'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 the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the internal control over compliance finding identified in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Condly and Company, L.L.P.

Certified Public Accountants

WEST CENTRAL TEXAS REGIONAL FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

Federal Awards

Internal controls over major program:	
• Material weakness identified?	No
• Significant deficiencies identified that not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major program:

<u>Assistance Listing Number</u>	<u>Name of Federal/State Program or Cluster</u>
64.033	Supportive Services for Veteran Families Program
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

2022-001

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Condition: During the 2022 audit, it was identified that the Foundation failed to reconcile grant expenditures to the grant awards causing financial reporting to be inaccurate.

Effect: Grant revenues and expenditures were materially misstated or incorrectly reported.

Cause: Staff responsible for grant accounting were not properly trained on grant management and reconciliation.

Recommendation: We recommend the Foundation implement and strengthen internal controls and procedures to ensure grant expenditures are accurately tracked and reconciled in a timely manner. We also recommend the Foundation train staff involved in grant management to enhance their skills and knowledge.

Views of responsible official and planned corrective actions:

The Foundation has employed a CPA with extensive knowledge of grant management and accounting to reconcile and monitor grant awards and ensure proper financial reporting. The Foundation will reconcile grant receivables and ensure accurate grant accounting on an ongoing basis, particularly at fiscal year-end.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-002

Criteria: In accordance with federal regulations (Uniform Guidance 2 CFR 200), recipients of federal awards are required to submit their single audit within the stipulated timeframe, usually nine months after the end of the fiscal year.

Condition: During the 2022 audit, it was identified that the Foundation failed to submit its single audit report for the fiscal year ended September 30, 2022 within the required timeframe, which is a violation of the Uniform Guidance requirements.

Effect: The late submission of the single audit report has resulted in a breach of compliance with federal regulations. This non-compliance has the potential to disallow funding from federal agencies.

Cause: The delay in submitting the single audit report was primarily attributed to a change in key personnel.

Recommendation: We recommend the Foundation develop a system of monitoring grant requirements and establish a timeline for meeting deadlines related to reporting in compliance with the Uniform Guidance.

Views of responsible official and planned corrective actions:

The Foundation has employed a CPA with extensive knowledge of grant management and accounting to reconcile and monitor grant awards and ensure proper financial reporting. The Foundation will reconcile grant receivables and ensure accurate grant accounting on an ongoing basis, particularly at fiscal year-end. As a result, the Foundation will be prepared to complete their single audit in a timely manner and in accordance with federal guidelines.

BOARD MEMBERS

JUDGE DOWNING BOLLS

- TAYLOR, COUNTY

JUDGE KEN HOLT

- FISHER, COUNTY

MR. BOB MANGRUM

- EARLY, TEXAS

MR. KEITH COLLOM

- ABILENE, TEXAS

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2022

Identifying number 2022-001

The Foundation has employed a CPA with extensive knowledge of grant management and accounting to reconcile and monitor grant awards and ensure proper financial reporting. The Foundation will reconcile grant receivables and ensure accurate grant accounting on an ongoing basis, particularly at fiscal yearend.

Responsible individual: Diane Terrell, Director of Finance

Anticipated completion date: Immediately

Identifying number 2022-002

The Foundation has employed a CPA with extensive knowledge of grant management and accounting to reconcile and monitor grant awards and ensure proper financial reporting. The Foundation will reconcile grant receivables and ensure accurate grant accounting on an ongoing basis, particularly at fiscal yearend. As a result, the Foundation will be prepared to complete their single audit in a timely manner and in accordance with federal guidelines.

Responsible individual: Diane Terrell, Director of Finance

Anticipated completion date: Immediately

3702 LOOP 322
ABILENE, TEXAS 79602
PHONE: 325-672-8544
FAX: 325-675-5214

WEST CENTRAL TEXAS REGIONAL FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended August 31, 2022

There were no findings identified for the year ended September 30, 2021.

WEST CENTRAL TEXAS REGIONAL FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2022

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Direct Program:			
Support Services for Veteran Families Program	64.033	2020-TX-141-21	\$ 1,027,290
Support Services for Veteran Families Program	64.033	2020-TX-141-22	345,652
Support Services for Veteran Families Program	64.033	2020-TX-141SS	246,816
Support Services for Veteran Families Program	64.033	2020-TX-141-HL	<u>22,972</u>
Total U.S. Department of Veterans Affairs			<u>1,642,730</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Council of Developmental Disabilities:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	21401	63,336
Developmental Disabilities Basic Support and Advocacy Grants	93.630	22501	<u>26,167</u>
Total U.S. Department of Health and Human Services			<u>89,503</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,732,233</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Foundation under programs of the federal government for the year ended September 30, 2022. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Audits of States, Local Governments, and Non-Profit Organizations. All federal awards received directly from federal agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Foundation.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures of federal awards are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Foundation has elected to use the 10% de minimus indirect cost rate.