



# WARNER UNIVERSITY

WARNER UNIVERSITY, INC.

Financial Statements  
With Independent Auditors' Report  
and  
Federal and State Awards  
In Accordance with the Uniform Guidance  
and Florida Chapter 10.650

Year Ended June 30, 2021

# WARNER UNIVERSITY, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Warner University, Inc. which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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.

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warner University, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on pages 30-31, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.650, *Rules of the Auditor General* is presented for purposes of additional analysis and is not a required part of the financial statements. The financial responsibility supplemental schedule on pages 44-46 is also presented for the purpose of additional analysis as required by the U.S. Department of Education 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.

The summary of populations, samples tested and results obtained—Florida Student Financial Assistance Program on page 38 is presented for the purposes of additional analysis as required by the state of Florida, Florida statutes, and State Board of Education Administrative Rules, and is not a required part of the financial statements. Such information has not been subject to the auditing procedures applied in our audit of the financial statements and accordingly, we express no opinion on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of the University’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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University’s internal control over financial reporting and compliance.

*Capin Crouse LLP*

Columbia, South Carolina  
October 1, 2021

# WARNER UNIVERSITY, INC.

## Statements of Financial Position

	June 30,	
	2021	2020
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 1,947,771	\$ 477,564
Accounts receivable–net	270,413	270,181
Contributions receivable–net	3,393,869	2,250,835
Investments	1,627,822	947,783
Beneficial interest in trusts	359,093	346,974
Prepaid expenses and other assets	452,173	32,714
Restricted cash	1,335,144	-
Student loans receivable	158,699	161,026
Property and equipment–net	23,910,620	24,488,143
Beneficial interest in perpetual trust	439,524	366,393
<b>Total Assets</b>	<b>\$ 33,895,128</b>	<b>\$ 29,341,613</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 691,061	\$ 1,169,361
Advanced tuition and fees	362,756	639,550
Other liabilities	83,278	102,521
Notes payable–net	10,937,479	11,146,750
U.S. government loan funds refundable	153,312	192,384
<b>Total liabilities</b>	<b>12,227,886</b>	<b>13,250,566</b>
<b>Net assets:</b>		
Without donor restrictions	14,180,150	8,184,928
With donor restrictions:		
By time or purpose	1,124,473	1,622,792
In perpetuity	6,362,619	6,283,327
	<b>7,487,092</b>	<b>7,906,119</b>
<b>Total net assets</b>	<b>21,667,242</b>	<b>16,091,047</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,895,128</b>	<b>\$ 29,341,613</b>

See notes to financial statements

# WARNER UNIVERSITY, INC.

## Statement of Activities

Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction		Total
		Restricted by Purpose or Time	Restricted in Perpetuity	
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Net tuition and fees	\$ 10,943,726	\$ -	\$ -	\$ 10,943,726
Contributions	4,185,571	240,893	6,143	4,432,607
Grant revenue	5,258,503	-	-	5,258,503
Auxiliary enterprises	3,596,807	-	-	3,596,807
Investment income	967	227,396	18	228,381
Change in value of beneficial interest in perpetual trusts	-	-	73,131	73,131
Change in value of beneficial interest in trusts	-	12,119	-	12,119
Change in value of annuities	(10,048)	-	-	(10,048)
Other income	479,921	-	-	479,921
Net asset released from restriction	978,727	(978,727)	-	-
<b>Revenues, Gains, and Other Support</b>	<b>25,434,174</b>	<b>(498,319)</b>	<b>79,292</b>	<b>25,015,147</b>
<b>EXPENSES:</b>				
Instruction	2,904,372	-	-	2,904,372
Academic support	950,424	-	-	950,424
Student services	7,320,633	-	-	7,320,633
Institutional support	3,420,966	-	-	3,420,966
Operation and maintenance	1,468,474	-	-	1,468,474
Depreciation	852,034	-	-	852,034
Fundraising—before allocations	354,957	-	-	354,957
Auxiliary enterprises	2,167,092	-	-	2,167,092
<b>Total Expenses</b>	<b>19,438,952</b>	<b>-</b>	<b>-</b>	<b>19,438,952</b>
 Change in Net Assets	 5,995,222	 (498,319)	 79,292	 5,576,195
 Net Assets, Beginning of Year	 8,184,928	 1,622,792	 6,283,327	 16,091,047
 Net Assets, End of Year	 <u>\$ 14,180,150</u>	 <u>\$ 1,124,473</u>	 <u>\$ 6,362,619</u>	 <u>\$ 21,667,242</u>

See notes to financial statements

# WARNER UNIVERSITY, INC.

## Statement of Activities

Year Ended June 30, 2020

	With Donor Restriction			Total
	Without Donor Restriction	Restricted by Purpose or Time	Restricted in Perpetuity	
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Net tuition and fees	\$ 11,503,921	\$ -	\$ -	\$ 11,503,921
Contributions	4,070,277	386,975	43,774	4,501,026
Grant revenue	2,214,377	-	-	2,214,377
Auxiliary enterprises	3,522,396	-	-	3,522,396
Investment income	416	20,519	(51)	20,884
Change in value of beneficial interest in perpetual trusts	-	-	(5,694)	(5,694)
Change in value of beneficial interest in trusts	-	(2,441)	-	(2,441)
Change in value of annuities	(11,705)	-	-	(11,705)
Other income	437,535	-	-	437,535
Net asset released from restriction	1,258,745	(1,258,745)	-	-
Revenues, Gains, and Other Support	22,995,962	(853,692)	38,029	22,180,299
<b>EXPENSES:</b>				
Instruction	3,231,921	-	-	3,231,921
Academic support	1,013,519	-	-	1,013,519
Student services	5,931,561	-	-	5,931,561
Institutional support	3,495,039	-	-	3,495,039
Operation and maintenance	1,485,127	-	-	1,485,127
Depreciation	1,062,059	-	-	1,062,059
Fundraising—before allocations	365,059	-	-	365,059
Auxiliary enterprises	2,150,626	-	-	2,150,626
Total Expenses	18,734,911	-	-	18,734,911
Change in Net Assets	4,261,051	(853,692)	38,029	3,445,388
Net Assets, Beginning of Year	3,923,877	2,476,484	6,245,298	12,645,659
Net Assets, End of Year	\$ 8,184,928	\$ 1,622,792	\$ 6,283,327	\$ 16,091,047

See notes to financial statements

# WARNER UNIVERSITY, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,576,195	\$ 3,445,388
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	852,034	1,062,059
Amortization of debt issuance costs	(44,825)	5,109
Noncash debt forgiveness (PPP Loan)	(1,547,833)	(1,404,717)
Change in value of annuities	10,048	11,705
Change in value of beneficial interest in trusts	(12,119)	2,441
Change in value of perpetual trust	(73,131)	5,694
Realized and unrealized (gains) and losses on investments	(205,237)	621
Contributions restricted for long-term purposes	(56,926)	(240,700)
Loss (gain) on disposal of assets	(140,443)	10,007
Change in:		
Accounts receivable–net	(232)	305,460
Contribution receivable	(1,143,034)	(1,489,264)
Prepaid expenses and other assets	(419,459)	(3,231)
Accounts payable and accrued expenses	(478,300)	(356,633)
Advanced tuition and fees	(276,794)	99,405
Funds held in federal loan programs	(36,745)	52,148
Net Cash Provided by Operating Activities	2,003,199	1,505,492
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(689,533)	(218,777)
Proceeds from the sale of investments	214,731	222,500
Purchase of property and equipment	(351,868)	(771,153)
Proceeds from the sale of fixed assets	217,800	64,030
Net Cash Used by Investing Activities	(608,870)	(703,400)

(continued)

See notes to financial statements

# WARNER UNIVERSITY, INC.

## Statements of Cash Flows (continued)

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on notes payable and lines of credit	1,862,962	1,404,717
Payments on notes payable and lines of credit	(479,575)	(2,561,579)
Payments on capital leases	(11,951)	(22,796)
Payments on annuities	(17,340)	(17,339)
Contributions restricted for long-term purposes	56,926	240,700
Net Cash Provided (Used) by Financing Activities	1,411,022	(956,297)
 Change in Cash, Cash Equivalents and Restricted Cash	 2,805,351	 (154,205)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	477,564	631,769
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 3,282,915	\$ 477,564

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of cash flows:

Cash and cash equivalents	\$ 1,947,771	\$ 477,564
Restricted cash	1,335,144	-
	\$ 3,282,915	\$ 477,564
 <b>SUPPLEMENTAL DISCLOSURE:</b>		
Total cash paid for interest	\$ 579,796	\$ 673,955
Property and equipment acquired with accounts payable	\$ -	\$ 159,398
Debt extinguished through refinance	\$ 10,493,340	\$ -
Noncash debt forgiveness recognized as revenue	\$ 1,547,833	\$ 1,404,717

See notes to financial statements

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

1. NATURE OF ORGANIZATION:

Warner University, Inc. (the University), incorporated as a not-for-profit organization in 1968 under the laws of the state of Florida, is a coeducational, Christian liberal arts college. The University is committed to guiding individuals toward Christ-like character and intellectual maturity while equipping them to serve. The University is affiliated with the General Assembly of the Church of God based in Anderson, Indiana and offers a variety of undergraduate and graduate programs. The University is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

The University is identified as a not-for-profit corporation. In January 1969, the Internal Revenue Service issued a determination letter that recognized the University as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. The University is classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) of the Code. That determination letter remains in effect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash available for the general use of the University. Short-term liquid investments that are not available for the general use of the University (such as those restricted for plant or endowments) are not considered cash and cash equivalents. The University maintained cash and cash equivalents in financial institutions which exceeded federally insured limits by \$1,898,312 and \$389,869 as of June 30, 2021 and 2020, respectively. The University has not experienced any losses on such accounts.

### RESTRICTED CASH

Restricted cash consists of cash held in a money market account as required by the Department of Education.

### ACCOUNT RECEIVABLE—NET

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual student accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS RECEIVABLE—NET

Contributions, including unconditional promises to give, are recognized in the period the contribution or promise is made. Such amounts are reported at a value which is based on the expected future cash flows, excluding estimated uncollectible accounts, discounted to present value if due or receivable more than one year from the statements of financial position date.

#### STUDENT LOANS RECEIVABLE

Student loans receivable consists of amounts due from the Federal Perkins Loan Program. Interest income on Federal Perkins Loans begins accruing six months after the student graduates or is no longer enrolled at the University. The University only recognizes the income after the interest is received. Any associated fees and costs are expensed as they are incurred. Loans receivable are considered past due if full principal payments are not received in accordance with the contractual terms.

U.S. government loan funds refundable under the Federal Perkins Loan Program are distributable to the federal government upon liquidation of the loan program and thus are reflected as a liability in the accompanying statements of financial position.

#### BENEFICIAL INTEREST IN TRUSTS

The University has certain trust agreements with donors under which both parties derive benefits. These agreements are held and administered by third party trustees. Split-interest agreements entered into by the University consist of charitable remainder annuity trusts and charitable lead unitrusts. The University values its beneficial interest in trust based on the fair value of the underlying assets as well as actuarial assumptions.

#### INVESTMENTS

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. Other investments are carried at carrying value.

#### PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or estimated historical cost. The University's capitalization threshold is \$2,500. Additions and major replacements are capitalized. Maintenance, repairs, and minor replacements are expensed as incurred. Depreciation is provided for plant assets using the straight-line method over estimated useful lives as follows:

Buildings	40-60 years
Building improvements	10 years
Land improvements	5-10 years
Library books	15 years
Furniture, fixtures, and equipment	3-7 years

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### BENEFICIAL INTEREST IN PERPETUAL TRUST

The University is a beneficiary of a trust that is held and administered by third party trustees in perpetuity. Although the assets of these trusts are not in its possession, the University is entitled to receive income therefrom. Distributions of income are made at the discretion of the trustees. The University values its remainder interest based on the fair value of the underlying assets.

#### COMPENSATED ABSENCES

At fiscal year-end, the University's employees are entitled to accrue and carry forward all unused vacation time up to a maximum of 40 hours. The liability is included in accounts payable and accrued expenses on the statements of financial position.

#### DEFERRED REVENUE

Deferred revenue includes the portion of student tuition and fees for summer programs which have been billed and payment has been received as of June 30, but not yet earned. Institutional scholarships awarded to students reduce the amount of revenue recognized. Substantially all deferred revenue at June 30, 2021, was recognized as revenue during the following year.

#### COST OF BORROWING

Interest costs incurred on borrowed funds during the period of construction of capital assets, net of investment income on proceeds of borrowing that are held by a trustee, are capitalized as a component of the cost of acquiring those assets. Debt issuance costs are amortized over the term of the loan using the straight-line method.

#### CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets.

*Net assets without donor restriction* are currently available at the direction of the board of trustees for use in the University's operations and specific projects or invested in property and equipment.

*Net assets with donor restriction* are stipulated by donors for specific operating purposes, scholarships, the acquisition of property and equipment, or are time restricted. They also include funds contributed with donor restrictions requiring that they be held in perpetuity with income used for operations and scholarships.

#### REVENUE AND CONTRIBUTIONS

Exchange revenue is recognized when earned and support is recognized when contributions are made. Tuition and fees are recognized in the fiscal year in which the academic programs are delivered. Auxiliary income is recognized when the goods are delivered or services are performed. The University 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE AND CONTRIBUTIONS, continued

The University reports gifts of land, buildings, 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 those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### GRANT REVENUE

The University receives grants for student financial aid and other purposes whereby the revenue is recognized once all conditions are met. During the years ended June 30, 2021 and 2020, the University applied for and received the Higher Education Emergency Relief Fund (HEERF) grant to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus (COVID-19) outbreak. Under HEERF I and HEERF II, the University was eligible to receive \$539,050, respectively to provide emergency grants to students. As of June 30, 2020, the University had drawn down and expended all of the HEERF I funds and as of June 30, 2021, all of HEERF II funds had been drawn down and expended. As of June 30, 2021, the University is eligible to receive an additional \$1,693,803 under HEERF III for emergency grants to students. As of June 30, 2021, \$1,431,836 of the HEERF III had been drawn and distributed to students.

In addition, the University was allocated \$591,133 under HEERF I, \$1,364,366 under HEERF II, and \$1,518,742 under HEERF III to be used for institutional support. As of June 30, 2020, all of the HEERF I grant had been drawn and \$270,609 had been expended. The remaining \$320,524 was expended during the year ended June 30, 2021. As of June 30, 2021, all of the HEERF II funds were drawn and expended, while none of the HEERF III funds were drawn or expended.

The portion of all grants that were drawn down and spent in each year are recorded as grant revenue without donor restrictions on the statements of activities. The University shows grants with donor restrictions whose restrictions are met in the same reporting period as grants without donor restrictions.

In April 2020 and February 2021, the University qualified for and received loans (the "PPP Loans") pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$1,404,717 and \$1,547,833, respectively. Both loans were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the University. Both PPP loans were eligible for forgiveness and have been forgiven as of June 30, 2021. The University has recorded the loan proceeds of \$1,547,833 and \$1,404,727 as grant revenue without donor restrictions on the statement of activities as of June 30, 2021 and 2020, respectively.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in Note 16. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, and operations and maintenance, which are allocated on a square-footage basis, other employee benefits, which are allocated based on salaries expense percentages, and interest, which is allocated based on building usage.

#### STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various programs administered by the Department of Education and state boards, and the University acts as an agent for the respective agencies. The governmental grants and contracts amounts reported exclude funds directly awarded and credited to students under the various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable as of June 30, 2020, are dependent upon the University's continued participation in the various programs.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In 2014, FASB also issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The University adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers (students) that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard did not have a material effect on the financial statements.

In 2018, FASB issued ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*. The University adopted the provisions of this new standard during the year ended June 30, 2021. The new standard is designed to simplify the disclosures related to fair value measurements. Adoption of this standard had no effect on change in net assets or net assets in total.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the University's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	June 30,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,947,771	\$ 477,564
Investments	1,627,822	947,783
Beneficial interest in trusts	359,093	346,974
Accounts receivable—net	270,413	270,181
Contributions receivable—net	3,393,869	2,250,835
Restricted cash	1,335,144	-
Beneficial interest in perpetual trust	439,524	366,393
Financial assets, at year-end	9,373,636	4,659,730
Less those unavailable for general expenditures within one year due to:		
Board designated endowment	(294,143)	(334,572)
Contractual or donor-imposed restrictions:		
Contractual restriction:		
Cash restricted by the Department of Education	(1,335,144)	-
Restricted by donor with purpose or time restrictions:		
Endowment funds—less internal loan to the endowment	(794,184)	(288,023)
Beneficial interest in perpetual trusts	(439,524)	(366,393)
Beneficial interest in trusts	(359,093)	(346,974)
Athletic initiative capital projects	(30,523)	(845,819)
Endowment earnings	(250,859)	(39,417)
Other restricted funds	(12,681)	(12,681)
Contributions receivable for operations not due within one year	(400,000)	(1,600,000)
	(3,916,151)	(3,833,879)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,457,485	\$ 825,851

The University utilizes a 30-day time horizon to assess its immediate liquidity needs. This period of time was established based on management's review of the typical life cycle of converting its financial assets to cash and typical payments of accounts payable and other known future expenses. In the event of an unanticipated liquidity need, the University could draw upon \$1,800,000 available from its line of credit or \$794,182 available from the quasi-endowment fund with the approval of the board.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

4. ACCOUNTS RECEIVABLE—NET:

Accounts receivable—net consist of:

	June 30,	
	2021	2020
Student receivables	\$ 1,000,166	\$ 902,787
Other	(388)	61,039
	999,778	963,826
Less allowance for uncollectible accounts	(729,365)	(693,645)
	\$ 270,413	\$ 270,181

5. INVESTMENTS:

Investments as of June 30, 2021, consist of:

	Investments	Endowment	Total
At fair value:			
Fixed income	\$ -	\$ 396,931	\$ 396,931
Mutual funds	-	851,894	851,894
Stocks	-	83,514	83,514
	-	1,332,339	1,332,339
Not at fair value:			
Cash and cash equivalents	2,480	6,847	9,327
Real estate, carrying value	286,156	-	286,156
	288,636	6,847	295,483
Total investments	\$ 288,636	\$ 1,339,186	\$ 1,627,822

Investment income for the year ended June 30, 2021 consists of:

	Investment	Endowment	Total
Interest and dividends	\$ 967	\$ 15,411	\$ 16,378
Beneficial interest in perpetual trust distribution	15,000	-	15,000
Realized and unrealized gains on investments	-	205,237	205,237
Investment management fees netted with investment income	-	(8,234)	(8,234)
	\$ 15,967	\$ 212,414	\$ 228,381

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

5. INVESTMENTS, continued:

Investments as of June 30, 2020, consist of:

	Investment	Endowment	Total
At fair value:			
Fixed income	\$ -	\$ 184,886	\$ 184,886
Mutual funds	-	403,793	403,793
Stocks	-	52,611	52,611
	-	641,290	641,290
Not at fair value:			
Cash and cash equivalents	-	20,722	20,722
Real estate, carrying value	285,771	-	285,771
	285,771	20,722	306,493
 Total investments	 \$ 285,771	 \$ 662,012	 \$ 947,783

Investment income for the year ended June 30, 2020 consists of:

	Investment	Endowment	Total
Interest and dividends	\$ 416	\$ 12,172	\$ 12,588
Beneficial interest in perpetual trust distribution	15,000	-	15,000
Realized and unrealized gains on investments	6	(627)	(621)
Investment management fees netted with investment income	-	(6,083)	(6,083)
	-	(6,083)	(6,083)
	\$ 15,422	\$ 5,462	\$ 20,884

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

6. FAIR VALUE MEASUREMENTS:

The University uses appropriate valuation techniques to determine fair value based on inputs available. The levels are defined as follows: Level 1 – based on quoted prices for identical assets in active markets; Level 2 – based on observable inputs other than quoted prices in active markets; Level 3 – based on significant unobservable inputs. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis as of June 30, 2021, are as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income	\$ -	\$ 396,931	\$ -	\$ 396,931
Mutual funds:				
Small cap	37,625	-	-	37,625
Mid cap	89,629	-	-	89,629
Large cap	355,505	-	-	355,505
International funds	258,267	-	-	258,267
Emerging markets	110,868	-	-	110,868
	851,894	-	-	851,894
Stock equities	83,514	-	-	83,514
Investments at fair value	\$ 935,408	\$ 396,931	\$ -	\$ 1,332,339
Beneficial interest in trust	\$ -	\$ -	\$ 359,093	\$ 359,093
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 439,524	\$ 439,524

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

6. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis as of June 30, 2020, are as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Fixed income	\$ -	\$ 184,886	\$ -	\$ 184,886
Mutual funds:				
Small cap	17,889	-	-	17,889
Mid cap	46,743	-	-	46,743
Large cap	157,299	-	-	157,299
International funds	123,123	-	-	123,123
Emerging markets	58,739	-	-	58,739
	403,793	-	-	403,793
Stock equities	52,611	-	-	52,611
Investments at fair value	\$ 456,404	\$ 184,886	\$ -	\$ 641,290
Beneficial interest in trust	\$ -	\$ -	\$ 346,974	\$ 346,974
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 366,393	\$ 366,393

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Mutual funds and stock equities*—The fair value of these financial instruments is based upon quoted market prices or dealer quotes in an active market.

*Fixed income*—The fair value of these financial instruments is based upon yields currently available on comparable securities of issuers with similar credit ratings.

*Beneficial interest in trust*—The fair value of trusts held by others is based on the value of the underlying assets as well as actuarial assumptions.

*Beneficial interest in perpetual trust*—The fair value of perpetual trusts held by others is based on the value of the University's proportional share of the overall assets held by the other organizations.

*Changes in valuation techniques*—None.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

7. STUDENT LOANS RECEIVABLE:

The University's student loans receivable consists of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government in administering the loan program. The University determined that no allowance is necessary on these student loans. The aging of the student loan portfolio as of June 30, 2021 and 2020, is presented as follows:

	June 30,	
	2021	2020
Deferral status	\$ 20,923	\$ 20,889
Less than 240 days past due	10,000	15,670
Greater than 240 days but less than 2 years past due	20,051	18,976
Greater than 2 years less than 5 years past due	32,264	40,692
Greater than 5 years past due	75,461	64,799
	<u>\$ 158,699</u>	<u>\$ 161,026</u>

The following presents the recorded investment by credit quality indicator:

	June 30,	
	2021	2020
Deferral status	\$ 20,923	\$ 20,889
Performing	62,315	75,338
Nonperforming	75,461	64,799
	<u>\$ 158,699</u>	<u>\$ 161,026</u>

The credit quality indicator is the performance of the loan as determined by the delinquency status of the loan. Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

8. CONTRIBUTION RECEIVABLE–NET:

Contributions receivable–net consist of:

	June 30,	
	2020	2019
Unconditional promises to give	\$ 3,596,000	\$ 2,510,800
Less discounts to net present value using a 5% discount rate	(202,131)	(259,965)
Less allowance for uncollectible promises	-	-
	\$ 3,393,869	\$ 2,250,835

Contributions receivable are due as follows:

	Gross Amount	Discount to Present Value	Allowance for Uncollectibles	Net
Amount due in:				
Less than one year	\$ 3,196,000	\$ (152,190)	\$ -	\$ 3,043,810
Two to five years	400,000	(49,941)	-	350,059
	\$ 3,596,000	\$ (202,131)	\$ -	\$ 3,393,869

9. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2021	2020
Buildings and improvements	\$ 31,420,487	\$ 30,446,920
Equipment, furniture and technology	2,331,018	2,515,515
Land improvements	2,742,903	2,806,701
Library books	654,177	688,607
Vehicles	338,281	347,587
	37,486,866	36,805,330
Less accumulated depreciation	(14,582,776)	(14,203,269)
	22,904,090	22,602,061
Construction in progress	164,767	966,962
Land	841,763	919,120
	\$ 23,910,620	\$ 24,488,143

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 10. ENDOWMENT FUNDS:

The University's endowment consists of approximately 45 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the donor-imposed restrictions.

The board of trustees of the University has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. For accounting purposes only and without any implication for the University's legal obligations for administering its endowment funds, the University has classified as net assets with donor restrictions the following: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions with purpose restriction until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by FUPMIFA.

#### FUNDS WITH DEFICIENCIES

Because FUPMIFA does not establish a fixed level below which an endowment fund is permitted to fall, there are no "deficiencies" in the endowment funds held by the University. However, the University maintains records of the sum of: (a) the original value of gifts donated to each endowment fund, (b) the original value of subsequent gifts to each endowment fund, and (c) accumulations to each such endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no endowment funds with deficiencies at June 30, 2021 and 2020, respectively.

#### RETURN OBJECTIVES AND RISK PARAMETERS

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold indefinitely or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected benchmarks for each investment asset class, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of return greater than the corresponding benchmark index. Actual returns in any given year may vary from this amount.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 10. ENDOWMENT FUNDS, continued:

#### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

In developing its spending policy, the University considers certain of the following factors, which it determines relevant:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

The University has established a guideline of appropriating for distribution each year up to 5% of its endowment fund's balance as of the December 31 market value for the next fall semester. Spending from these funds is intended to benefit the University in perpetuity; therefore, the spending policy is intended to achieve a balance between the need to preserve the purchasing power of the endowment principal at the time of the donation and the need to maximize current distribution to support the programs designated by the donors. The University has elected not to appropriate any endowment funds during the years ended June 30, 2021 and 2020, as they pay back the internal loan to the endowment.

In previous years, the University elected to initiate interfund loans from the endowment fund to meet the cash flow needs and fund capital projects. The balance of all interfund borrowings from the endowment fund was \$5,128,911 and \$5,628,911 as of June 30, 2021 and 2020, respectively. The University is making annual interest payments on the loan at a 3% interest rate and intends to repay the balance of the loan as the availability of operating funds permit. \$500,000 was paid on the balance during the year ended June 30, 2021. The remainder of the endowment funds are held in investments and totaled \$1,339,186 and \$662,012.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Without Donor Restriction	With Donor Restriction		Total
		Accumulated Earnings	Original Gift	
Donor-restricted endowment funds	\$ -	\$ 250,859	\$ 5,923,095	\$ 6,173,954
Accumulated deficits	-	-	-	-
Board designated endowment funds	294,143	-	-	294,143
	<u>\$ 294,143</u>	<u>\$ 250,859</u>	<u>\$ 5,923,095</u>	<u>\$ 6,468,097</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, June 30, 2020	\$ 334,572	\$ 39,417	\$ 5,916,934	\$ 6,290,923
Investment return:				
Investment income–net of expenses	-	7,177	-	7,177
Net gains–realized and unrealized	-	205,219	18	205,237
Total investment return	-	212,396	18	212,414
Contributions/designations	168,571	-	6,143	174,714
Appropriation of endowment assets for expenditure or reclassification	(209,000)	(954)	-	(209,954)
Endowment net assets, June 30, 2021	<u>\$ 294,143</u>	<u>\$ 250,859</u>	<u>\$ 5,923,095</u>	<u>\$ 6,468,097</u>

Description of amounts classified as net assets and net assets with donor restrictions:

Net assets with donor restrictions:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by FUPMIFA

\$ 5,923,095

The portion of perpetual endowment funds subject to a time restriction under FUPMIFA

\$ 250,859

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	Without Donor Restriction	With Donor Restriction		Total
		Accumulated Earnings	Original Gift	
Donor-restricted endowment funds	\$ -	\$ 39,417	\$ 5,916,934	\$ 5,956,351
Board designated endowment funds	334,572	-	-	334,572
	<u>\$ 334,572</u>	<u>\$ 39,417</u>	<u>\$ 5,916,934</u>	<u>\$ 6,290,923</u>

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restriction	With Donor Restriction		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, June 30, 2019	\$ 388,204	\$ 33,904	\$ 5,873,211	\$ 6,295,319
Investment return:				
Investment income—net of expenses	-	6,089	-	6,089
Net gains—realized and unrealized	-	(576)	(51)	(627)
Total investment return	-	5,513	(51)	5,462
Contributions/designations	168,868	-	43,774	212,642
Appropriation of endowment assets for expenditure or reclassification	(222,500)	-	-	(222,500)
Endowment net assets, June 30, 2020	<u>\$ 334,572</u>	<u>\$ 39,417</u>	<u>\$ 5,916,934</u>	<u>\$ 6,290,923</u>

Description of amounts classified as net assets and net assets with donor restrictions:

Net assets with donor restrictions:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by FUPMIFA

\$ 5,916,934

The portion of perpetual endowment funds subject to a time restriction under FUPMIFA

\$ 39,417

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 11. LINES OF CREDIT AND LETTER OF CREDIT:

During the years ended June 30, 2021 and 2020, the University maintained a \$1,800,000 revolving line of credit with its primary bank with a variable interest rate of 4.0% at June 30, 2021 and 2020, respectively, on any outstanding balance. The revolving line of credit is collateralized by University property. The University is required to pay interest only payments monthly on the outstanding balance. The line of credit is due on demand with no set maturity date. There was no balance outstanding under this agreement at June 30, 2021 and June 30, 2020.

The University had a \$1,334,850 letter of credit with a financial institution. There were no obligations associated with this letter of credit at June 30, 2021 and 2020. The letter of credit expires March 2, 2022.

### 12. NOTES PAYABLE—NET:

Notes payable—net consist of:

	June 30,	
	2021	2020
Note payable to a financial institution of Polk County, bearing interest at 3.99%, principal and interest payable in monthly installments of \$50,965 through April 2026, secured by real property.	\$ 6,792,055	\$ 5,087,101
Note payable to financial institution of Polk County, bearing interest at 3.99%, principal and interest payable in monthly installments of \$29,161 through May 2026, secured by real property.	3,918,717	4,079,431
Two notes payable to financial institution of Polk County, bearing interest at 3.99%, principal and interest payable in monthly installments of \$2,349 through October 2022, secured by four vehicles.	26,390	52,936
Note payable to a company, 8.52%, principal and interest payable in monthly installments through May 2033, secured by real property.	-	1,669,140
Notes payable to a church, bearing interest at 4.50% paid annually, due on demand, unsecured.	250,000	263,000
	<u>10,987,162</u>	<u>11,151,608</u>
Less unamortized debt issuance costs	<u>(49,683)</u>	<u>(4,858)</u>
	<u>\$ 10,937,479</u>	<u>\$ 11,146,750</u>

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

12. NOTES PAYABLE—NET, continued:

Maturities of notes payable are as follows:

Years Ending June 30,	Amounts
2022	\$ 817,278
2023	570,590
2024	588,916
2025	612,842
2026	8,397,536
Thereafter	-
	\$ 10,987,162

The University is required to comply with various covenants related to notes payables. As of June 30, 2021 and 2020, the University was in compliance with all covenants. Interest expense for the years ended June 30, 2021 and 2020 was \$573,771 and \$672,486, respectively.

13. NET TUITION AND FEES:

Net tuition and fees consist of:

	Year Ended June 30,	
	2021	2020
Tuition and fees	\$ 17,114,243	\$ 17,297,677
Tuition discounts and institutional aid:		
Endowment and perpetual trust awards	(224,000)	(237,500)
General scholarships	(5,874,992)	(5,474,397)
Annual fund financial aid gifts	(71,525)	(81,859)
	(6,170,517)	(5,793,756)
	\$ 10,943,726	\$ 11,503,921

14. GROUND LEASE:

In January 2016, the University entered into a seventy-five year operating ground lease agreement with a private enterprise. Under the terms of the agreement, the enterprise constructed a 100-bed student housing facility on University property and pays the University \$5,000 annually to rent the facility. The private enterprise operates the facility and the University is responsible for providing a resident director and resident assistants. The University requires all residents of the facility to purchase a University meal plan. At the end of the term, the private enterprise or its assignees shall cooperate with the University in transferring the facility to the University.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 15. NET ASSETS:

Net asset classes consist of:

	June 30,	
	2021	2020
Net assets without donor restrictions:		
Unrestricted, undesignated	\$ 13,886,007	\$ 7,850,356
Board designated endowment	294,143	334,572
	<u>14,180,150</u>	<u>8,184,928</u>
Net assets with donor restrictions:		
Restricted by time or purpose:		
Ag initiatives	226,894	163,417
Scholarships	93,243	75,286
Trust assets	359,093	346,974
Athletic initiatives	98,246	902,853
Endowment earnings	250,859	39,417
Other	96,138	94,845
	<u>1,124,473</u>	<u>1,622,792</u>
Restricted in perpetuity:		
Endowment	5,923,095	5,916,934
Beneficial interest in perpetual trusts	439,524	366,393
	<u>6,362,619</u>	<u>6,283,327</u>
Total net assets with donor restrictions	<u>7,487,092</u>	<u>7,906,119</u>
	<u>\$ 21,667,242</u>	<u>\$ 16,091,047</u>

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

16. ALLOCATION OF EXPENSES BY FUNCTION:

Expenses by natural classification and function consist of:

	Year Ended June 30, 2021			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,869,134	\$ 905,283	\$ 251,893	\$ 7,026,310
Pension	-	233,094	-	233,094
Other employee benefits	1,149,974	162,688	45,098	1,357,760
Payroll taxes	-	491,432	-	491,432
Legal fees	-	6,366	-	6,366
Accounting	-	61,396	-	61,396
Contract services	2,189,356	9,588	1,172	2,200,116
Advertising and promotion	1,187	180,041	10,353	191,581
Supplies and equipment	393,137	93,658	781	487,576
Information technology	190,571	268,083	13,103	471,757
Occupancy	188,746	13,734	-	202,480
Conferences, travel and lodging	217,891	24,518	1,756	244,165
Depreciation and amortization	814,697	30,074	7,263	852,034
Insurance	203,045	443,350	-	646,395
Events	58,818	-	3,872	62,690
Interest	325,736	248,035	-	573,771
Athletic events and travel	275,067	-	-	275,067
Maintenance and repairs	805,189	49,456	4,097	858,742
Professional development	17,843	3,057	99	20,999
Subscriptions and memberships	60,352	72,277	45	132,674
Utilities	548,765	23,646	4,068	576,479
Student aid *	1,975,388	-	-	1,975,388
Other expenses	40,647	449,391	642	490,680
	<u>\$ 15,325,543</u>	<u>\$ 3,769,167</u>	<u>\$ 344,242</u>	<u>\$ 19,438,952</u>
Total expenses				

\*The student aid natural classification line represents scholarships and fellowships to students under the Higher Education Emergency Relief Fund of the CARES ACT. It is included in the student services program category on the statements of activities.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

16. ALLOCATION OF EXPENSES BY FUNCTION, continued:

Expenses by natural classification and function consist of:

	Year Ended June 30, 2020			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 6,175,551	\$ 927,755	\$ 235,406	\$ 7,338,712
Pension	-	258,875	-	258,875
Other employee benefits	1,255,313	174,653	44,260	1,474,226
Payroll taxes	-	504,955	-	504,955
Legal fees	-	29,467	-	29,467
Accounting	-	72,750	-	72,750
Contract services	2,040,712	11,597	1,195	2,053,504
Advertising and promotion	1,186	246,059	31,748	278,993
Supplies and equipment	332,864	19,302	2,028	354,194
Information technology	77,725	289,689	15,161	382,575
Occupancy	171,347	10,987	-	182,334
Conferences, travel and lodging	335,662	35,301	2,349	373,312
Depreciation and amortization	1,015,518	37,488	9,053	1,062,059
Insurance	291,152	283,980	-	575,132
Events	87,693	-	8,005	95,698
Interest	377,902	294,584	-	672,486
Athletic events and travel	225,101	-	-	225,101
Maintenance and repairs	609,693	96,985	3,078	709,756
Professional development	52,042	8,845	5	60,892
Subscriptions and memberships	54,123	65,558	-	119,681
Utilities	625,983	25,741	4,723	656,447
Student aid *	746,255	-	-	746,255
Other expenses	40,922	462,186	4,399	507,507
	<u>\$ 14,516,744</u>	<u>\$ 3,856,757</u>	<u>\$ 361,410</u>	<u>\$ 18,734,911</u>

\*The student aid natural classification line represents scholarships and fellowships to students under the Higher Education Emergency Relief Fund of the CARES ACT. It is included in the student services program category on the statements of activities.

# WARNER UNIVERSITY, INC.

## Notes to Financial Statements

June 30, 2021 and 2020

### 17. RETIREMENT PLAN:

The University sponsors two tax deferred retirement plans to which employees may contribute on a voluntary basis. The University also sponsors a defined contribution retirement plan for all full-time employees. Contributions under this plan are added to individual retirement accounts. Employer contributions to the plan are based on employee participation and on a percentage of base compensation. Total retirement plan expense for the years ended June 30, 2021 and 2020, was \$233,094 and \$258,875, respectively.

### 18. COMMITMENTS AND CONTINGENCIES:

Activity related to student financial assistance programs is subject to audit both by independent certified public accountants and by representatives of the administering agencies regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the University.

The University is involved in various lawsuits, claims and proceedings. Based on the facts currently available, management believes that the ultimate outcome of pending and asserted matters will not have a materially adverse effect on the University's financial position. The University's liability insurance coverage is expected to cover any potential future liability.

### 19. RELATED PARTIES:

During the years ended June 30, 2021 and 2020, the University received \$3,608,875 and \$3,767,134, respectively, in contributions from board of trustee members and companies those members own. The University also has \$3,396,000 and \$2,000,000 in outstanding contribution receivables from board of trustee members as of June 30, 2021 and 2020, respectively.

During the year ended June 30, 2020, the University repaid a \$1,000,000 line of credit with a board of trustee member. There was no outstanding balance at June 30, 2020.

### 20. RISKS AND UNCERTAINTIES:

The World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic during the 2020-2021 academic year. The pandemic continues to spread throughout the United States and cause a negative impact on the work economy. University personnel developed an institution-wide response to the reality of this pandemic and the university was able to successfully navigate the 2020-21 academic year with as little disruption as possible. Management believes that these ongoing efforts will allow them to conduct its core business and continue to grow. Management is carefully monitoring the situation and evaluating its options as circumstances evolve. Management does not expect the impact of the pandemic to jeopardize the financial wellbeing and operation of the University.

### 21. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 1, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **FEDERAL AND STATE AWARDS**

# WARNER UNIVERSITY, INC.

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021

Federal or State Grantor/Pass Through Grantor/Program or Cluster Title	AL/CSFA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>FEDERAL AWARDS</b>					
U.S. DEPARTMENT OF EDUCATION:					
Student Financial Assistance Cluster:					
Federal Direct Student Loans	84.268			\$ -	\$ 7,149,115
Federal Pell Grant Program	84.063			-	2,369,957
Federal Supplemental Educational Opportunity Grant	84.007			-	81,257
Federal Work-Study Program	84.033			-	43,166
Federal Perkins Loan Program (Note 5)	84.038			-	161,026
Federal TEACH Grant Program	84.379			-	55,533
Total Student Financial Assistance Cluster					<u>9,860,054</u>
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF–Student Portion	84.425E			-	1,970,887
COVID-19 HEERF–Institutional Portion	84.425F			-	1,693,551
COVID-19–Strengthening Institutions	84.425M			-	52,083
Total COVID-19 CARES Act–HEERF Programs					<u>3,716,521</u>
Total U.S. Department of Education					<u>13,576,575</u>
Total Expenditures of Federal Awards					<u>\$ 13,576,575</u>

See notes to schedule of expenditures of federal awards and state financial assistance

# WARNER UNIVERSITY, INC.

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021

Federal or State Grantor/Pass Through Grantor/Program or Cluster Title	AL/CSFA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>STATE AWARDS</b>					
Florida Department of Education:					
Effective Access to Student Education	48.064			\$ -	\$ 1,658,788
Florida Student Assistance Grant	48.054			-	654,104
Florida Work Experience Program	48.053			-	147,820
Florida Bright Futures Academic Scholars	48.059			-	34,228
Florida Bright Futures Medallion Scholars	48.059			-	115,656
Florida Bright Futures Gold Seal	48.059			-	7,104
Florida Minority Teacher Education Scholarship	48.049			-	4,000
Florida Children & Spouses of Deceased or Disabled Veterans	48.055			-	11,448
Total Florida Department of Education					<u>2,633,148</u>
Florida Department of Highways Safety and Motor Vehicles:					
Warner Southern College License Plate Project	76.062			-	<u>2,304</u>
Total Expenditures of State Awards					<u>\$ 2,635,452</u>
Total Expenditures of Federal Awards and State Financial Assistance					<u>\$ 16,212,027</u>

See notes to schedule of expenditures of federal awards and state financial assistance

# WARNER UNIVERSITY, INC.

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

June 30, 2021

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards and state financial assistance (the schedule) includes the federal and state grant activity of Warner University, Inc. (University) under programs of the federal government and the State of Florida for the year ending June 30, 2021. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. If the University is required to match certain federal or state assistance, as defined by the grant agreements, no such matching has been included as expenditures in the schedule.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. RELATIONSHIP TO FINANCIAL STATEMENTS:

The amount of total expenditures of federal awards and state financial assistance reconciles to the revenue in the statement of activities as follows:

Total expenditures of federal awards and state financial assistance	\$ 16,212,027
Less:	
Federal Direct Student Loan Program	(7,149,115)
Federal Pell and TEACH Grants	(2,425,490)
Perkins loan program	(161,026)
State student financial assistance programs	(2,633,148)
Other state program included in other income	(2,304)
FWS and FSEOG netted with revenue	(124,423)
Other reconciling items	(5,851)
Plus:	
Paycheck Protection Program loan forgiveness	<u>1,547,833</u>
Grant revenue on the statement of activities	<u>\$ 5,258,503</u>

# WARNER UNIVERSITY, INC.

## Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

June 30, 2021

4. SUBRECIPIENTS, NON-CASH ASSISTANCE, FEDERAL INSURANCE, LOANS, AND LOAN GUARANTEES:

The University did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, or loan guarantees. The University did received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in the amount of \$1,547,833. (See Note 2 to the financial statements). The SBA has indicated that PPP loans are not subject to Uniform Guidance audit requirements and therefore, the PPP loan is not included in the schedule.

5. FEDERAL PERKINS LOAN PROGRAM:

The University administers the Perkins Loan Program. For purposes of the schedule, the amount reported includes the outstanding loan balance at the beginning of the fiscal year. Due to regulation changes, no further loans can be made from the program and no administrative cost allowance can be taken from the loan fund.

Outstanding loan balance at June 30, 2020	<u>\$ 161,026</u>
Outstanding loan balance at June 30, 2021	<u>\$ 158,699</u>

Schools have the option of continuing to collect on outstanding loan balances or can voluntarily liquidate the program. The University has no current plans to begin the Perkins liquidation process; however, is required to periodically return excess cash on hand from the program to the Department of Education.

6. ZONE ALTERNATIVE:

The University is operating under the Provisional Certification Alternative for failure to meet the Department of Education's standards of financial responsibility. The University must comply with all the requirements specified for the Provisional Certification Alternative including the Zone Alternative. As part of the audit procedures, the University's compliance with the Zone Alternative was tested including their administration of the heightened cash monitoring payment method, disbursing aid, and paying out credit balances before requesting reimbursement and notification requirements. No non-compliance with the requirements was noted.

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

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

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 Warner University, Inc. (University), which comprise the statement of financial position as of June 30, 2021, 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 October 1, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing 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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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.

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

***Compliance and Other Matters***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Capin Crouse LLP*

Columbia, South Carolina  
October 1, 2021

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE  
FINANCIAL ASSISTANCE PROJECT AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited Warner University, Inc.'s (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs and state financial assistance projects for the year ended June 30, 2021. The University's major federal programs and state financial assistance projects are identified in the summary of auditors' results section of the accompanying schedule 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 programs and state financial assistance projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs and state financial assistance projects 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 of America; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Those standards, the Uniform Guidance, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Trustees  
Warner University, Inc.  
Lake Wales, Florida

***Opinion on Each Major Federal Program and State Financial Assistance Projects***

In our opinion, Warner University, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

*Capin Crouse LLP*

Columbia, South Carolina  
October 1, 2021

# WARNER UNIVERSITY, INC.

## Summary of Populations, Samples Tested, and Test Results Obtained— Florida Student Financial Assistance Program

June 30, 2021

	Number of Students	Percentage of Population	Amount of Awards	Percentage of Population
Florida Effective Access to Student Education				
Population **	661	100%	\$ 1,658,788	100%
Tested	50	8%	120,387	7%
Findings	0	0%	-	0%
Florida Student Assistance Grant				
Population **	292	100%	654,104	100%
Tested	50	17%	104,400	16%
Findings	0	0%	-	0%
Florida Academic Scholars Award				
Population **	5	100%	34,228	100%
Tested	5	100%	34,228	100%
Findings	0	0%	-	0%
Florida Medallion Scholars Award				
Population **	25	100%	115,656	100%
Tested	10	40%	44,556	39%
Findings	0	0%	-	0%
Florida Gold Seal Vocational Scholarship				
Population **	5	100%	7,104	100%
Tested	5	100%	7,104	100%
Findings	0	0%	-	0%
Children & Spouses of Deceased Veterans Award				
Population **	2	100%	11,448	100%
Tested	2	100%	11,448	100%
Findings	0	0%	-	0%
Florida Minority Teacher Education Scholarship				
Population **	1	100%	4,000	100%
Tested	1	100%	4,000	100%
Findings	0	0%	-	0%
Florida Work Experience Program				
Population **	108	100%	138,527	100%
Tested	27	25%	35,682	26%
Findings	0	0%	-	0%

\*\* See Note B

See notes to summary of populations, samples tested, and test results obtained

# WARNER UNIVERSITY, INC.

## Notes to Summary of Populations, Samples Tested, and Test Results Obtained— Florida Student Financial Assistance Program

June 30, 2021

### A. SUMMARY OF FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS:

Below is a summary of significant features and applicable statutes and rules of importance to the administration of the Florida Student Financial Assistance Programs at Warner University.

*Florida Effective Access to Student Education (EASE):* EASE provides financial assistance to Florida undergraduate students attending independent nonprofit Florida colleges or universities. It is a nonrepayable grant available to one-year residents of Florida. EASE is not based on need. A student may receive EASE for a maximum of nine undergraduate semesters. The amount to be awarded to each applicant will be determined by the State of Florida. EASE is a tuition and fee grant; therefore, the amount of EASE plus all other scholarships and grants specifically designated for payment of tuition and fees cannot exceed the total amount of tuition and fees charged by the institution. EASE is authorized by Section 1009.89, Florida Statutes.

*Florida Student Assistance Grant Fund (FSAG):* The FSAG is a nonrepayable grant awarded only on a need basis to one-year residents of Florida. A student may receive the FSAG for a maximum of nine undergraduate semesters. The amount to be awarded to each applicant will be determined by the State of Florida. FSAG is authorized by Section 1009.50-1009.52, Florida Statutes.

*Florida Bright Futures Scholarship Programs (FBFSP):* The Florida Bright Futures Scholarship Program provides certain qualified, full-time, first-time-in-college, undergraduate students with assistance in paying for the costs of education. FBFSP is available only to Florida residents attending eligible colleges and universities located in the State of Florida. Students apply directly to the Florida Department of Education Office of Student Financial Assistance who determines initial and continued eligibility of the student. The amount awarded to each applicant is based on the credit hours attempted by the applicant per term at a rate per credit hour set by the Florida legislator. FBFSP is authorized by Section 1009.53, Florida Statutes. There are three award programs under FBFSP, Florida Academic Scholars Award (FAS), Florida Medallion Scholars Award (FMS), and Florida Gold Seal Vocational Scholarship (GSV). The difference between FAS and FMS is minimum GPA requirements. GSV is a program for students enrolled in a career education or certificate program.

*Children and Spouses of Deceased or Disabled Veterans (CSDDV):* The applicant must be a dependent child or un-remarried spouse of a Florida veteran or service member who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or have been verified by the Florida Department of Veterans Affairs as having service connected 100% total and permanent disabilities. Veterans must have been Florida residents at the time of death or determination of 100% disability. The applicant must enroll in an eligible post-secondary institution at least half-time. CSDDV is governed by Section 295.01, Florida Statutes.

# WARNER UNIVERSITY, INC.

## Notes to Summary of Populations, Samples Tested, and Test Results Obtained— Florida Student Financial Assistance Program

June 30, 2021

### A. SUMMARY OF FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS, continued:

*Florida Minority Teachers Education Scholarships (MTES):* MTES is administered by the Florida Fund for Minority Teachers Inc. and provides financial assistance to minority undergraduate students for up to three undergraduate years. This scholarship shall be made to eligible students entering programs of study that lead to a degree in teaching. The MTES is authorized by Section 1009.6, Florida Statutes.

*Florida Work Experience Program (FWEP):* FWEP is a need-based program providing eligible Florida students work experiences to complement and reinforce their educational and career goals. Each participating institution determines application procedures, deadlines, student eligibility and award amounts. FWEP is authorized by Section 1009.77, Florida Statutes.

### B. POPULATION AND SAMPLE SELECTIONS:

The populations were provided by the Bureau of Auditing Services, Florida Department of Education.

Samples were determined using State of Florida Administrative Code guidelines provided in Rule 6A-20.0021. A random sample of 50 award recipients or 25%, whichever is less, but no less than 10 award recipients or 100% of the recipients if less than 10, were chosen for each program.

Students were classified as ineligible if our examination of supporting documentation disclosed instances of noncompliance with eligibility criteria. Awards were classified as questioned costs if our examination disclosed one or more of the following conditions: awards made to ineligible students, awards for which supporting documentation was missing, and awards or the portions not properly credited to students' accounts.

**WARNER UNIVERSITY, INC.**

**Schedule of Findings and Questioned Costs**

June 30, 2021

Section I - Summary of Audit Results

**Financial Statements:**

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered a material weakness?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered a material weakness?  yes  none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with 2 CFR Part 200.516(a)?  yes  no

Identification of major program(s):

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.268, 84.063, 84.007, 84.033 84.038, and 84.379	Student Financial Assistance
84.425E, 84.425F, and 84.425M	COVID-19 Education Stabilization Fund

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

Auditee qualified as low-risk auditee?  yes  no

**WARNER UNIVERSITY, INC.**

**Schedule of Findings and Questioned Costs**

June 30, 2021

Section I – Summary of Audit Results, continued

**Florida State Awards:**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered a material weakness?  yes  none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings that are required to be reported in accordance with Chapter 10.650?  yes  no

Identification of major program(s):

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
48.049, 48.053, 48.054, 48.055, 48.059 and 48.064	Student Financial Assistance

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

Auditee qualified as low-risk auditee?  yes  no

# **WARNER UNIVERSITY, INC.**

## **Schedule of Findings and Questioned Costs**

June 30, 2021

### Section II - Financial Statement Findings

There are no current findings in internal control over financial reporting required to be reported in accordance with *Government Auditing Standards*.

### Section III - Federal Award Findings and Questioned Costs

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

### Section IV – State Financial Assistance Projects Findings and Questioned Costs

There were no findings or questioned costs to be reported for the State of Florida student financial assistance projects.

# WARNER UNIVERSITY, INC.

## Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

<b>Primary Reserve Ratio:</b>	<b>Expendable Net Assets:</b>	
1 Statement of financial position—Net assets without donor restrictions, page 3	<b>Net assets without donor restrictions</b>	14,180,150
2 Statement of financial position—Net assets with donor restrictions, page 3	<b>Net assets with donor restrictions</b>	7,487,092
3 Statement of financial position—Contribution receivable, net and related party note disclosure, Note 19, page 29	<b>Secured and unsecured related party receivable</b>	<u>\$ 3,393,869</u>
4 Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 19, page 29	Unsecured related party receivable	3,393,869
5 Statement of financial position—Property, plant, and equipment, net, page 3. Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 4	<b>Property, plant, and equipment, net (includes construction in progress)</b>	<u>23,910,620</u>
6 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 1d	Property, plant and equipment, net pre-implementation	22,374,841
7 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 2f	Property, plant, and equipment post-implementation <u>without</u> outstanding debt for original purchase	1,371,013
8 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 3d	Construction in progress without outstanding debt	164,766
9 None	<b>Lease right-of-use asset, net</b>	<u>-</u>
10 None	Lease right-of-use asset, pre-implementation	-
11 None	Lease right-of-use asset, post-implementation	-
12 None	Intangible assets	-
13 None	Post-employment and pension liabilities	-
14 Statement of financial position—Notes payable-net, page 3. Notes to financial responsibility supplemental schedule—Total debt, net, Line 8.	<b>Long-term debt—for long term purposes</b>	<u>10,937,479</u>
15 Notes to financial responsibility supplemental schedule—Ending pre-implementation debt, net, Line 5c.	Long-term debt—for long term purposes pre-implementation	8,962,479
16 Notes to financial responsibility supplemental schedule—Ending post-implementation debt, net, Line 6c.	Long-term debt—for long term purposes post-implementation	1,659,871
17 Notes to financial responsibility supplemental schedule—Line 6.	Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value	315,129
18 None	Line of credit for construction in progress	-
19 None	<b>Lease right-of-use asset liability</b>	<u>-</u>
20 None	Pre-implementation right-of-use asset liability	-
21 None	Post-implementation right-of-use asset liability	-
22 Note 15 to the financial statements—Trust assets, page 26	<b>Annuities, term endowments, and life income with donor restrictions</b>	<u>359,093</u>
23 None	Annuities with donor restrictions	-
24 None	Term endowments with donor restrictions	-
25 Note 15 to the financial statements—Trust assets, page 26	Life income funds with donor restrictions	359,093
26 Statement of financial position—Net assets with donor restrictions, restricted in perpetuity, page 3	Net assets with donor restrictions: restricted in perpetuity	6,362,619

# WARNER UNIVERSITY, INC.

## Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

27	Statement of activities–Total expenses, change in value of annuities, page 4				
28	Statement of activities–Total expenses, page 4	<b>Total Expenses and Losses</b>	<u>19,449,000</u>		
29	Statement of activities–Change in value of annuities, net loss, page 4	Total expenses without donor restrictions–taken directly from statement of activities		19,438,952	
30	None	Net change in value of annuities (loss)		10,048	
	<b>Equity Ratio:</b>	Net investment losses		-	
		<b>Modified Net Assets:</b>			
31	Statement of financial position–Net assets without donor restrictions, page 3	<b>Net assets without donor restrictions</b>		14,180,150	
32	Statement of financial position–Net assets with donor restrictions, page 3	<b>Net assets with donor restrictions</b>		7,487,092	
33	None	<b>Intangible assets</b>		-	
34	None	<b>Goodwill</b>		-	
35	Statement of financial position–Contribution receivable, net and related party note disclosure, Note 18, page 29	<b>Secured and unsecured related party receivables</b>	<u>\$ 3,393,869</u>		
36	Statement of financial position–Contribution receivable, net and related party note disclosure, Note 18, page 29	Unsecured related party receivables		3,393,869	
		<b>Modified Assets:</b>			
37	Statement of financial position–Total assets, page 3	Total assets		33,895,128	
38	None	Lease right-of-use asset pre-implementation		-	
39	None	Pre-implementation right-of-use asset liability		-	
40	None	Intangible assets		-	
41	Statement of financial position–Contribution receivable, net and related party note disclosure, Note 18, page 29	Secured and unsecured related party receivables	<u>\$ 3,393,869</u>		
42	Statement of financial position–Contribution receivable, net and related party note disclosure, Note 18, page 29	Unsecured related party receivables		3,393,869	
	<b>Net Income Ratio:</b>				
43	Statement of activities–Change in net assets without donor restrictions, page 4	<b>Change in Net Assets Without Donor Restrictions</b>		5,995,222	
44	Statement of activities–(Net assets released from restriction), total without donor restriction revenue, gains and other support excluding change in value of annuities, page 4	<b>Total Revenues and Gains excluding loss for change in value of annuities included with expenses</b>		25,444,222	

\*The University has not implemented ASU 2016-02 as of June 30, 2021

# WARNER UNIVERSITY, INC.

## Notes to the Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

The Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These reconciliation disclosures are not required by accounting principles generally accepted in the United States of America but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

### Property, Plant, and Equipment, net

1	Pre-implementation property, plant, and equipment, net	
	a. Beginning pre-implementation property, plant and equipment, net as of June 30, 2020	\$ 23,557,592
	b. Less subsequent (fiscal year end June 30, 2021) depreciation and disposals	(818,152)
	c. Transfer pre-implementation construction in progress placed into service as of June 30, 2021	<u>(364,599)</u>
	d. Ending pre-implementation property, plant, and equipment, net as of June 30, 2021	<u>22,374,841</u>
2	Post-implementation property, plant, and equipment, net acquired without debt:	
	a. Beginning post-implementation property, plant, and equipment, net as of June 30, 2020	328,188
	b. Long-lived assets acquired without use of debt subsequent to June 30, 2020	351,868
	c. Transfer of pre-implementation construction in progress placed into service as of June 30, 2021 (1c above)	364,599
	d. Transfer of post-implementation construction in progress placed into service as of June 30, 2021 (3c below)	437,597
	e. Less subsequent (fiscal year end June 30, 2021) depreciation and disposals	<u>(111,239)</u>
	f. Ending post-implementation property, plant, and equipment, net as of June 30, 2021	<u>1,371,013</u>
3	Post-implementation construction in progress, acquired without debt:	
	a. Beginning post-implementation construction in progress as of June 30, 2020	602,363
	b. Construction in progress acquired without use of debt subsequent to June 30, 2020	-
	c. Transfer construction in progress put into service as of June 30, 2021 (2d above)	<u>(437,597)</u>
	d. Ending post-implementation construction in progress as of June 30, 2021	<u>164,766</u>
4	Total property, plant, and equipment, net—June 30, 2021	<u>\$ 23,910,620</u>

### Debt to be excluded from expendable net assets

5	Pre-implementation debt, net:	
	a. Beginning pre-implementation debt, net as of June 30, 2020	\$ 11,146,750
	b. Less subsequent (fiscal year end June 30, 2021) debt repayments	<u>(2,184,271)</u>
	c. Ending pre-implementation debt, net as of June 30, 2021	<u>8,962,479</u>
6	Post-implementation debt, net:	
	a. Beginning post-implementation debt, net as of June 30, 2020	\$ -
	b. Debt for property, plant, and equipment, net included in pre-implementation property, plant, and equipment, net	<u>1,659,871</u>
	c. Ending post-implementation debt, net as of June 30, 2021	<u>1,659,871</u>
7	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	<u>315,129</u>
8	Total debt, net as of June 30, 2021	<u>\$ 10,937,479</u>



## Auditee Summary Schedule of Prior Year Findings

June 30, 2021

### Financial Statement Findings

*Finding Number:* 2020-001 Controls Over Gifts  
Significant Deficiency

*Condition:* When the business office moved to a separate location from the development office, dual controls over the processing of contributions was no longer maintained and documented. Dual control is a control activity whereby the work of one person is verified or approved by another. The purposes of involving the second individual are to ensure that proper authority for the transaction or activity is given, that the transaction or activity is properly recorded.

*Recommendation:* We recommend the University require two individuals to participate in the processing of cash receipts until checks received are restrictively endorsed. These individuals should prepare a listing of each gift received and document their participation in the count. The listing should be totaled to permit agreement to the general ledger and the bank deposit. A second individual should review the deposit and compare it to the listing to ensure that all counted and recorded funds were deposited.

*Current Status:* Completed

*Reason for Reoccurring Finding and Planned Corrective Action:* Internal controls were put in place in the business office and advancement office that requires that two individuals are always present when opening gift checks. Copies of the checks are made and both individuals sign or initial the check copies.

### Federal Award Findings

There were no prior audit findings or questioned costs.