



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, 2022

WARNER UNIVERSITY, INC.

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INDEPENDENT AUDITORS' REPORT



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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Warner University, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Warner University, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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

Auditors' Responsibilities for the Audit of the Financial Statements, continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, on our consideration of Warner University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Warner University, Inc.'s 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 Warner University, Inc.'s internal control over financial reporting and compliance.

Capin Crouse LLP

Lawrenceville, Georgia
September 15, 2022

WARNER UNIVERSITY, INC.

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 3,066,212	\$ 1,950,271
Restricted cash	967,383	1,335,144
Accounts receivable–net	217,958	270,413
Contributions receivable–net	268,515	3,393,869
Student loans receivable	142,347	158,699
Government funds receivable	2,316,342	-
Prepaid expenses and other assets	432,912	738,309
Beneficial interest in trusts	348,837	359,093
Property and equipment–net	24,782,802	23,910,620
Beneficial interest in perpetual trust	360,676	439,524
Investments held for long-term purposes	1,614,574	1,339,186
Total Assets	\$ 34,518,558	\$ 33,895,128
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	827,790	\$ 774,339
Advanced tuition and fees	217,970	362,756
Notes payable–net	10,298,103	10,937,479
U.S. government loan funds refundable	126,168	153,312
Total liabilities	11,470,031	12,227,886
Net assets:		
Without donor restrictions	14,762,624	14,180,150
With donor restrictions:		
By time or purpose	1,867,917	1,124,473
In perpetuity	6,417,986	6,362,619
	8,285,903	7,487,092
Total net assets	23,048,527	21,667,242
Total Liabilities and Net Assets	\$ 34,518,558	\$ 33,895,128

See notes to financial statements

WARNER UNIVERSITY, INC.

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted by Purpose or Time	Restricted in Perpetuity	
REVENUES, GAINS, AND OTHER SUPPORT:				
Net tuition and fees	\$ 9,863,270	\$ -	\$ -	\$ 9,863,270
Contributions	716,360	1,343,412	134,179	2,193,951
Grant revenue	4,172,758	-	-	4,172,758
Auxiliary enterprises	3,591,793	-	-	3,591,793
Investment gain (loss)	-	(256,474)	36	(256,438)
Change in value of beneficial interest in perpetual trusts	-	15,000	(78,848)	(63,848)
Change in value of beneficial interest in trusts	-	(10,256)	-	(10,256)
Other	512,914	-	-	512,914
Net asset released from restrictions	348,238	(348,238)	-	-
Revenues, Gains, and Other Support	19,205,333	743,444	55,367	20,004,144
EXPENSES:				
Program services:				
Instruction	3,724,471	-	-	3,724,471
Academic support	1,004,453	-	-	1,004,453
Student services	7,353,540	-	-	7,353,540
Auxiliary enterprises	2,114,705	-	-	2,114,705
	14,197,169	-	-	14,197,169
Supporting activities:				
Institutional support	3,937,449	-	-	3,937,449
Fundraising	488,241	-	-	488,241
	4,425,690	-	-	4,425,690
Total Expenses	18,622,859	-	-	18,622,859
Change in Net Assets	582,474	743,444	55,367	1,381,285
Net Assets, Beginning of Year	14,180,150	1,124,473	6,362,619	21,667,242
Net Assets, End of Year	\$ 14,762,624	\$ 1,867,917	\$ 6,417,986	\$ 23,048,527

See notes to financial statements

WARNER UNIVERSITY, INC.

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted by Purpose or Time	Restricted in Perpetuity	
REVENUES, GAINS, AND OTHER SUPPORT:				
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 gain	-	212,396	18	212,414
Change in value of beneficial interest in perpetual trusts	-	15,000	73,131	88,131
Change in value of beneficial interest in trusts	-	12,119	-	12,119
Other	470,840	-	-	470,840
Net asset released from restrictions	978,727	(978,727)	-	-
Revenues, Gains, and Other Support	25,434,174	(498,319)	79,292	25,015,147
EXPENSES:				
Program services:				
Instruction	3,714,666	-	-	3,714,666
Academic support	1,087,226	-	-	1,087,226
Student services	8,356,560	-	-	8,356,560
Auxiliary enterprises	2,167,092	-	-	2,167,092
	15,325,544	-	-	15,325,544
Supporting activities:				
Institutional support	3,769,166	-	-	3,769,166
Fundraising	344,242	-	-	344,242
	4,113,408	-	-	4,113,408
Total Expenses	19,438,952	-	-	19,438,952
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	\$ 14,180,150	\$ 1,124,473	\$ 6,362,619	\$ 21,667,242

See notes to financial statements

WARNER UNIVERSITY, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,381,285	\$ 5,576,195
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	861,935	852,034
Amortization of debt issuance costs	10,426	(44,825)
Paycheck Protection Program loan forgiveness	-	(1,547,833)
Change in value of beneficial interest in trusts	10,256	(12,119)
Change in value of beneficial interest in perpetual trust	78,848	(73,131)
Realized and unrealized (gains) losses on investments	266,968	(205,237)
Contributions restricted for long-term purposes	(1,273,287)	(56,926)
Gain on disposal of property and equipment	-	(140,443)
Change in operating assets and liabilities:		
Accounts receivable–net	52,455	(232)
Contribution receivable–net	3,125,354	(1,143,034)
Student loans receivable	(10,792)	(36,745)
Government funds receivable	(2,316,342)	-
Prepaid expenses and other assets	305,397	(705,615)
Accounts payable and accrued expenses	53,451	(497,543)
Advanced tuition and fees	(144,786)	(276,794)
Net Cash Provided by Operating Activities	2,401,168	1,687,752
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(793,556)	(400,877)
Proceeds from the sales of investments	251,200	214,731
Purchases of property and equipment	(1,734,117)	(351,868)
Proceeds from the sale of property and equipment	-	217,800
Net Cash Used by Investing Activities	(2,276,473)	(320,214)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable and lines of credit	-	1,862,962
Repayments on notes payable and lines of credit	(649,802)	(479,575)
Contributions restricted for long-term purposes	1,273,287	56,926
Net Cash Provided by Financing Activities	623,485	1,440,313
Change in Cash, Cash Equivalents and Restricted Cash	748,180	2,807,851
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,285,415	477,564
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 4,033,595	\$ 3,285,415

See notes to financial statements

WARNER UNIVERSITY, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	<u>2022</u>	<u>2021</u>

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

Cash and cash equivalents	\$ 3,066,212	\$ 1,950,271
Restricted cash	<u>967,383</u>	<u>1,335,144</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 4,033,595</u>	<u>\$ 3,285,415</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 421,814</u>	<u>\$ 579,796</u>
Refinance of debt through issuance of notes payable	<u>\$ -</u>	<u>\$ 10,493,340</u>
Paycheck Protection Program loan forgiveness	<u>\$ -</u>	<u>\$ 1,547,833</u>

See notes to financial statements

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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. It 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 (the 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 financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

The preparation of 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. While deposits may be in excess of federally insured limits, the University has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2022 and 2021, the University's cash balances exceeded federally insured limits by \$3,879,102 and \$1,898,312, respectively.

RESTRICTED CASH

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

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNT RECEIVABLE–NET

Student accounts receivable are reported net of any estimated losses due to uncollectible accounts. The University's policy for determining when receivables are past due or delinquent is when a student's account is inactive. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts will become uncollectible, which is typically when the account is more than 120 days past due and there has been no contact with the student. Payments received from non-accrual receivables are received from collection agencies and credited to appropriate receivable accounts.

CONTRIBUTIONS RECEIVABLE–NET

When a donor has unconditionally promised to contribute funds to the University in future periods, the University recognizes a contribution receivable. Contributions expected to be collected within one year are recorded as support and a receivable at net realizable value. Contributions expected to be collected in future years are recorded as support and a receivable at the present value of the expected future cash flows. Discounts on those amounts are computed using risk adjusted market rates. For pledges received during the years ended June 30, 2022 and 2021, the discount rate used for both years was 5%. Amortization of discounts is included in contributions in the accompanying statements of activities. Management has determined no allowance is necessary and all amounts deemed fully collectible.

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.

GOVERNMENT FUNDS RECEIVABLE

For the year ended June 30, 2022, the accounts receivable include a receivable for the amount of credit expected to be claimed under the Employee Retention Credit (ERC) which was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. For the year ended June 30, 2022, the amount of receivable outstanding was \$2,316,342. Management fully expects the receivable to be collectible during the year ended June 30, 2023.

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 trusts based on the fair value of the underlying assets as well as actuarial assumptions.

PROPERTY AND EQUIPMENT—NET

Property and equipment is stated at cost, or if donated, at estimated fair value on the date of receipt. Purchases of property and equipment greater than \$2,500 are capitalized and depreciated over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 60 years.

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 the trust 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.

INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Other investments are reported at cost. Interest and dividend income and the realized and unrealized gain or loss on investments is reported in the accompanying statements of activities. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is adequately diversified among many users.

DEBT ISSUANCE COSTS—NET

Debt issuance costs are recorded at cost and amortized on a straight-line basis over the term of the note payable agreements. Debt issuance costs—net are netted with the note payable in the accompanying statements of financial position.

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment, net of accumulated depreciation and related debt.

Net assets with donor restrictions for purpose or time are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, for the acquisition of property and equipment, or not currently available for use until commitments regarding their use have been fulfilled.

Net assets with donor restrictions in perpetuity are contributed with donor restrictions requiring that they be held in perpetuity with income used for scholarships.

REVENUES, GAINS, AND OTHER SUPPORT, RECLASSIFICATIONS, AND EXPENSES

Tuition and fees are recognized in the fiscal year in which the academic programs are delivered. Auxiliary revenue is recognized when the goods are delivered or services are performed. Payments received for future periods are reported as advanced tuition and fees. Institutional scholarships awarded to students reduce the amount of revenue recognized. Substantially all advanced tuition and fees at June 30, 2021, was recognized as revenue during the following year. All other exchange revenue is recognized when earned.

The University recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The University reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts-in-kind consist of property and securities recognized at fair value on the date of the gift.

The University reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. 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 assets are placed in service.

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, GAINS, AND OTHER SUPPORT, RECLASSIFICATIONS, AND EXPENSES, continued

Expenses, including advertising costs of \$239,473 and \$191,581 for the years ended June 30, 2022 and 2021, respectively, are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the program services and supporting activities of the University have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in the delivery of student financial assistance programs under various programs administered by the Department of Education. The related activity is subject to audit both by independent certified public accountants and by representatives of the administering agency 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.

GRANT REVENUE

The University receives grants for student financial aid and other purposes whereby the revenue is recognized once all conditions are met. In prior years, 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 coronavirus (COVID-19) outbreak. Under HEERF I, HEERF II, and HEERF III, the University was eligible to receive \$2,771,905 to provide emergency grants to students. As of June 30, 2022, the University had drawn down and spent all of these funds.

In addition, the University was allocated \$591,133 under HEERF I, \$1,364,366 under HEERF II, and \$1,654,782 under HEERF III to be used for institutional support. As of June 30, 2021, all of the HEERF I and HEERF II funds had been drawn and spent. As of June 30, 2022, all but \$8,290 of the HEERF III had been drawn and spent.

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

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the University's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The University considers general expenditures to be all expenditures related to its ongoing activities to achieve its mission and vision as well as the conduct of services undertaken to support those activities to be general expenditures.

	June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 3,066,212	\$ 1,947,771
Restricted cash	967,383	1,335,144
Accounts receivable—net	217,958	270,413
Contributions receivable—net	268,515	3,393,869
Student loans receivable	142,347	158,699
Government funds receivable	2,316,342	-
Beneficial interest in trusts	348,837	359,093
Beneficial interest in perpetual trust	360,676	439,524
Investments held for long-term purposes	1,614,574	1,627,822
Financial assets, at year-end	9,302,844	9,532,335
Less those unavailable for general expenditures within one year, due to:		
Board designated endowment	(202,207)	(294,143)
Contractual or donor-imposed restrictions:		
Contractual restriction:		
Cash restricted by the Department of Education	(967,383)	(1,335,144)
Restricted by donor with purpose or time restrictions:		
Endowment funds—less internal loan to the endowment	(1,428,379)	(794,184)
Beneficial interest in perpetual trust	(360,676)	(439,524)
Beneficial interest in trusts	(348,837)	(359,093)
Athletic initiative capital projects	-	(30,523)
Endowment earnings	-	(250,859)
Other restricted funds	-	(12,681)
Contributions receivable for operations not due within one year	-	(400,000)
	(3,307,482)	(3,916,151)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,995,362	\$ 5,616,184

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. 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. Board-designated endowment can be released upon resolution of the board and used for general expenditures. In the event of an unanticipated liquidity need, the University could draw upon \$1,800,000 available from its line of credit (see Note 11).

4. ACCOUNTS RECEIVABLE-NET:

Accounts receivable-net consist of:

	June 30,	
	2022	2021
Student receivables	780,224	\$ 999,778
Less allowance for uncollectible accounts	(562,266)	(729,365)
	<u>\$ 217,958</u>	<u>\$ 270,413</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES:

Investments held for long-term purposes consist of:

	June 30,	
	2022	2021
Held at fair value:		
Fixed income	\$ 602,597	\$ 396,931
Mutual funds	897,178	851,894
Stocks	88,707	83,514
	<u>1,588,482</u>	<u>1,332,339</u>
Held at cost:		
Cash and cash equivalents	26,092	6,847
	<u>26,092</u>	<u>6,847</u>
Total investments held for long-term purposes	<u>\$ 1,614,574</u>	<u>\$ 1,339,186</u>

Investment gain (loss) consist of:

	Year Ended June 30,	
	2022	2021
Interest and dividends	\$ 28,999	\$ 15,411
Realized and unrealized gains (losses) on investments	(266,932)	205,237
Investment management fees netted with investment loss	(18,505)	(8,234)
	<u>(256,438)</u>	<u>(8,234)</u>
	<u>\$ (256,438)</u>	<u>\$ 212,414</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

6. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The University uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. 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.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy at June 30, 2022 and 2021:

	Fair Value Measurements at June 30, 2022			Total
	Level 1	Level 2	Level 3	
Investments, at fair value:				
Fixed income	\$ -	\$ 602,597	\$ -	\$ 602,597
Mutual funds:				
Small cap	44,465	-	-	44,465
Mid cap	73,990	-	-	73,990
Large cap	365,300	-	-	365,300
International funds	278,655	-	-	278,655
Emerging markets	134,768	-	-	134,768
	<u>897,178</u>	<u>-</u>	<u>-</u>	<u>897,178</u>
Stock equities	88,707	-	-	88,707
Total investments, at fair value	985,885	602,597	-	1,588,482
Beneficial interest in trusts	-	-	348,837	348,837
Beneficial interest in perpetual trust	-	-	360,676	360,676
Total investments, at fair value	<u>\$ 985,885</u>	<u>\$ 602,597</u>	<u>\$ 709,513</u>	<u>\$ 2,297,995</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

6. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at June 30, 2021			Total
	Level 1	Level 2	Level 3	
Investments, at fair value:				
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
Total investments, at fair value	935,408	396,931	-	1,332,339
Beneficial interest in trusts	-	-	359,093	359,093
Beneficial interest in perpetual trust	-	-	439,524	439,524
Total investments, at fair value	\$ 935,408	\$ 396,931	\$ 798,617	\$ 2,130,956

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:

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

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.

Beneficial interest in trusts—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 trust 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, 2022 and 2021

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, 2022 and 2021, is presented as follows:

	June 30,	
	2022	2021
Deferral status	\$ 13,732	\$ 20,923
Less than 240 days past due	6,434	10,000
Greater than 240 days but less than 2 years past due	6,000	20,051
Greater than 2 years less than 5 years past due	41,881	32,264
Greater than 5 years past due	74,300	75,461
	<u>\$ 142,347</u>	<u>\$ 158,699</u>

The following presents the recorded investment by credit quality indicator:

	June 30,	
	2022	2021
Deferral status	\$ 13,732	\$ 20,923
Performing	54,315	62,315
Nonperforming	74,300	75,461
	<u>\$ 142,347</u>	<u>\$ 158,699</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, 2022 and 2021

8. CONTRIBUTION RECEIVABLE–NET:

Contributions receivable–net consist of:

	June 30,	
	2022	2021
Unconditional promises to give	\$ 296,000	\$ 3,596,000
Less discounts	(27,485)	(202,131)
	<u>\$ 268,515</u>	<u>\$ 3,393,869</u>

Contributions receivable are due as follows:

	June 30,	
	2022	2021
Net amounts due in:		
Less than one year	\$ 91,428	\$ 3,043,810
Two to five years	177,087	350,059
	<u>\$ 268,515</u>	<u>\$ 3,393,869</u>

9. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	June 30,	
	2022	2021
Land	\$ 841,763	\$ 841,763
Land improvements	2,742,903	2,742,903
Buildings and improvements	31,420,487	31,420,487
Equipment, furniture and technology	2,422,902	2,331,018
Library books	621,896	654,177
Vehicles	469,767	338,281
	<u>38,519,718</u>	<u>38,328,629</u>
Less accumulated depreciation	(15,332,855)	(14,582,776)
	<u>23,186,863</u>	<u>23,745,853</u>
Construction in progress	1,595,939	164,767
	<u>\$ 24,782,802</u>	<u>\$ 23,910,620</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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 accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of 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, 2022 and 2021, 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, 2022 and 2021

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.

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 \$4,628,931 and \$5,128,911 as of June 30, 2022 and 2021, 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. \$499,980 and \$500,000 were repaid on the balance during the years ended June 30, 2022 and 2021, respectively. The remainder of the endowment funds are held in investments held for long-term purposes and totaled \$1,614,574 and \$1,339,186 for the years ended June 30, 2022 and 2021, respectively.

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Donor-restricted endowment funds	\$ -	\$ (16,012)	\$ 6,057,310	\$ 6,041,298
Board-designated endowment funds	202,207	-	-	202,207
	<u>\$ 202,207</u>	<u>\$ (16,012)</u>	<u>\$ 6,057,310</u>	<u>\$ 6,243,505</u>

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, June 30, 2021	\$ 294,143	\$ 250,859	\$ 5,923,095	\$ 6,468,097
Investment return (loss), net	-	(256,474)	36	(256,438)
Contributions/designations	148,867	-	134,179	283,046
Appropriation of endowment assets for expenditure or reclassification	(240,803)	(10,397)	-	(251,200)
Endowment net assets, June 30, 2022	<u>\$ 202,207</u>	<u>\$ (16,012)</u>	<u>\$ 6,057,310</u>	<u>\$ 6,243,505</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

10. ENDOWMENT FUNDS, continued:

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Donor-restricted endowment funds	\$ -	\$ 250,859	\$ 5,923,095	\$ 6,173,954
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:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Endowment net assets, June 30, 2020	\$ 334,572	\$ 39,417	\$ 5,916,934	\$ 6,290,923
Investment return, net:	-	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>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

11. LINE OF CREDIT AND LETTER OF CREDIT:

The University maintains a \$1,800,000 revolving line of credit with its primary financial institution that is due on demand (with no set maturity date), subject to a variable interest rate (4.75% and 4.0% at June 30, 2022 and 2021, respectively), and is collateralized by certain real property. The University is required to pay monthly interest-only payments on the outstanding borrowings. At June 30, 2022 and 2021, there were no outstanding borrowings under this line of credit.

The University has a \$966,762 letter of credit with a certain financial institution that expires August 31, 2022. At June 30, 2022 and 2021, there were no obligations associated with this letter of credit.

12. NOTES PAYABLE—NET:

Notes payable—net consist of:

	June 30,	
	2022	2021
Note payable to a certain financial institution of Polk County; bears interest at 3.99%; principal and interest payable in monthly installments of \$50,965 through maturity in April 2026 at which time, all unpaid principal and accrued interest is due; secured by real property.	\$ 6,388,979	\$ 6,792,055
Note payable to a certain financial institution of Polk County; bears interest at 3.99%; principal and interest payable in monthly installments of \$29,161 through maturity in May 2026 at which time, all unpaid principal and accrued interest is due; secured by real property.	3,711,397	3,918,717
Two notes payable to financial institution of Polk County—repaid during the year ended June 30, 2022.	-	26,390
Notes payable to a certain church; bears interest at 4.50%; requires annual interest payments; due on demand; unsecured.	236,984	250,000
	10,337,360	10,987,162
Less debt issuance costs—net	(39,257)	(49,683)
	<u>\$ 10,298,103</u>	<u>\$ 10,937,479</u>

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

12. NOTES PAYABLE—NET, continued:

Maturities of the notes payable are estimated as follows:

Years Ending June 30,	Amounts
2023	\$ 805,711
2024	591,786
2025	615,828
2026	8,324,035
	\$ 10,337,360

The University is required to comply with various covenants related to the notes payables. As of June 30, 2022 and 2021, the University was in compliance with all covenants.

13. NET TUITION AND FEES:

Net tuition and fees consist of:

	Year Ended June 30,	
	2022	2021
Tuition and fees	\$ 16,560,031	\$ 17,114,243
Tuition discounts and institutional aid:		
Endowment and perpetual trust awards	(251,200)	(224,000)
General scholarships	(6,330,556)	(5,874,992)
Annual fund financial aid gifts	(115,005)	(71,525)
	(6,696,761)	(6,170,517)
	\$ 9,863,270	\$ 10,943,726

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, 2022 and 2021

15. NET ASSETS:

Net assets consist of:

	June 30,	
	2022	2021
Without donor restrictions:		
Unrestricted, undesignated	\$ 14,560,417	\$ 13,886,007
Board-designated endowment	202,207	294,143
	14,762,624	14,180,150
With donor restrictions:		
Restricted by time or purpose:		
Ag initiatives	166,306	226,894
Scholarships	93,076	93,243
Trust assets	348,837	359,093
Athletic initiatives	1,176,037	98,246
Endowment earnings	(16,012)	250,859
Other	99,673	96,138
	1,867,917	1,124,473
Restricted in perpetuity:		
Endowment	6,057,310	5,923,095
Beneficial interest in perpetual trust	360,676	439,524
	6,417,986	6,362,619
Total net assets with donor restrictions	8,285,903	7,487,092
	\$ 23,048,527	\$ 21,667,242

16. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, maintenance and repairs, and utilities are allocated on a square-footage basis. Salaries and benefits are allocated on employee time and effort. The student aid natural classification line represents scholarships and fellowships to students under 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, 2022 and 2021

16. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification for the year ended June 30, 2022:

	Program Services					Supporting Activities			Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Subtotal	Institutional Support	Fundraising	Subtotal	
Salaries	\$ 2,483,386	\$ 587,749	\$ 2,905,295	\$ 14,647	\$ 5,991,077	\$ 973,449	\$ 252,588	\$ 1,226,037	\$ 7,217,114
Other employee benefits	458,593	109,457	563,876	-	1,131,926	390,939	43,227	434,166	1,566,092
Payroll taxes	-	-	-	-	-	510,391	-	510,391	510,391
Legal fees	-	-	-	-	-	7,295	-	7,295	7,295
Accounting	-	-	-	-	-	99,779	-	99,779	99,779
Contract services	50,532	12,725	371,472	1,653,082	2,087,811	22,125	99,819	121,944	2,209,755
Advertising and promotion	-	-	-	-	-	208,646	30,827	239,473	239,473
Supplies and equipment	21,189	77,653	348,237	4,069	451,148	144,478	3,534	148,012	599,160
Information technology	-	43,562	277,285	-	320,847	249,723	12,960	262,683	583,530
Occupancy	-	-	17,637	191,082	208,719	17,278	-	17,278	225,997
Conferences, travel, and lodging	-	-	371,951	168	372,119	51,642	11,720	63,362	435,481
Depreciation and amortization	278,594	71,566	478,384	-	828,544	25,947	7,444	33,391	861,935
Insurance	-	-	370,246	-	370,246	474,319	-	474,319	844,565
Events	2,304	24,010	54,913	-	81,227	1,905	15,588	17,493	98,720
Interest	141,511	-	251	-	141,762	281,939	-	281,939	423,701
Athletic events and travel	-	-	364,235	-	364,235	-	-	-	364,235
Maintenance and repairs	128,629	32,394	559,745	104,920	825,688	75,592	3,389	78,981	904,669
Professional development	10,306	5,716	7,489	-	23,511	6,473	405	6,878	30,389
Subscriptions and memberships	3,899	1,037	81,949	-	86,885	73,670	252	73,922	160,807
Utilities	145,528	38,584	257,849	146,427	588,388	20,591	4,489	25,080	613,468
Student aid	-	-	260,386	-	260,386	-	-	-	260,386
Other expenses	-	-	62,340	310	62,650	301,268	1,999	303,267	365,917
Total expenses	\$ 3,724,471	\$ 1,004,453	\$ 7,353,540	\$ 2,114,705	\$14,197,169	\$ 3,937,449	\$ 488,241	\$ 4,425,690	\$18,622,859

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

16. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification for the year ended June 30, 2021:

	Program Services					Supporting Activities			Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Subtotal	Institutional Support	Fundraising	Subtotal	
Salaries	\$ 2,423,850	\$ 659,095	\$ 2,769,883	\$ 16,306	\$ 5,869,134	\$ 905,283	\$ 251,893	\$ 1,157,176	\$ 7,026,310
Other employee benefits	464,356	126,867	558,751	-	1,149,974	395,782	45,098	440,880	1,590,854
Payroll taxes	-	-	-	-	-	491,432	-	491,432	491,432
Legal fees	-	-	-	-	-	6,366	-	6,366	6,366
Accounting	-	-	-	-	-	61,396	-	61,396	61,396
Contract services	43,726	12,378	389,565	1,743,686	2,189,355	9,588	1,172	10,760	2,200,115
Advertising and promotion	390	112	685	-	1,187	180,041	10,353	190,394	191,581
Supplies and equipment	6,105	73,354	311,763	1,915	393,137	93,658	781	94,439	487,576
Information technology	-	30,572	160,000	-	190,572	268,083	13,103	281,186	471,758
Occupancy	-	-	8,914	179,832	188,746	13,734	-	13,734	202,480
Conferences, travel, and lodging	-	-	217,867	23	217,890	24,518	1,756	26,274	244,164
Depreciation and amortization	267,722	76,696	470,279	-	814,697	30,074	7,263	37,337	852,034
Insurance	-	-	203,045	-	203,045	443,350	-	443,350	646,395
Events	1,545	24,189	33,084	-	58,818	-	3,872	3,872	62,690
Interest	217,706	-	108,029	-	325,735	248,035	-	248,035	573,770
Athletic events and travel	46,887	13,432	357,429	-	417,748	5,267	1,272	6,539	424,287
Maintenance and repairs	90,256	26,321	472,004	73,927	662,508	44,189	2,825	47,014	709,522
Professional development	10,056	4,384	3,404	-	17,844	3,057	99	3,156	21,000
Subscriptions and memberships	2,418	2,001	55,933	-	60,352	72,277	45	72,322	132,674
Utilities	127,846	37,825	232,002	151,093	548,766	23,646	4,068	27,714	576,480
Student aid	-	-	1,975,388	-	1,975,388	-	-	-	1,975,388
Other expenses	11,803	-	28,535	310	40,648	449,390	642	450,032	490,680
Total expenses	\$ 3,714,666	\$ 1,087,226	\$ 8,356,560	\$ 2,167,092	\$15,325,544	\$ 3,769,166	\$ 344,242	\$ 4,113,408	\$19,438,952

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

17. RETIREMENT PLANS:

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, 2022 and 2021, was \$224,795 and \$233,094, respectively.

18. COMMITMENTS AND CONTINGENCIES:

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, 2022, are dependent upon the University's continued participation in the various programs.

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.

Effective June 2022, the University entered into an agreement with a power company (the provider), regarding the provider's lease of land from the University and the University's corresponding purchase of the solar services as provided by the solar photovoltaic system throughout the term of the agreement. The term of the agreement extends through the last day of the 25th contract year, commencing on the commercial operation date. As of June 30, 2022, the agreement was within the development term and the University was not liable for any termination fees.

19. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the University for future periods. As part of the response to the impact of COVID-19, the University applied for a Paycheck Protection Program (PPP) Loan, administered by the Small Business Administration (SBA), under the CARES Act, which was signed into law in March 2020. The University was approved for a loan in the amount of \$1,547,833. For the year ended June 30, 2021, in accordance with FASB ASC 958-605, the University recognized \$1,547,833 in grant revenue without donor restrictions in the accompanying statements of activities. Based on the provisions included in the CARES Act, the loan agreement provides for loan forgiveness up to the full amount of the loan provided the University overcomes (meets) certain loan stipulations.

Effective September 9, 2021, the University received notification of forgiveness from the SBA for the full PPP loan amount.

WARNER UNIVERSITY, INC.

Notes to Financial Statements

June 30, 2022 and 2021

20. RELATED PARTIES:

During the years ended June 30, 2022 and 2021, the University received \$115,010 and \$3,608,875, respectively, in contributions from board of trustee members and companies those members own. The University also has \$296,000 and \$3,396,000 in outstanding contribution receivables from board of trustee members as of June 30, 2022 and 2021, respectively.

21. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 15, 2022, 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

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**



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

We have audited the financial statements of Warner University, Inc. as of and for the years ended June 30, 2022 and 2021, and our report thereon dated September 15, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on pages 32-33, is presented for purposes of additional analysis 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 51-53 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 41 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.

Capin Crouse LLP

Lawrenceville, Georgia
September 15, 2022

WARNER UNIVERSITY, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022

Federal or State Grantor/Pass Through Grantor/Program or Cluster Title	ALN/CSFA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF EDUCATION:					
Student Financial Assistance Cluster:					
Federal Direct Student Loan Program	84.268			\$ -	\$ 5,937,594
Federal Pell Grants	84.063			-	2,148,440
Federal Supplemental Educational Opportunity Grant Program	84.007			-	132,185
Federal Work-Study Program	84.033			-	96,722
Federal Perkins Loan Program (Note 5)	84.038			-	158,699
TEACH Grants	84.379			-	29,705
Total Student Financial Assistance Cluster					<u>8,503,345</u>
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF–Student Aid Portion	84.425E	P425F200066		-	261,967
COVID-19 HEERF–Institutional Portion	84.425F	P425E200976		-	1,384,009
COVID-19 HEERF–Strengthening Institutions	84.425M	P425M200175		-	210,439
Total COVID-19 Education Stabilization Fund					<u>1,856,415</u>
Total U.S. Department of Education					<u>10,359,760</u>
Total Expenditures of Federal Awards					<u>\$ 10,359,760</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, 2022

Federal or State Grantor/Pass Through Grantor/Program or Cluster Title	ALN/CSFA Number	Agreement Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
STATE AWARDS:					
Florida Department of Education:					
Effective Access to Student Education	48.064			\$ -	\$ 1,383,567
Florida Student Assistance Grant	48.054			-	654,061
Florida Work Experience Program	48.053			-	147,286
Florida Bright Futures Academic Scholars	48.059			-	48,108
Florida Bright Futures Medallion Scholars	48.059			-	161,318
Florida Bright Futures Gold Seal	48.059			-	5,664
Florida Minority Teacher Education Scholarship	48.049			-	4,000
Florida Children and Spouses of Deceased or Disabled Veterans	48.055			-	18,020
Total Florida Department of Education					<u>2,422,024</u>
Florida Department of Highways Safety and Motor Vehicles:					
Warner Southern College License Plate Project	76.062			-	1,588
Total Expenditures of State Awards					<u>\$ 2,423,612</u>
Total Expenditures of Federal Awards and State Financial Assistance					<u>\$ 12,783,372</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, 2022

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, 2022. The information in the schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of 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 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. INDIRECT COST RATE:

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	\$ 12,783,372
Less:	
Federal Direct Student Loan Program	(5,937,594)
Federal Pell and TEACH Grants	(2,178,145)
Perkins loan program	(158,699)
State student financial assistance programs	(2,422,024)
Other state program included in other income	(1,588)
FWS and FSEOG netted with revenue	(228,907)
Plus:	
Employee retention credit program	<u>2,316,343</u>
Grant revenue per statement of activities	<u><u>\$ 4,172,758</u></u>

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, loans, or loan guarantees.

WARNER UNIVERSITY, INC.

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

June 30, 2022

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, 2021	<u>\$ 158,699</u>
Outstanding loan balance at June 30, 2022	<u>\$ 142,347</u>

Schools have the option of continuing to collect on outstanding loan balances or can voluntarily liquidate the program; however, are required to periodically return excess cash on hand from the program to the Department of Education. The University has plans to begin the Perkins liquidation process in fiscal year 2023.

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2022.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified.

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

Report on 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

Lawrenceville, Georgia
September 15, 2022

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

We have audited Warner University, Inc.'s (University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and *Florida 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, 2022. The University's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program and State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General* (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program and state financial assistance project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

The results of our auditing procedures also disclosed instances of noncompliance which are required to be reported in accordance with the Florida Chapter 10.650 and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004. Our opinion on each major state financial assistance project is not modified with respect to these matters.

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

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 to be a significant deficiency.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Capin Crouse LLP

Lawrenceville, Georgia
September 15, 2022

WARNER UNIVERSITY, INC.

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

June 30, 2022

	Number of Students	Percentage of Population	Amount of Awards	Percentage of Population
Florida Effective Access to Student Education				
Population **	548	100%	\$ 1,383,567	100%
Tested	50	9%	117,902	9%
Findings	0	0%	-	0%
Florida Student Assistance Grant				
Population **	273	100%	654,061	100%
Tested	50	18%	116,470	18%
Findings	0	0%	-	0%
Florida Academic Scholars Award				
Population **	9	100%	48,108	100%
Tested	9	100%	48,108	100%
Findings	0	0%	-	0%
Florida Medallion Scholars Award				
Population **	37	100%	161,318	100%
Tested	10	27%	45,188	28%
Findings	2	5%	2,370	1%
Florida Gold Seal Vocational Scholarship				
Population **	4	100%	5,664	100%
Tested	4	100%	5,664	100%
Findings	0	0%	-	0%
Children & Spouses of Deceased or Disabled Veterans Award				
Population **	3	100%	18,020	100%
Tested	3	100%	18,020	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 **	85	100%	147,286	100%
Tested	22	26%	36,319	25%
Findings	1	1%	3,000	2%

** 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, 2022

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, 2022

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

Schedule of Findings and Questioned Costs

June 30, 2022

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

Schedule of Findings and Questioned Costs

June 30, 2022

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>Assistance Listing 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
Schedule of Findings and Questioned Costs

June 30, 2022

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*.

WARNER UNIVERSITY

Schedule of Findings and Questioned Costs

June 30, 2022

Section III – Federal Award Findings and Questioned Costs

2022-001 Return of Title IV (R2T4) Calculations

Material Weakness

DEPARTMENT OF EDUCATION

ALN #: 84.268 and 84.063

Federal Award Identification #: 2021-22 Financial Aid Year

Condition: The University did not accurately calculate R2T4s causing the wrong amount of aid to be returned. Additionally, the University did not implement the modular withdrawal regulations that went into effect July 1, 2021.

Criteria: 34 CFR 668.22

Questioned Costs: \$7,826

Context: Out of 18 students who withdrew during the audit period, 4 students had an R2T4 with an error in the calculation. Errors included the wrong number of days excluded for scheduled breaks, the wrong tuition charges, and the wrong Pell and FDL amounts in the amount disbursed columns. Additionally, there was 1 student enrolled in modular courses who required an R2T4 for which the University did not complete an R2T4. All errors were corrected during the audit period. Additionally, the University completed additional review of their students in modular programs to adjust for any additional R2T4s that were required.

Cause: The University did not review R2T4s for accuracy before returning funds. Additionally, implementation of new R2T4 regulations was not completed by the University.

Effect: Incorrect amounts of federal funding were returned. The errors mentioned above resulted in under-returning of \$1,624 in Pell grant, \$2,294 in unsubsidized loans and \$3,889 in PLUS loans. There was also an over-return of \$19 in Pell grant.

Identification as repeat finding, if applicable: Not applicable.

Recommendation: We recommend financial aid periodically review modular students R2T4 calculations and return calculations to help ensure that internal controls over such process can operate effectively and achieve compliance.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

WARNER UNIVERSITY

Schedule of Findings and Questioned Costs

June 30, 2022

Section III – Federal Award Findings and Questioned Costs, continued

2022-002 Incorrect Cost of Attendance Calculations

Significant Deficiency

DEPARTMENT OF EDUCATION

ALN #: 84.268, 84.063, 84.007, 84.033, and 84.379 (Student Financial Assistance Cluster)

Federal Award Identification #: 2021-22 Financial Aid Year

Condition: The University incorrectly awarded students aid based on cost of attendance.

Criteria: 34 CFR 668.43(a)(1)

Questioned Costs: \$0

Context: Out of 60 students tested for the correct cost of attendance calculations, 18 were not calculated correctly, but only 1 resulted in a difference in awarding to the student. Of those 18 students, 17 students had already maxed out their loan eligibility; therefore, the change in cost of attendance would not have an impact. The remaining student was under awarded loans by \$62 of subsidized loans and \$14 of unsubsidized loans. As a result of the audit, the University did additional review of cost of attendance budgets, noting 7 additional students who were under awarded for a total of \$11,741 in federal direct loans and 1 student over awarded \$72 in subsidized direct loans. The University is working to contact students to notify them of their additional eligibility

Cause: The University did not implement proper review of cost of attendance budgets in the transition from award year 2020-2021 to award year 2021-2022. This caused certain traditional student's cost of attendance budgets to not be properly updated to reflect the 2021-2022 award year budgets.

Effect: Students were not awarded the correct amount of aid initially.

Identification as repeat finding, if applicable: Not applicable.

Recommendation: We recommend the University set the cost of attendance budgets before packaging begins for the year and properly review all cost of attendance budgets prior to aid disbursement ensuring accurate information is used when performing need analysis.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

WARNER UNIVERSITY

Schedule of Findings and Questioned Costs

June 30, 2022

Section IV – State Financial Assistance Projects Findings and Questioned Costs

2022-003 Florida Bright Futures Program and Withdrawn Students

Other Matter

FLORIDA DEPARTMENT OF EDUCATION

ALN #: 48.059

Federal Award Identification #: 2021-22 Financial Aid Year

Condition: The University did not return Bright Futures Medallion Scholars funds for a student who withdrew from a class in Fall 2021 and a student who completely withdrew during the spring 2022 term.

Criteria: Title XLVIII 1009.53 (11)

Questioned Costs: \$2,370

Context: Out of 20 Bright Futures Medallion Scholars disbursements tested for 10 students, the University did not properly return funds for a student who had withdrawn from a class after the add/drop period (\$316) and for a student who completely withdrew from the University (\$2,054).

Cause: The University relied on a report from the registrar that was not complete and these two students were not included on the withdrawal report.

Effect: The University did not return Bright Futures Medallion Scholars funding that was required to be returned based on the regulations. The University did return the \$2,370 in questioned costs to the Florida Office of Student Financial Aid as part of the audit process.

Identification as repeat finding, if applicable: Not applicable.

Recommendation: We recommend that the school review all University records at the end of each term to ensure any changes enrollment status have been determined and funds properly returned to the state as outlined in the regulations.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the finding. See corrective action plan.

WARNER UNIVERSITY

Schedule of Findings and Questioned Costs

June 30, 2022

Section IV – State Financial Assistance Projects Findings and Questioned Costs, continued

2022-004 Florida Work Experience Eligibility

Other Matter

FLORIDA DEPARTMENT OF EDUCATION

ALN #: 48.053

Federal Award Identification #: 2021-22 Financial Aid Year

Condition: The University made a Florida Work Experience Program (FWEP) disbursement to a graduate student. Graduate students are not eligible for FWEP.

Criteria: Title XLVIII 1009.77 (8)(a)1

Questioned Costs: \$3,000

Context: Out of 22 students who were tested for eligibility for the Florida Work Experience program, there was 1 student who was a graduate student. Graduate students are not eligible for FWEP based on the regulations.

Cause: When the University was completing FWEP reporting to the Florida Office of Student Financial Aid (OFSA), the University noted that the student in question was a graduate student. OFSA reinstated the student, thus implying to the University that the student was eligible for the funds. Per OFSA, their system did not flag the student as ineligible due to the student never being reported as graduated from an undergraduate program and they thought he was dual enrolled in undergraduate and graduate programs, thus making him eligible. During the audit, the University worked with OFSA to find two other FWEP eligible students to which they could reallocate the questioned costs.

Effect: The University disbursed funds to an ineligible student.

Identification as repeat finding, if applicable: Not applicable.

Recommendation: We recommend that the University review all FWEP recipients for eligibility before disbursing funds.

Views of Responsible Officials and Planned Corrective Action: See corrective action plan.

WARNER UNIVERSITY, INC.

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

Primary Reserve Ratio:	Expendable Net Assets:	
1 Statement of financial position—Net assets without donor restrictions, page 3	Net assets without donor restrictions	14,762,624
2 Statement of financial position—Net assets with donor restrictions, page 3	Net assets with donor restrictions	8,285,903
3 Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30	Secured and unsecured related party receivable, net	<u>\$ 268,515</u>
4 Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30	Unsecured related party receivable, net	268,515
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 5	Property, plant, and equipment, net (includes construction in progress)	<u>24,782,802</u>
6 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 1c	Property, plant and equipment, net pre-implementation	21,713,787
7 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, with debt Line 2d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	1,188,451
8 Notes to Financial Responsibility Supplemental Schedule - ending post-implementation property, plant and equipment, net without debt, Line 3d	Property, plant and equipment, net ending post-implementation without outstanding debt for original purchase	284,625
9 Notes to the financial responsibility supplemental schedule—Property, plant, and equipment, net, Line 4c. Notes to financial statements, construction in progress, Note 9, page 19.	Construction in progress without outstanding debt	1,595,939
10 None*	Lease right-of-use asset, net	<u>-</u>
11 None*	Lease right-of-use asset, pre-implementation	-
12 None*	Lease right-of-use asset, post-implementation	-
13 None	Intangible assets	-
14 None	Post-employment and pension liabilities	-
15 Statement of financial position—Notes payable-net, page 3. Notes to financial responsibility supplemental schedule—Total debt, net, Line 9.	Long-term debt—for long term purposes	<u>10,298,103</u>
16 Notes to financial responsibility supplemental schedule—Ending pre-implementation debt, net, Line 6c.	Long-term debt—for long term purposes pre-implementation	8,794,523
17 Notes to financial responsibility supplemental schedule—Ending post-implementation debt, net, Line 7c.	Long-term debt—for long term purposes post-implementation	1,188,451
18 Notes to financial responsibility supplemental schedule—Line 8.	Long-term debt not for the purchase of property, plant and equipment	315,129
19 None	Line of credit for construction in progress	-
20 None*	Lease right-of-use asset liability	<u>-</u>
21 None*	Pre-implementation right-of-use asset liability	-
22 None*	Post-implementation right-of-use asset liability	-
23 Note 15 to the financial statements—Trust assets, page 26	Annuities, term endowments, and life income with donor restrictions	<u>348,837</u>
24 None	Annuities with donor restrictions	-
25 None	Term endowments with donor restrictions	-

WARNER UNIVERSITY, INC.

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

26	Note 15 to the financial statements—Trust assets, page 26			Life income funds with donor restrictions	348,837
27	Statement of financial position—Net assets with donor restrictions, restricted in perpetuity, page 3			Net assets with donor restrictions: restricted in perpetuity	6,417,986
28	Statement of activities—Total expenses, without donor restrictions, page 4			Total Expenses and Losses	<u>18,622,859</u>
29	Statement of activities—Total expenses, without donor restrictions page 4			Total expenses without donor restrictions—taken directly from statement of activities	18,622,859
30	None			Net change in value of annuities (loss)	-
31	None			Net investment losses	-
	Equity Ratio:			Modified Net Assets:	
32	Statement of financial position—Net assets without donor restrictions, page 3			Net assets without donor restrictions	14,762,624
33	Statement of financial position—Net assets with donor restrictions, page 3			Net assets with donor restrictions	8,285,903
34	None			Intangible assets	-
35	None			Goodwill	-
36	Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30			Secured and unsecured related party receivable, net	<u>\$ 268,515</u>
37	Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30			Unsecured related party receivable, net	268,515
38	Statement of financial position—Total assets, page 3			Modified Assets:	
39	None*			Total assets	34,518,558
40	None*			Lease right-of-use asset pre-implementation	-
41	None			Pre-implementation right-of-use asset liability	-
42	Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30			Intangible assets	-
43	Statement of financial position—Contribution receivable, net, page 3, and related party note disclosure, Note 20, page 30			Secured and unsecured related party receivable, net	<u>\$ 268,515</u>
44	Net Income Ratio:			Unsecured related party receivable, net	268,515
45	Statement of activities—Change in net assets without donor restrictions, page 4			Change in Net Assets Without Donor Restrictions	582,474
	Statement of activities—(including net assets released from restrictions), total without donor restriction revenues, gains and other support, which includes investments income (other income on statement of activities), net, without donor restrictions, (\$20,568) page 4			Total Revenues and Gains	19,205,333

*The University has not implemented ASU 2016-02 as of June 30, 2022

WARNER UNIVERSITY, INC.

Notes to the Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

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 note 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, 2021	\$	22,374,841
	b. Less subsequent (fiscal year end June 30, 2022) depreciation and disposals		(661,054)
	c. Ending pre-implementation property, plant, and equipment, net as of June 30, 2022		<u>21,713,787</u>
2	Post-implementation property, plant, and equipment, net acquired with debt:		
	a. Beginning post-implementation property, plant, and equipment, net as of June 30, 2021		1,371,013
	b. Long-lived assets acquired without use of debt subsequent to June 30, 2021		-
	c. Less subsequent (fiscal year end June 30, 2022) depreciation and disposals		(182,562)
	d. Ending post-implementation property, plant, and equipment, net with outstanding debt as of June 30, 2022		<u>1,188,451</u>
3	Post-implementation property, plant and equipment, net, acquired without debt:		
	a. Beginning post-implementation property, plant and equipment, net without outstanding debt as of June 30, 2021		-
	b. Long-lived assets acquired without use of debt subsequent to June 30, 2021		302,944
	c. Less subsequent (fiscal year end June 30, 2022) depreciation and disposals		(18,319)
	d. Ending post-implementation property, plant and equipment, net without outstanding debt as of June 30, 2022		<u>284,625</u>
4	Post-implementation construction in progress, acquired without debt:		
	a. Beginning post-implementation construction in progress as of June 30, 2021		164,767
	b. Construction in progress acquired without use of debt subsequent to June 30, 2021		1,431,172
	c. Ending post-implementation construction in progress without outstanding debt as of June 30, 2022		<u>1,595,939</u>
5	Total property, plant, and equipment, net—June 30, 2022	\$	<u><u>24,782,802</u></u>

Debt to be excluded from expendable net assets

6	Pre-implementation debt, net:		
	a. Beginning pre-implementation debt, net as of June 30, 2021	\$	8,962,479
	b. Less subsequent (fiscal year end June 30, 2022) debt principal payments and debt issuance costs amortization		(167,956)
	c. Ending pre-implementation debt, net as of June 30, 2022		<u>8,794,523</u>
7	Post-implementation debt, net, for property, plant, and equipment:		
	a. Beginning post-implementation debt, net as of June 30, 2021		1,659,871
	b. Less subsequent (fiscal year end June 30, 2022) debt principal payments		(471,420)
	c. Ending post-implementation debt, net as of June 30, 2022		<u>1,188,451</u>
8	Long-term debt not for the purchase of property, plant, and equipment		<u>315,129</u>
9	Total debt, net as of June 30, 2022	\$	<u><u>10,298,103</u></u>

WARNER UNIVERSITY, INC.

Auditee Summary Schedule of Prior Audit Findings

June 30, 2022

Financial Statement Findings

There were no prior audit findings in internal control over financial reporting.

Federal Award Findings

There were no prior audit findings or questioned costs.

State Award Findings

There were no prior audit findings or questioned costs for the Florida state financial assistance projects.



**Warner University
Auditee Corrective Action Plan
June 30, 2022**

Finding Number: 2022-001

Planned Corrective Action: Multiple staff will verify the dates used in the Common Origination and Disbursement's (COD) R2T4 calculator. Additionally, procedures have been updated to require the proper sequence that departments engage in the R2T4 process and mini-sessions are now interpreted as modular courses.

Person Responsible for Corrective Action Plan: Director of Financial Aid Compliance, Elease Cox

Anticipated Date of Completion: Already implemented, Fall 2022

Finding Number: 2022-002

Planned Corrective Action: Cost of attendance budgets will be established prior to any financial aid awarding.

Person Responsible for Corrective Action Plan: Director of Financial Aid Compliance, Elease Cox

Anticipated Date of Completion: Already implemented, Fall 2022

Finding Number: 2022-003

Planned Corrective Action: The reconciliation of Bright Futures will be conducted from a separate withdrawal reporting mechanism as the previous report counted W's (withdrawals) as a letter grade.

Person Responsible for Corrective Action Plan: Director of Financial Aid Compliance, Elease Cox

Anticipated Date of Completion: Already implemented, Fall 2022

Finding Number: 2022-004

Planned Corrective Action: No work study will be awarded for graduate students

Person Responsible for Corrective Action Plan: Director of Accounting, Elease Cox & Student Financial Services

Anticipated Date of Completion: Already implemented, Fall 2022