

**CHILDREN'S SERVICE SOCIETY OF UTAH**

**FINANCIAL STATEMENTS  
AND OTHER REPORTS**

Years Ended June 30, 2020 and 2019

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS:</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
<b>OTHER REPORTS:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	24



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Children's Service Society of Utah

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

We have audited the accompanying financial statements of Children's Service Society of Utah (the Society) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Service Society of Utah as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of Children's Service Society of Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children's Service Society of Utah's internal control over financial reporting and compliance.

*Squire & Company, PC*

Salt Lake City, Utah  
February 8, 2021

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 926,206	\$ 616,241
Investments	489,387	481,221
Contract and grants receivable - net	174,341	273,432
Other receivables	2,085	2,995
Prepaid expenses and deposits	3,608	1,840
Total current assets	<u>1,595,627</u>	<u>1,375,729</u>
Property and equipment - net	21,725	16,730
Restricted investments	170,556	170,556
Total assets	<u><u>\$ 1,787,908</u></u>	<u><u>\$ 1,563,015</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 31,468	\$ 35,481
Accrued expenses	107,666	99,308
Accrued compensated absences	55,887	42,762
Total current liabilities	<u>195,021</u>	<u>177,551</u>
<b>Non-Current Liabilities:</b>		
PPP Loan	379,400	-
Deferred rent liability	27,270	34,565
Total non-current liabilities	<u>406,670</u>	<u>34,565</u>
Total liabilities	<u>601,691</u>	<u>212,116</u>
<b>Net Assets:</b>		
Without donor restrictions	<u>(29,810)</u>	<u>399,688</u>
With donor restrictions:		
Grandfamilies	1,045,471	780,655
Endowment funds	170,556	170,556
Total net assets with donor restrictions	<u>1,216,027</u>	<u>951,211</u>
Total net assets	<u>1,186,217</u>	<u>1,350,899</u>
Total liabilities and net assets	<u><u>\$ 1,787,908</u></u>	<u><u>\$ 1,563,015</u></u>

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

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:						
Government contracts	\$ 1,825,009	\$ -	\$ 1,825,009	\$ 1,890,862	\$ -	\$ 1,890,862
Grants and other contracts	-	325,615	325,615	12,500	332,445	344,945
Contributions, cash	27,528	-	27,528	49,149	-	49,149
Contributions, in kind	191,750	-	191,750	107,206	-	107,206
Fundraising	71,376	-	71,376	66,874	-	66,874
Investment return	8,616	-	8,616	29,171	-	29,171
Other income	1,117	-	1,117	4,812	-	4,812
Program service fees	73,550	-	73,550	125,370	-	125,370
Net assets released from restrictions	60,799	(60,799)	-	70,596	(70,596)	-
Total revenues and support	2,259,745	264,816	2,524,561	2,356,540	261,849	2,618,389
Expenses:						
Program services:						
Care about childcare	1,146,148	-	1,146,148	1,251,213	-	1,251,213
Family support services	1,106,081	-	1,106,081	1,017,147	-	1,017,147
Supporting services:						
Fundraising	207,995	-	207,995	149,842	-	149,842
Management and general	229,019	-	229,019	166,527	-	166,527
Total expenses	2,689,243	-	2,689,243	2,584,729	-	2,584,729
Change in net assets	(429,498)	264,816	(164,682)	(228,189)	261,849	33,660
Net assets, beginning of year	399,688	951,211	1,350,899	627,877	689,362	1,317,239
Net assets, end of year	\$ (29,810)	\$ 1,216,027	\$ 1,186,217	\$ 399,688	\$ 951,211	\$ 1,350,899

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

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Years Ended June 30, 2020 and 2019

Year Ended June 30, 2020	Program Services		Supporting Services		Total
	Care About Childcare	Family Support Services	Fund Raising	Management and General	
	Salaries and wages	\$ 734,562	\$ 627,533	\$ 84,527	
Employee benefits	156,515	137,021	23,176	33,286	349,998
Advertising	-	95	-	25	120
Depreciation and amortization	1,013	1,238	-	4,455	6,706
Dues and subscriptions	6,239	15,985	330	4,394	26,948
Insurance	8,262	5,998	-	697	14,957
Miscellaneous	-	-	-	3,056	3,056
Occupancy	84,981	89,242	-	44,879	219,102
Office supplies and postage	13,969	6,373	53,696	5,849	79,887
Printing and publications	2,124	1,454	52	55	3,685
Professional fees	1,200	-	-	47,099	48,299
Program costs	52,064	146,300	42,637	1,897	242,898
Repairs and maintenance	40,187	33,174	2,886	19,807	96,054
Staff support	-	-	-	408	408
Telephone	16,691	15,777	-	3,125	35,593
Training and education	19,886	7,782	-	1,478	29,146
Travel	8,455	18,109	691	1,593	28,848
Total expenses	\$ 1,146,148	\$ 1,106,081	\$ 207,995	\$ 229,019	\$ 2,689,243

**Year Ended June 30, 2019**

Year Ended June 30, 2019	Program Services		Supporting Services		Total
	Care About Childcare	Family Support Services	Fund Raising	Management and General	
	Salaries and wages	\$ 725,148	\$ 600,280	\$ 76,783	
Employee benefits	165,706	140,311	18,808	6,077	330,902
Advertising	3,300	1,191	-	980.00	5,471
Depreciation and amortization	863	1,072	-	404	2,339
Dues and subscriptions	18,437	8,224	579	3,837	31,077
Insurance	9,147	6,640	-	772	16,559
Miscellaneous	-	-	-	6,241	6,241
Occupancy	135,882	80,238	-	7,032	223,152
Office supplies and postage	19,434	5,563	28,554	4,456	58,007
Printing and publications	5,935	2,752	2,692	343	11,722
Professional fees	-	-	-	47,986	47,986
Program costs	77,190	86,224	17,755	5,359	186,528
Repairs and maintenance	37,960	23,864	3,084	10,842	75,750
Staff support	17	-	-	385	402
Telephone	15,930	12,255	-	3,501	31,686
Training and education	27,586	27,377	787	40	55,790
Travel	8,678	21,156	800	1,757	32,391
Total expenses	\$ 1,251,213	\$ 1,017,147	\$ 149,842	\$ 166,527	\$ 2,584,729

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

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (164,682)	\$ 33,660
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	6,706	2,339
Net unrealized investment (gain)	(8,616)	(29,171)
Changes in assets and liabilities:		
Contract and grants receivable	99,091	(4,432)
Other receivables	910	(359)
Prepaid expenses and deposits	(1,768)	943
Accounts payable	(4,013)	2,793
Accrued expenses	8,358	(1,326)
Accrued compensated absences	13,125	(10,337)
Deferred rent benefit	(7,295)	(3,780)
Net cash used by operating activities	<u>(58,184)</u>	<u>(9,670)</u>
<b>Cash Flows From Investing Activities:</b>		
Net proceeds from sale of investments	450	371
Cash paid for purchase of equipment	<u>(11,701)</u>	<u>(14,246)</u>
Net cash used by investing activities	<u>(11,251)</u>	<u>(13,875)</u>
<b>Cash Flows From Financing Activities:</b>		
New borrowing on notes payable	<u>379,400</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	309,965	(23,545)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>616,241</u>	<u>639,786</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 926,206</u>	<u>\$ 616,241</u>
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

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



## **CHILDREN'S SERVICE SOCIETY OF UTAH**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **History of Organization and Activity**

Children's Service Society of Utah (the Society), founded in 1884, is organized as a nonprofit corporation under the laws of the State of Utah. The mission of the Society is to provide services which meet the developmental needs of children, foster quality childcare, and promote positive relationships in biological, adoptive and kinship families. The Society has two major programs. The first, Care About Childcare, provides referrals for families needing childcare and training for childcare providers to improve their quality of care. The remaining services are part of the family support services program and include various activities. Adoption provides traditional infant adoption and special needs adoption services. Grandfamilies Kinship Care provides crisis intervention, support, information, and advocacy for kinship caregivers and the children of relatives they parent. Home Visitation services uses the Parents as Teachers curriculum for families with children between prenatal and kindergarten entry and the Welcome Baby curriculum for families with newborn infants to three years old, offering personalized home visits and parent-child playgroups that teach parenting skills and early childhood development. All services are provided primarily to residents along the Wasatch Front of Northern Utah, with the exception of adoption services which are statewide. The Society is supported primarily through government contracts, grants, contributions, program fees, and by the United Way.

##### **Recognition of Revenue and Support**

Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions with donor restrictions are classified and reported separately from contributions without donor restrictions. When restrictions expire, the underlying net assets are released from restriction and are reclassified as net assets without donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Grants and contracts receivable relate to amounts billed to governmental agencies for services rendered through year-end. Revenues from grants provided by governmental agencies are recorded based upon the terms of the specific grant agreements, which generally provide that revenue is earned when the allowable costs specified in the applicable grant agreement have been incurred. Revenue is generally subject to audit by the grantor and, if the examination results in a disallowance of any expenditure, repayment could be required.

##### **New Accounting Pronouncement**

FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists entities in evaluating whether a transaction is a contribution (nonreciprocal) or an exchange (reciprocal) transaction and in determining when a contribution is conditional. The ASU has two implementation dates; for transactions where the organization is a recipient of resources the ASU is effective for reporting periods beginning after December 15, 2018 and for transactions where the organization is a provider of resources the ASU is effective for reporting periods after December 31, 2019.

The Society has implemented this ASU for transactions in which it is a recipient of resources during the year ended June 30, 2020. The ASU has not been applied retrospectively to transactions occurring prior to the ASU's implementation.

## **CHILDREN'S SERVICE SOCIETY OF UTAH**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Cash and Cash Equivalents**

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

#### **Concentrations of Credit Risk**

Financial instruments which potentially subject the Society to concentrations of credit risk consist principally of cash and investments. Risks associated with cash and cash equivalents are mitigated by banking with federally insured, creditworthy institutions; however, deposits may at times exceed federally insured limits.

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

#### **Investments**

Investments in marketable securities are reported at fair value in the statements of financial position. Net realized and unrealized gains and losses are included in the statement of activities as a change in net assets. Investments consist entirely of mutual funds and other equity securities having a total fair value of \$659,943 and \$651,777 as of June 30, 2020 and 2019, respectively.

#### **Property and Equipment**

It is the Society's policy to capitalize property and equipment over \$1,000. Lesser amounts are typically expensed.

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded at their estimated fair value; such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Normal maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts and the resulting gain or loss is recognized.

#### **Compensated Absences**

It is the Society's policy to accumulate and accrue earned but unused paid-time-off (PTO) benefits, a portion of which may be eligible for payout upon separation of service, depending upon the length of service prior to termination. Employees can carry-over up to a maximum of 304 hours of unused PTO each year. The accrual rate for PTO benefits is based upon years of service, and ranges between 3 to 9 hours per pay period.

## **CHILDREN'S SERVICE SOCIETY OF UTAH**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Advertising and Promotion**

Advertising costs, except for costs associated with direct-response advertising, are expensed in the year incurred. Advertising charged to expense totaled \$120 and \$5,471 for the years ended June 30, 2020 and 2019, respectively. The costs of direct-response advertising, when they occur, are capitalized and amortized over the period during which future benefits are expected to be received. At June 30, 2020 and 2019, there were no costs capitalized for direct-response advertising.

#### **Donated Supplies and Services**

Donated supplies and services are recorded at their estimated fair value as of the date of donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. See Note 9 for details regarding donated supplies and services for the years ended June 30, 2020 and 2019.

#### **Functional Allocation of Expense**

The costs of operating programs and providing supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Direct expenses are charged to their respective programs or services. Indirect expenses have been allocated among the programs and supporting services benefited, based on management policy which is consistently applied. Costs which are allocated across multiple functions and programs include the following:

- Payroll costs, which are allocated based upon time spent on individual programs
- Certain payroll insurance premiums, which are allocated consistent with payroll allocations
- Rent and liability insurance premiums, which are allocated based upon square footage utilized by each program.

#### **Income Taxes**

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code with regard to its exempt activities. Accordingly, no provision for federal or state income taxes has been made. Continued tax-exempt status is contingent on future operations being in compliance with the Internal Revenue Code exempt regulations. The Society applies the measurement and disclosure provisions for uncertain tax positions as required by *FASB Accounting Standards Codification 740-10*. This subtopic requires that computations and deferred income tax provisions only consider tax positions that are more likely than not to be sustained if the tax authority examines the positions. Management believes that all tax positions considered for this purpose meet this “more likely than not” threshold.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

#### **Subsequent Events**

Management has evaluated subsequent events through February 8, 2021, which is the date the financial statements were available to be issued.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 2 – AVAILABILITY AND LIQUIDITY**

The following represents the Society's financial assets at June 30, 2020:

Financial assets at year end:	
Cash and cash equivalents	\$ 926,206
Investments	659,943
Contract and grants receivable - net	174,341
Other receivables	<u>2,085</u>
Total financial assets	1,762,575
Less amounts not available to be used within one year:	<u>1,216,027</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 546,548</u>

The Society's goal is to generally maintain financial assets to meet three months of operating expenses (approximately \$675,000).

**NOTE 3 – FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The primary uses of fair value measures in the Society's financial statements are as follows:

- Initial measurement of noncash gifts (see Note 9)

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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- Recurring measurement of investments

The following is a description of the valuation methodologies used for assets measured at fair value.

*Noncash gifts* – The estimated fair value of the goods or services received.

*Investments* – The fair value of mutual funds and other equity securities held is based on quoted market prices at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 397,430	\$ -	\$ -	\$ 397,430
Domestic fixed income	211,371	-	-	211,371
International fixed income	45,627	-	-	45,627
Cash and cash equivalents	<u>5,515</u>	<u>-</u>	<u>-</u>	<u>5,515</u>
Total	<u>\$ 659,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,943</u>

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 392,513	\$ -	\$ -	\$ 392,513
Domestic fixed income	207,487	-	-	207,487
International fixed income	45,894	-	-	45,894
Cash and cash equivalents	<u>5,883</u>	<u>-</u>	<u>-</u>	<u>5,883</u>
Total	<u>\$ 651,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 651,777</u>

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2020 and 2019 are detailed as follows:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 13,208	\$ 13,208
Equipment	132,331	120,630
Leasehold improvements	14,246	14,246
Lending library	<u>25,220</u>	<u>25,220</u>
Total	185,005	173,304
Less accumulated depreciation	<u>(163,280)</u>	<u>(156,574)</u>
Net property and equipment	<u><u>\$ 21,725</u></u>	<u><u>\$ 16,730</u></u>

Property and equipment are being depreciated over their estimated useful lives using the straight-line method. Useful lives of property and equipment range between three and 15 years. Depreciation expense totaled \$6,706 and \$2,339 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 5 – OPERATING LEASE**

The Society leases office space under three operating leases. The first lease was effective on December 1, 2013 and will terminate on July 31, 2021. The second lease was effective on December 1, 2014 and operates on a month-to-month basis. The third lease was effective on February 1, 2018 and will terminate on September 30, 2021.

Total lease expense associated with the Society's operating leases was \$219,102, which included \$37,758 of contributed rent, for the year ended June 30, 2020. Total lease expense associated with the Society's operating leases was \$223,152, which included \$50,320 of contributed rent, for the year ended June 30, 2019.

Future minimum non-cancellable lease payments under operating leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 162,990
2022	<u>15,127</u>
	<u><u>\$ 178,117</u></u>

**NOTE 6 – DONOR RESTRICTED ENDOWMENTS**

The Society has received funds from donors that require the principal to be maintained in perpetuity. These donor restricted endowments are included in net assets with donor restrictions on the statement of financial position. The income derived from these investments can generally be used for the operation of the Society's programs.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The principal balances of donor restricted endowments as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Geneva - Kimball	\$ 36,236	\$ 36,236
Memorial Fund	6,133	6,133
Bamberger Fund	10,925	10,925
Rosenbaum Fund	15,139	15,139
Kappa Kappa Gamma	2,123	2,123
Dobler	100,000	100,000
	<u>\$ 170,556</u>	<u>\$ 170,556</u>

Donor restricted endowments represent the principal amounts of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity with only the income to be utilized. The Society has control over the investing of the principal as designated by the donor; however, the investment income can be spent at the discretion of the Board of Directors.

**Interpretation of Relevant Law**

The Society has interpreted the State of Utah Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) 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. As a result of this interpretation, the Society classifies its donor restricted endowments as net assets with donor restrictions, reporting (1) the original value of gifts donated to the donor restricted endowments, (2) the original value of subsequent gifts to donor restricted endowments, and (3) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund are characterized as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The general purposes of the organization 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 appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

**Investment and Spending Policies**

The Society 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 Society must hold in perpetuity or for donor specified periods. Under this policy, as provided by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The endowments are considered perpetual endowments. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable, and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives.

There were no additions to donor restricted endowments for the years ended June 30, 2020 and 2019.

**NOTE 7 – INVESTMENT INCOME**

The Society's investment income for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Dividends	\$ 16,478	\$ 18,161
Net unrealized gain (loss)	<u>(7,862)</u>	<u>11,010</u>
Total	<u>\$ 8,616</u>	<u>\$ 29,171</u>

**NOTE 8 – RETIREMENT PLAN**

Effective July 1, 2004, the Society established a 403(b) Thrift Plan (the Plan). Employees who complete 1,000 hours of service during any 12 months of employment are eligible to participate in the Plan. The Plan has no minimum age or service requirements. Participants could contribute any percentage of their salary up to \$19,500 and \$19,000 in the 2020 and 2019 calendar years, respectively.

All participants are eligible to receive employer base contributions, except for certain exclusions as outlined under the Plan. Employer base contributions are 2 percent to 6 percent of employee compensation, based upon years of service. Total employer contributions were \$54,642 and \$55,151 for the years ended June 30, 2020 and 2019, respectively.

Participants are 100 percent vested in their personal contributions with vesting periods for employer contributions to participant accounts as follows:

Less than one year of service	0%
One year	40%
Two years	60%
Three years	80%
Four or more years	100%

**NOTE 9 – DONATED SUPPLIES AND SERVICES**

The Society recorded donated supplies and services in the amount of \$191,750 and \$107,206 for the years ended June 30, 2020 and 2019, respectively. Included in these amounts are the usage of various facilities valued at \$37,758 and \$50,320, respectively, which have been expensed on the statements of functional expenses as Occupancy. The Society has been granted the use of these facilities free of charge for child care provider training in connection with its Care About Childcare and Kinship and Parenting programs. The Society has also received donated supplies, services and other goods in the amount of \$153,992 and \$56,886 for the years ended June 30, 2020 and 2019, respectively. These in-kind supplies, services and other goods have been expensed on the statements of functional expenses as program costs.



**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 10 – CONCENTRATIONS**

During the years ended June 30, 2020 and 2019, the Society derived approximately 46% and 44% of its revenues and support from one federally funded contract, respectively. Accounts receivable under this contract accounted for 73% and 79% of accounts receivable at June 30, 2020 and 2019, respectively. These contracts are renewed annually. Loss of this source of revenue would have a severe impact on the Society's operations.

**NOTE 11 – PPP LOAN**

On May 15, 2020, the Society received loan proceeds of \$379,400 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES) Act, provides loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes (including payroll, benefits, rent and utilities) and maintains its payroll levels.

The Society intends to use the loan proceeds for purposes consistent with the PPP and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. Any unforgiven portion of the loan bears interest at a rate of 1 percent. Should any portion of the PPP loan be deemed unforgiven, the Society has two years to retire the loan.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2020, the Society received notification of full forgiveness of the Society's PPP loan, and consequently, the entire outstanding balance on the loan was reclassified as grant income subsequent to year-end.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2020

Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Program Number	Passed- Through to Sub- Recipient	Beginning Receivable (Unearned)	Received	Expended	Ending Receivable (Unearned)
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>								
Passed Through Utah Department of Workforce Services:								
<i>TANF Cluster:</i>								
Temporary Assistance for Needy Families	93.558	16DWS0099		\$ -	\$ -	\$ 42,528	\$ 42,528	-
Total TANF Cluster				-	-		42,528	-
<i>CCBD Cluster:</i>								
Child Care and Development Block Grant	93.575	16DWS0099		-	215,169	1,208,347	1,121,548	128,370
Total CCDB Cluster				-	-		1,121,548	-
Passed Through Salt Lake County:								
Block Grant for Prevention and Treatment of Substance Abuse	93.959	Various		-	-	-	39,595	-
<b>TOTAL FEDERAL AWARDS</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>1,203,671</b>	<b>-</b>

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE A – BASIS FOR PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Service Society of Utah (the Society) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Society, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Society.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on 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.

The Society has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C – SUBRECEIPIENTS**

The Society made no payments of federal funding to subrecipients during the year ended June 30, 2020.



Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Directors  
Children's Service Society of Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Service Society of Utah (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Children's Service Society of Utah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Service Society of Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Service Society of Utah'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 identified one deficiency in internal control, described in the accompanying schedule of findings and questions costs as item 2020-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Children's Service Society of Utah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

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

### **Children's Service Society of Utah's Response to Findings**

Children's Service Society of Utah's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Children's Service Society of Utah's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Squire & Company, PC*

Salt Lake City, Utah  
February 8, 2021



Independent Auditor's Report on Compliance for Each  
Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance

To the Board of Directors  
Children's Service Society of Utah

**Report on Compliance for Each Major Federal Program**

We have audited Children's Service Society of Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Children's Service Society of Utah's major federal programs for the year ended June 30, 2020. Children's Service Society of Utah's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children's Service Society of Utah's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Children's Service Society of Utah 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 for the year ended June 30, 2020.

## Report on Internal Control over Compliance

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

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

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

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

*Squire & Company, PC*

Salt Lake City, Utah  
February 8, 2021

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended June 30, 2020

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
Material weakness identified	No
Significant deficiency identified	None Reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

**Identification of Major Federal Programs**

Name of Federal Program (CFDA Number)

*CCDB Cluster:*  
Child Care and Development Block Grant (93.575)

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Material Weakness**

2020-001 Financial Reporting and Reconciliation – During our audit, we noted certain accrued liabilities, accrued wages, and accrued payroll taxes, were misstated and required adjustment. Additionally, we noted that net asset classifications required reconciliation and adjustment at year-end.

We recommend that management establish procedures to consistently review and reconcile accrued liabilities, accrued wages, and accrued payroll taxes, and record necessary adjustments in a timely manner.



**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended June 30, 2020

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*Views of Responsible Officials* – Management concurs with the recommendations. Management plans to have the Director of Accounting perform at least annual reviews of all balance sheet accounts, reconciling each account and making the necessary adjustments and reclassifications at that time.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year ended June 30, 2020

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**Material Weakness**

*2019-001* Financial Reporting and Reconciliation – During our audit, we noted certain credit card liabilities, accrued wages, accrued payroll taxes, and donated facilities were misstated and required adjustment. We also noted that the accrued vacation balance was not properly reconciled and updated at year-end. Additionally, we noted that net asset classifications required reconciliation and adjustment at year-end.

We recommend that management establish procedures to consistently review and reconcile credit card liabilities, accrued wages, accrued payroll taxes, accrued compensated absences, and all in-kind transactions, including donated facilities, and record necessary adjustments in a timely manner.

*Views of Responsible Officials* – Management concurs with the recommendations. Management plans to have the Director of Accounting perform at least annual reviews of all balance sheet accounts, as well as in-kind donation accounts, reconciling each account and making the necessary adjustments and reclassifications at that time.

*Status* – As of June 30, 2020, management had taken partial corrective action in connection with this finding. Investment balances had been reconciled at year-end, and fair value adjustments were recorded. See finding 2020-001 on the schedule of findings and questioned costs for remaining corrective action still outstanding at June 30, 2020.