

**CHILDREN'S SERVICE SOCIETY OF UTAH**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER REPORTS**

Years Ended June 30, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Children's Service Society of Utah

### ***Opinion***

We have audited the accompanying financial statements of Children's Service Society of Utah (a nonprofit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Service Society of Utah 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 opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Children's Service Society of Utah's ability to continue as a going concern for one year after the date that the financial statements are issued, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 GAAS 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 Children's Service Society of Utah'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 Children's Service Society of Utah'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.

### ***Supplementary 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 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 schedule of expenditures of federal awards 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 March 20, 2024, on our consideration of the Society'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 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 Society'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 the Society's internal control over financial reporting and compliance.

*Squire & Company, PC*

Salt Lake City, Utah  
March 20, 2024

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 259,628	\$ 464,374
Investments	635,318	568,098
Contract and grants receivable, net	384,989	270,052
Other receivables	13,553	5,115
Prepaid expenses and deposits	6,086	16,293
	<u>1,299,574</u>	<u>1,323,932</u>
Total current assets	1,299,574	1,323,932
Property and equipment, net	50,719	51,744
Right-of-use asset, operating lease, net	847,089	-
Goodwill, net	49,167	55,067
Restricted investments	220,556	170,556
	<u>2,467,105</u>	<u>1,601,299</u>
Total assets	<u>\$ 2,467,105</u>	<u>\$ 1,601,299</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 70,667	\$ 60,933
Accrued expenses	162,998	146,691
Accrued compensated absences	64,373	61,410
Current portion of operating lease liability	213,580	-
	<u>511,618</u>	<u>269,034</u>
Total current liabilities	511,618	269,034
<b>Non-Current Liabilities:</b>		
Deferred rent liability	-	3,734
Operating lease liability, net of current portion	654,432	-
	<u>654,432</u>	<u>3,734</u>
Total non-current liabilities	654,432	3,734
Total liabilities	1,166,050	272,768
<b>Net Assets:</b>		
Without donor restrictions	(210,751)	(98,565)
With donor restrictions:		
Grandfamilies	1,291,250	1,256,540
Endowment funds	220,556	170,556
	<u>1,511,806</u>	<u>1,427,096</u>
Total net assets with donor restrictions	1,511,806	1,427,096
Total net assets	1,301,055	1,328,531
Total liabilities and net assets	<u>\$ 2,467,105</u>	<u>\$ 1,601,299</u>

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

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF ACTIVITIES**  
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support:</b>						
Government contracts	\$ 3,088,062	\$ -	\$ 3,088,062	\$ 2,445,279	\$ -	\$ 2,445,279
Grants and other contracts	-	346,489	346,489	-	543,572	543,572
Contributions, cash	31,639	-	31,639	20,801	-	20,801
Contributions, in kind	79,222	-	79,222	125,243	-	125,243
Fundraising	68,242	-	68,242	69,490	-	69,490
Investment income (loss)	71,219	-	71,219	(107,192)	-	(107,192)
Other income	4,295	-	4,295	18,267	-	18,267
Program service fees	150,949	-	150,949	104,499	-	104,499
Net assets released from restrictions	261,779	(261,779)	-	201,945	(201,945)	-
<b>Total revenues and support</b>	<b>3,755,407</b>	<b>84,710</b>	<b>3,840,117</b>	<b>2,878,332</b>	<b>341,627</b>	<b>3,219,959</b>
<b>Expenses:</b>						
Program services:						
Care about childcare	1,481,247	-	1,481,247	1,159,123	-	1,159,123
Family support services	1,634,421	-	1,634,421	1,490,837	-	1,490,837
Building blocks	323,868	-	323,868	201,139	-	201,139
Supporting services:						
Fundraising	163,166	-	163,166	159,882	-	159,882
Management and general	264,891	-	264,891	291,606	-	291,606
<b>Total expenses</b>	<b>3,867,593</b>	<b>-</b>	<b>3,867,593</b>	<b>3,302,587</b>	<b>-</b>	<b>3,302,587</b>
<b>Change in Net Assets</b>	<b>(112,186)</b>	<b>84,710</b>	<b>(27,476)</b>	<b>(424,255)</b>	<b>341,627</b>	<b>(82,628)</b>
<b>Net Assets, Beginning of Year</b>	<b>(98,565)</b>	<b>1,427,096</b>	<b>1,328,531</b>	<b>325,690</b>	<b>1,085,469</b>	<b>1,411,159</b>
<b>Net Assets, End of Year</b>	<b>\$ (210,751)</b>	<b>\$ 1,511,806</b>	<b>\$ 1,301,055</b>	<b>\$ (98,565)</b>	<b>\$ 1,427,096</b>	<b>\$ 1,328,531</b>

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

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended June 30, 2023 and 2022

	Program Services			Supporting Services		Total
	Care About	Family	Building	Fund	Management	
	Childcare	Support	Blocks	Raising	and General	
Salaries and wages	\$ 847,488	\$ 978,835	\$ 168,139	\$ 93,571	\$ 99,902	\$ 2,187,935
Employee benefits	243,048	239,333	55,814	25,703	28,200	592,098
Depreciation and amortization	618	5,772	13,201	206	206	20,003
Dues and subscriptions	3,296	9,104	3,096	3,594	38,419	57,509
Insurance	11,783	8,553	-	-	3,515	23,851
Miscellaneous	-	-	109	-	(2,718)	(2,609)
Occupancy	104,745	134,595	35,983	-	8,874	284,197
Office supplies and postage	8,215	13,779	499	13,394	5,009	40,896
Printing and publications	2,005	1,452	212	1,175	1,355	6,199
Professional fees	-	-	-	-	59,749	59,749
Program costs	200,254	142,423	33,761	18,366	3,737	398,541
Repairs and maintenance	22,538	21,040	9,441	5,079	8,041	66,139
Staff support	-	-	83	-	598	681
Telephone	19,124	23,630	2,884	677	3,355	49,670
Training and education	10,600	35,458	646	870	6,611	54,185
Travel	7,533	20,447	-	531	38	28,549
Total expenses	<u>\$ 1,481,247</u>	<u>\$ 1,634,421</u>	<u>\$ 323,868</u>	<u>\$ 163,166</u>	<u>\$ 264,891</u>	<u>\$ 3,867,593</u>

	Program Services			Supporting Services		Total
	Care About	Family	Building	Fund	Management	
	Childcare	Support	Blocks	Raising	and General	
Salaries and wages	\$ 688,898	\$ 866,672	\$ 102,550	\$ 88,678	\$ 175,977	\$ 1,922,775
Employee benefits	203,788	223,586	31,450	32,394	12,132	503,350
Advertising	-	-	399	57	-	456
Depreciation and amortization	1,977	6,104	5,982	-	554	14,617
Dues and subscriptions	2,733	18,614	1,519	3,275	7,048	33,189
Insurance	11,651	8,458	-	-	983	21,092
Miscellaneous	-	-	-	12	5,381	5,393
Occupancy	101,849	112,955	22,382	-	12,097	249,283
Office supplies and postage	18,109	9,952	1,754	16,700	5,452	51,967
Printing and publications	773	3,884	-	47	-	4,704
Professional fees	-	5,017	-	-	48,245	53,262
Program costs	79,199	161,256	20,199	15,199	3,336	279,189
Repairs and maintenance	22,408	26,013	11,321	3,324	12,411	75,477
Staff support	-	53	311	-	197	561
Telephone	18,433	21,305	1,965	164	4,105	45,972
Training and education	5,524	9,384	1,250	-	3,411	19,569
Travel	3,781	17,584	57	32	277	21,731
Total expenses	<u>\$ 1,159,123</u>	<u>\$ 1,490,837</u>	<u>\$ 201,139</u>	<u>\$ 159,882</u>	<u>\$ 291,606</u>	<u>\$ 3,302,587</u>

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



**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (27,476)	\$ (82,628)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	20,003	14,617
Net unrealized investment (gain) loss	(43,434)	123,694
Amortization of right-of-use asset	219,221	-
Changes in operating assets and liabilities:		
Contract and grants receivable	(114,937)	114,642
Other receivables	(8,438)	(3,495)
Prepaid expenses and deposits	10,207	(12,639)
Accounts payable	9,734	29,755
Accrued expenses	16,307	28,121
Accrued compensated absences	2,963	5,523
Operating lease liability	(198,298)	-
Deferred rent benefit	(3,734)	589
Net cash provided (used) by operating activities	<u>(117,882)</u>	<u>218,179</u>
<b>Cash Flows From Investing Activities:</b>		
Net proceeds (purchases) from investments	(73,786)	(15,997)
Cash paid for purchase of equipment	(13,078)	(31,481)
Cash paid for acquisition of Building Blocks School	-	(59,000)
Net cash used by investing activities	<u>(86,864)</u>	<u>(106,478)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(204,746)	111,701
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>464,374</u>	<u>352,673</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 259,628</u>	<u>\$ 464,374</u>
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the year for interest or income taxes	<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 three 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 Society's second program, Building Blocks, was established in November 2021 to provide preschool and childcare for underserved families. This program's objective is to meet the growth, developmental, and early education needs of children, while fostering quality childcare, and promoting positive relationships in biological, adoptive, and kinship families. Through funding and partnerships within the community, Building Blocks is able to provide discounted tuition rates whilst providing quality childcare. With financial relief and family support through the community at Building Blocks, the program strives to close the achievement gap in early education. Additionally, the program also serves as a professional development resource for employees to gain skills and experience alongside qualified early childhood professionals. Finally, the remaining services of the Society 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.

#### **Financial Statement Presentation**

The Society reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors.

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor-imposed restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

*Net assets with donor restrictions* – Net assets that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to net assets without donor restrictions.

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

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

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Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

#### **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. Based on prior experience, the Society's management believes that costs ultimately disallowed, if any, would not significantly affect the financial position of the Society.

#### **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 \$855,874 and \$738,654 as of June 30, 2023 and 2022, respectively.

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

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

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#### **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.

#### **Goodwill**

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. The Society has adopted accounting alternatives for amortizing goodwill and for goodwill impairment triggering event evaluation available to private companies under FASB ASC 350-20. Accordingly, the Society amortizes goodwill on a straight-line basis over 10 years. The Society performs a goodwill impairment triggering event evaluation at the reporting unit level as of the end of each reporting period. When a triggering event occurs, the Society first assesses qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Society performs the quantitative test to compare the fair value of the reporting unit with the carrying amount, including goodwill, of the reporting unit. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the reporting unit over the fair value of the reporting unit.

No triggering events occurred as of June 30, 2023 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2023.

#### **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.

#### **Advertising and Promotion**

Advertising costs, except for costs associated with direct-response advertising, are expensed in the year incurred. Advertising charged to expense totaled \$0 and \$456 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, there were no costs capitalized for direct-response advertising.

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

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

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#### **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 11 for details regarding donated supplies and services for the years ended June 30, 2023 and 2022.

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

The cost of providing the Society's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions (such as occupancy and depreciation) have been allocated ratably among the various functions benefited based on direct wages and benefits costs or total direct costs attributed to each function.

#### **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.

#### **Leases**

The Society adopted ASU Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at the application date. In addition, the Society elected the available practical expedients permitted under the transaction guidance within the new standard. The Company continues to use Topic 840, *Leases*, for presentation of leases as of and for the year ended June 30, 2022.

The adoption of the new standard had a material impact on the Society's statement of financial position but did not have a material impact on the Society's statements of activities. The most significant impact was the recognition of operating lease right-of-use assets and operating lease liabilities. Adoption of the new standard resulted in the recording of right-of-use assets of \$1,066,310, lease liabilities of \$1,070,044 and derecognizing deferred rent of \$3,145 as of July 1, 2022. The standard did not materially impact net income and had no impact on cash flows.

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

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Certain leases include one or more options to renew. The exercise of the lease renewal options is at the sole discretion of management. The depreciable life of the assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

**NOTE 2 – BUSIENSS COMBINATION**

On October 21, 2021, the Society entered into a purchase contract to acquire the Building Blocks Childcare Center, located in Taylorsville, Utah. In connection with the purchase, the Society acquired certain intangible assets. Total purchase price was \$59,000. The Society paid cash for the acquisition, and all of the purchase price was allocated to goodwill.

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Society’s financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 259,628	\$ 464,374
Investments	855,874	738,654
Contract and grants receivable, net	384,989	270,052
Other receivables	<u>13,553</u>	<u>5,115</u>
Total financial assets	1,514,044	1,478,195
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,511,806</u>	<u>1,427,096</u>
Financial assets available to met general expenditures over the next twelve months	<u>\$ 2,238</u>	<u>\$ 51,099</u>

The Society is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. The Society’s goal is to generally maintain financial assets to meet three months of operating expenses (approximately \$965,000).

**NOTE 4 – 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.

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

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*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 11)
- 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 at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 530,705	\$ -	\$ -	\$ 530,705
Domestic fixed income	257,898	-	-	257,898
International fixed income	58,962	-	-	58,962
Cash and cash equivalents	8,309	-	-	8,309
Total	<u>\$ 855,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 855,874</u>

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

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The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 432,832	\$ -	\$ -	\$ 432,832
Domestic fixed income	244,914	-	-	244,914
International fixed income	52,464	-	-	52,464
Cash and cash equivalents	8,444	-	-	8,444
Total	<u>\$ 738,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,654</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment are detailed as follows at June 30, 2023 and 2022:

	2023	2022
Furniture and fixtures	\$ 2,724	\$ 13,207
Equipment	57,806	166,402
Leasehold improvements	28,106	18,526
Total	88,636	198,135
Less accumulated depreciation	(37,917)	(146,391)
Net property and equipment	<u>\$ 50,719</u>	<u>\$ 51,744</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 3 and 15 years. Depreciation expense totaled \$14,103 and \$10,684 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 6 – GOODWILL**

Goodwill recorded on the balance sheet consists of the following at June 30, 2023 and 2022:

	2023	2022
Goodwill	\$ 59,000	\$ 59,000
Less accumulated amortization	(9,833)	(3,933)
Goodwill, net	<u>\$ 49,167</u>	<u>\$ 55,067</u>

Amortization of goodwill amounted to \$5,900 and \$3,933 in 2023 and 2022, respectively, and is expected to be approximately \$5,900 annually over a period of ten years.

**NOTE 7 – OPERATING LEASES**

The Society leases office space under five operating leases located in Utah. Beginning July 1, 2022, lease maturities were calculated to include the initial lease terms and all options to extend that management estimated to be reasonably certain to exercise at lease commencement. As the leases are generally expected to be renewed for available lease options, the maturities of these leases are expected to extend



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

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from 2023 to 2028, including all available renewal options. Total lease payments were \$229,027 and \$226,901 for the years ended June 30, 2023 and 2022, respectively. Monthly lease payments range from \$843 to \$16,860 and are expected through the extended maturity of the leases.

The weighted-average remaining lease term for the operating leases was 3.67 years at June 30, 2023. The weighted-average discount rate for the operating leases were 2.82% at June 30, 2023.

Operating lease expense is reported as occupancy cost and totals \$280,014 for the year ended June 30, 2023:

Future minimum payments under the lease, together with their present values as of June 30, 2023, are summarized as follows:

Year Ended June 30,	
2024	\$ 234,868
2025	245,355
2026	256,919
2027	160,072
2028	<u>17,625</u>
Total future minimum lease payments	914,838
Less amounts representing interest	<u>(46,826)</u>
Present value of lease liability	868,012
Current portion of lease liabilities	<u>213,580</u>
Long-term portion of lease liabilities	<u>\$ 654,432</u>

**NOTE 8 – 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 statements of financial position. The income derived from these investments can generally be used for the operation of the Society's programs.

The principal balances of donor-restricted endowments are as follows at June 30:

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

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	2023	2022
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
Susan Kay Mickelson Estate	50,000	-
	<u>\$ 220,556</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 was an additional \$50,000 in donor-restricted endowments received for the year ended June 30, 2023.

**NOTE 9 – INVESTMENT INCOME**

The Society's investment income (loss) consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dividends	\$ 27,785	\$ 16,502
Net unrealized gain (loss)	43,434	(123,694)
Total	<u>\$ 71,219</u>	<u>\$ (107,192)</u>

**NOTE 10 – 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 \$22,500 and \$20,500 in the 2023 and 2022 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 \$89,066 and \$72,479 for the years ended June 30, 2023 and 2022, respectively.

Participants are 100 percent vested in their personal contributions and vest in employer contributions as follows:

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

**NOTE 11 – DONATED SUPPLIES AND SERVICES**

The Society recorded donated supplies and services in the amount of \$79,222 and \$125,243 for the years ended June 30, 2023 and 2022, respectively. Included in the amount for 2022 is the usage of various facilities valued at \$3,528, which has been expensed on the 2022 statement of functional expenses as occupancy costs. In 2022, the Society had been granted the use of 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 \$79,222 and

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

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\$121,715 for the years ended June 30, 2023 and 2022, respectively. These in-kind supplies, services and other goods have been expensed on the statements of functional expenses as program costs.

**NOTE 12 – CONCENTRATIONS**

During the years ended June 30, 2023 and 2022, the Society derived approximately 40% and 36% of its revenues and support from one federally-funded contract, respectively. Accounts receivable under this contract accounted for 58% and 44% of accounts receivable at June 30, 2023 and 2022, respectively. These contracts are renewed annually. Loss of this source of revenue would have a severe impact on the Society's operations.

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent to year end the Society entered into an office lease beginning on July 24, 2023 and maturing on July 31, 2024; with monthly lease payments of \$275 per month that are expected through the maturity of the leases.

Management has evaluated subsequent events through March 20, 2024, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION  
AND OTHER REPORTS**

Year Ended June 30, 2023

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

Department/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	June 30, 2022 Receivable (Unearned)	Received	Expended	June 30, 2023 Receivable (Unearned)
<b>U.S. Department of Health and Human Services:</b>						
Passed Through State of Utah Department of Health and Human Services:						
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	222700064	\$ 5,120	\$ 62,105	\$ 62,171	\$ 5,186
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	222701209	9,012	32,810	23,798	-
Community-Based Child Abuse Prevention Grants	93.590	A03276	-	59,699	64,544	4,845
Title IV-E Kinship Navigator Program	93.471	A03704	-	95,455	109,091	13,636
Maternal and Child Health Federal Consolidated Programs	93.110	226096	-	3,678	5,700	2,022
Passed Through Utah Department of Workforce Services:						
<i>TANF Cluster:</i>						
Temporary Assistance for Needy Families	93.558	21DWS0057	-	1,121	1,121	-
<i>CCDF Cluster:</i>						
Child Care and Development Block Grant	93.575	21DWS0057	118,980	1,777,088	1,914,160	256,052
Passed Through Salt Lake County:						
Block Grant for Prevention and Treatment of Substance Abuse	93.959	HLT22SUDCSS	6,358	80,463	81,959	7,854
Total U.S. Department of Health and Human Services			139,470	2,112,419	2,262,545	289,596
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 139,470</b>	<b>\$ 2,112,419</b>	<b>\$ 2,262,545</b>	<b>\$ 289,596</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, 2023. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule. 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, 2023.



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, 2023, 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 March 20, 2024.

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

In planning and performing our audit of the financial statements, we considered Children's Service Society of Utah's (the Society) internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain a deficiency in internal control over financial reporting that we consider to be a material weaknesses.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 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*.

### **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  
March 20, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

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

***Opinion on Each Major Program***

We have audited Children's Service Society of Utah (the Society)'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 the Society's major federal programs for the year ended June 30, 2023. The Society's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Society 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, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether the noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Society's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one 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 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 Society's compliance with the requirements of each federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Society'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 Society's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Society'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, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on 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 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. *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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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  
March 20, 2024

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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No matters were reported in the prior year.

**CHILDREN'S SERVICE SOCIETY OF UTAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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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 (Assistance Listing Number)

*CCDF 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**

2023-001 Year-end Reconciliation – During our audit, we noted that certain year-end balances had not been properly reconciled and adjusted to comply with generally accepted accounting principles, resulting in various audit adjustments for 2023. These adjustments included the following:

- Adjustments to reflect audit adjustments proposed in prior years
- Adjustments to accrued wages
- Adjustment to credit card liability balances

We recommend that management establish year-end procedures to reconcile all balance sheet accounts at year-end to appropriate supporting documentation and that management record all necessary year-end adjustments in a timely manner prior to the annual financial statement audit.

**CHILDREN'S SERVICE SOCIETY OF UTAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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*Views of Responsible Officials* – Management concurs with the recommendations. Management plans to have the Director of Accounting perform a reconciliation of net position at year-end in order to properly identify and report net position with donor restrictions separately from net position without donor restrictions. The Director of Accounting will also review all balance sheet accounts at fiscal year-end and ensure that balances are properly reconciled and adjusted as necessary to agree with appropriate supporting documentation.

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

No matters were reported.