

CHILDREN'S SERVICE SOCIETY OF UTAH

**FINANCIAL STATEMENTS
AND OTHER REPORTS**

Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
OTHER REPORTS:	
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>	20
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	22
Summary Schedule of Prior Audit Findings	25
Schedule of Findings and Questioned Costs	26



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, 2022 and 2021, 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, 2022 and 2021 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 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 29, 2023, 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 29, 2023

CHILDREN'S SERVICE SOCIETY OF UTAH
STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 464,374	\$ 352,673
Investments	568,098	675,795
Contract and grants receivable - net	270,052	384,694
Other receivables	5,115	1,620
Prepaid expenses and deposits	16,293	3,654
Total current assets	<u>1,323,932</u>	<u>1,418,436</u>
Property and equipment - net	51,744	30,947
Goodwill - net	55,067	-
Restricted investments	170,556	170,556
Total assets	<u>\$ 1,601,299</u>	<u>\$ 1,619,939</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 60,933	\$ 31,178
Accrued expenses	146,691	118,570
Accrued compensated absences	61,410	55,887
Total current liabilities	<u>269,034</u>	<u>205,635</u>
Non-Current Liabilities:		
Deferred rent liability	3,734	3,145
Total non-current liabilities	<u>3,734</u>	<u>3,145</u>
Total liabilities	272,768	208,780
Net Assets:		
Without donor restrictions	(98,565)	325,690
With donor restrictions:		
Grandfamilies	1,256,540	914,913
Endowment funds	170,556	170,556
Total net assets with donor restrictions	<u>1,427,096</u>	<u>1,085,469</u>
Total net assets	<u>1,328,531</u>	<u>1,411,159</u>
Total liabilities and net assets	<u>\$ 1,601,299</u>	<u>\$ 1,619,939</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:						
Government contracts	\$ 2,445,279	\$ -	\$ 2,445,279	\$ 1,774,598	\$ -	\$ 1,774,598
Grants and other contracts	-	543,572	543,572	-	415,501	415,501
Contributions, cash	20,801	-	20,801	38,220	-	38,220
Contributions, in kind	125,243	-	125,243	207,405	-	207,405
Fundraising	69,490	-	69,490	5,368	-	5,368
Investment income (loss)	(107,192)	-	(107,192)	186,858	-	186,858
Other income	18,267	-	18,267	380,041	-	380,041
Program service fees	104,499	-	104,499	56,794	-	56,794
Net assets released from restrictions	201,945	(201,945)	-	546,059	(546,059)	-
Total revenues and support	2,878,332	341,627	3,219,959	3,195,343	(130,558)	3,064,785
Expenses:						
Program services:						
Care about childcare	1,159,123	-	1,159,123	1,011,029	-	1,011,029
Family support services	1,490,837	-	1,490,837	1,485,722	-	1,485,722
Building blocks	201,139	-	201,139	-	-	-
Supporting services:						
Fundraising	159,882	-	159,882	134,499	-	134,499
Management and general	291,606	-	291,606	208,593	-	208,593
Total expenses	3,302,587	-	3,302,587	2,839,843	-	2,839,843
Change in net assets	(424,255)	341,627	(82,628)	355,500	(130,558)	224,942
Net assets, beginning of year	325,690	1,085,469	1,411,159	(29,810)	1,216,027	1,186,217
Net assets, end of year	\$ (98,565)	\$ 1,427,096	\$ 1,328,531	\$ 325,690	\$ 1,085,469	\$ 1,411,159

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, 2022 and 2021

Year Ended June 30, 2022	Program Services			Supporting Services		Total
	Care About Childcare	Family	Building Blocks	Fund Raising	Management and General	
		Support Services				
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>

Year Ended June 30, 2021	Program Services			Supporting Services		Total
	Care About Childcare	Family	Building Blocks	Fund Raising	Management and General	
		Support Services				
Salaries and wages	\$ 651,331	\$ 773,573	\$ -	\$ 82,660	\$ 75,918	\$ 1,583,482
Employee benefits	170,898	184,647	-	22,954	34,862	413,361
Depreciation and amortization	412	2,550	-	-	4,685	7,647
Dues and subscriptions	2,846	11,380	-	2,357	5,525	22,108
Insurance	8,898	6,459	-	-	751	16,108
Miscellaneous	-	-	-	-	(591)	(591)
Occupancy	90,695	99,332	-	-	8,524	198,551
Office supplies and postage	12,228	4,475	-	16,735	4,157	37,595
Printing and publications	665	595	-	-	-	1,260
Professional fees	-	-	-	-	50,434	50,434
Program costs	30,337	346,156	-	6,682	10,969	394,144
Repairs and maintenance	16,047	21,990	-	3,102	8,456	49,595
Staff support	-	-	-	-	184	184
Telephone	18,946	23,149	-	-	2,274	44,369
Training and education	6,530	3,450	-	-	2,399	12,379
Travel	1,196	7,966	-	9	46	9,217
Total expenses	<u>\$ 1,011,029</u>	<u>\$ 1,485,722</u>	<u>\$ -</u>	<u>\$ 134,499</u>	<u>\$ 208,593</u>	<u>\$ 2,839,843</u>

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, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (82,628)	\$ 224,942
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	14,617	7,647
Net unrealized investment (gain) loss	107,192	(186,858)
Gain on forgiveness of PPP loan	-	(379,400)
Changes in assets and liabilities:		
Contract and grants receivable	114,642	(210,353)
Other receivables	(3,495)	465
Prepaid expenses and deposits	(12,639)	(46)
Accounts payable	29,755	(290)
Accrued expenses	28,121	10,904
Accrued compensated absences	5,523	-
Deferred rent benefit	589	(24,125)
Net cash provided (used) by operating activities	<u>201,677</u>	<u>(557,114)</u>
Cash Flows From Investing Activities:		
Net proceeds from sale of investments	505	450
Cash paid for purchase of equipment	(31,481)	(16,869)
Cash paid for acquisition of Building Blocks School	(59,000)	-
Net cash used by investing activities	<u>(89,976)</u>	<u>(16,419)</u>
Net Change in Cash and Cash Equivalents	111,701	(573,533)
Cash and Cash Equivalents, Beginning of Year	<u>352,673</u>	<u>926,206</u>
Cash and Cash Equivalents, End of Year	<u>\$ 464,374</u>	<u>\$ 352,673</u>
Supplemental Cash Flow Information:		
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

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. 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.

CHILDREN'S SERVICE SOCIETY OF UTAH

NOTES TO THE FINANCIAL STATEMENTS

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 \$738,654 and \$846,351 as of June 30, 2022 and 2021, 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.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. The Society has adopted the 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, 2022 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2022.

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

CHILDREN'S SERVICE SOCIETY OF UTAH

NOTES TO THE FINANCIAL STATEMENTS

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 \$456 and \$- for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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 11 for details regarding donated supplies and services for the years ended June 30, 2022 and 2021.

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 ratable 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.

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

Leases

For the fiscal years ended June 30, 2022, and 2021, the Society was a lessee in connection with several office locations, which have been recorded and reported as operating leases consistent with Accounting Standards Codification (ASC) 840. In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which updated the accounting guidance related to leases as part of a joint project with the International Accounting Standards Board (“IASB”) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the new guidance, a lessee will be required to recognize assets and liabilities for capital and operating leases with lease terms of more than 12 months. Additionally, this update will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The standard is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the potential impact this new standard may have on the financial statements for the fiscal year-end June 30, 2023.

Subsequent Events

Management has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued.

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:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 464,374	\$ 352,673
Investments	738,654	846,351
Contract and grants receivable - net	270,052	384,694
Other receivables	5,115	1,620
Total financial assets	<u>1,478,195</u>	<u>1,585,338</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>1,427,096</u>	<u>1,085,469</u>
Financial assets available to met general expenditures over the next twelve months	<u>\$ 51,099</u>	<u>\$ 499,869</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

CHILDREN'S SERVICE SOCIETY OF UTAH

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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.

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equities	\$ 515,342	\$ -	\$ -	\$ 515,342
Domestic fixed income	264,957	-	-	264,957
International fixed income	58,066	-	-	58,066
Cash and cash equivalents	7,986	-	-	7,986
Total	<u>\$ 846,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 846,351</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 are detailed as follows:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 13,207	\$ 13,207
Equipment	166,402	149,201
Leasehold improvements	18,526	14,246
Building Blocks School	-	-
Lending library	-	25,220
Total	<u>198,135</u>	<u>201,874</u>
Less accumulated depreciation	<u>(146,391)</u>	<u>(170,927)</u>
Net property and equipment	<u>\$ 51,744</u>	<u>\$ 30,947</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 \$14,617 and \$7,647 for the years ended June 30, 2022 and 2021, respectively.

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

NOTE 6 – GOODWILL

At June 30, 2022, goodwill recorded on the balance sheet consists of the following:

Goodwill	\$	59,000
Less: accumulated amortization		<u>(3,933)</u>
Goodwill, net	\$	<u>55,067</u>

Amortization of goodwill amounted to \$3,933 in 2022. Amortization of goodwill is expected to be \$5,900 annually for each of the five succeeding years.

NOTE 7 – OPERATING LEASE

The Society leases office space under four operating leases. The leases terminate between September 2023 and January 2027.

Total lease expense associated with the Society's operating leases was \$226,901 for the year ended June 30, 2022. Total lease expense associated with the Society's operating leases was \$198,551, which included \$37,758 of contributed rent, for the year ended June 30, 2021.

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

<u>Years Ending June 30,</u>		
2023	\$	206,087
2024		191,011
2025		190,669
2026		196,391
2027		<u>117,738</u>
	\$	<u>901,896</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 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

The principal balances of donor restricted endowments as of June 30, 2022 and 2021 are as follows:

	2022	2021
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
	\$ 170,556	\$ 170,556

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

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, 2022 and 2021.

NOTE 9 – INVESTMENT INCOME

The Society's investment income (loss) for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Dividends	\$ 16,502	\$ 18,918
Net unrealized gain (loss)	<u>(123,694)</u>	<u>167,940</u>
Total	<u>\$ (107,192)</u>	<u>\$ 186,858</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 \$20,500 and \$19,500 in the 2022 and 2021 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 \$70,805 and \$60,358 for the years ended June 30, 2022 and 2021, 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 11 – DONATED SUPPLIES AND SERVICES

The Society recorded donated supplies and services in the amount of \$125,243 and \$207,405 for the years ended June 30, 2022 and 2021, 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. 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 \$121,715 and

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

\$207,405 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Society derived approximately 36% and 34% of its revenues and support from one federally funded contract, respectively. Accounts receivable under this contract accounted for 44% and 24% of accounts receivable at June 30, 2022 and 2021, respectively. These contracts are renewed annually. Loss of this source of revenue would have a severe impact on the Society's operations.

NOTE 13 – 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.

During the year ended June 30, 2021, the Society received notification of full forgiveness of its PPP loan. The entire balance on the loan was included in other income in the statement of activities.

CHILDREN'S SERVICE SOCIETY OF UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

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)
U.S. DEPARTMENT OF TREASURY:								
Passed Through Utah Department of Workforce Services: COVID-19 Coronavirus Relief Fund	21.019	n/a		\$ -	\$ -	\$ 82,000	\$ 82,000	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:								
Passed Through Utah Department of Health: COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	2219610		-	-	59,253	64,373	5,120
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	2206206		-	-	-	9,012	9,012
Passed Through Utah Department of Workforce Services:								
<i>TANF Cluster:</i>								
Temporary Assistance for Needy Families	93.558	21DWS0057		-	-	850	850	-
<i>CCDF Cluster:</i>								
Child Care and Development Block Grant	93.575	21DWS0057		-	92,324	1,130,895	1,157,551	118,980
Passed Through Salt Lake County: Block Grant for Prevention and Treatment of Substance Abuse	93.959	Various		-	-	34,971	41,329	6,358
Total U.S. Department of Health and Human Services				-	92,324	1,225,969	1,273,115	139,470
TOTAL FEDERAL AWARDS				<u>\$ -</u>	<u>\$ 92,324</u>	<u>\$ 1,307,969</u>	<u>\$ 1,355,115</u>	<u>\$ 139,470</u>

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

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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, 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, 2022.



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, 2022, 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 29, 2023.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 29, 2023



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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Children's Service Society of Utah as of and for the year ended June 30, 2022, and the related notes to the financial statements. We issued our report thereon dated March 29, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

Squire & Company, PC

Orem, Utah
March 29, 2023

CHILDREN'S SERVICE SOCIETY OF UTAH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2022

Material Weakness

2021-001 Net Position Reporting and Reconciliation – During our audit, we noted that net asset classifications required reconciliation and material adjustment at year-end.

We recommend that management establish year-end procedures to record the necessary adjustments to net position in a timely manner in order to properly report external restrictions as of fiscal year-end.

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.

Status – As of June 30, 2022, management had taken corrective action with this finding and implemented necessary year-end procedures to properly record net position as of fiscal year-end.

CHILDREN'S SERVICE SOCIETY OF UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
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)

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

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.