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Accountants & Advisors



Children's Service
Society of Utah

Kinship Care - Adoption - Caregiver Support

CHILDREN'S SERVICE SOCIETY OF UTAH
Financial Statements
and Single Audit Information
As of and for the Years Ended June 30, 2024 and 2023
Together with Independent Auditors' Reports

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TANNER

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 2024 financial statements of Children's Service Society of Utah (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to 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, 2024, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 2024 audit 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2023, were audited by other auditors whose report, dated March 20, 2024, expressed an unmodified opinion on those financial statements.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization'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 the Organization'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 for the year ended June 30, 2024, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance)*, 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

Tanner LLC

February 7, 2025

Statements of Financial Position

As of June 30,

	2024	2023
<u>Assets</u>		
Cash and cash equivalents	\$ 5,207	\$ 259,628
Investments	503,379	635,318
Grants and contracts receivable	671,241	384,989
Other receivables	10,536	13,553
Prepaid expenses and other current assets	12,515	6,086
Total current assets	1,202,878	1,299,574
Property and equipment, net	41,432	50,719
Operating right-of-use asset	947,111	847,089
Goodwill, net	43,267	49,167
Restricted investments	220,556	220,556
Total assets	<u>\$ 2,455,244</u>	<u>\$ 2,467,105</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 217,310	\$ 70,667
Accrued expenses	296,440	227,371
Current portion of operating lease liabilities	294,611	213,580
Total current liabilities	808,361	511,618
Operating lease liabilities, net of current portion	691,357	654,432
Total liabilities	1,499,718	1,166,050
Commitments and contingencies		
Net assets (deficit):		
Without donor restrictions	(750,475)	(210,751)
With donor restrictions:		
Grandfamilies	1,485,445	1,291,250
Endowment funds	220,556	220,556
Total net assets with donor restrictions	1,706,001	1,511,806
Total net assets	955,526	1,301,055
Total liabilities and net assets	<u>\$ 2,455,244</u>	<u>\$ 2,467,105</u>

Statements of Activities

For the Years Ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Government grants and contracts	\$ 4,318,626	\$ -	\$ 4,318,626	\$ 3,088,062	\$ -	\$ 3,088,062
Grants and other contracts	-	202,896	202,896	-	346,489	346,489
Contributions, cash	20,810	-	20,810	31,639	-	31,639
Contributions, in-kind	44,034	-	44,034	79,222	-	79,222
Special events	79,668	-	79,668	68,242	-	68,242
Investment income	93,873	-	93,873	71,219	-	71,219
Other income	3,078	-	3,078	4,295	-	4,295
Program service fees	252,268	-	252,268	150,949	-	150,949
Net assets released from restrictions	8,701	(8,701)	-	261,779	(261,779)	-
Total revenues and support	4,821,058	194,195	5,015,253	3,755,407	84,710	3,840,117
Expenses:						
Program services:						
Care about childcare	1,464,458	-	1,464,458	1,481,247	-	1,481,247
ECCSG	1,047,889	-	1,047,889	-	-	-
Family support services	2,053,989	-	2,053,989	1,634,421	-	1,634,421
Building blocks	356,840	-	356,840	323,868	-	323,868
Supporting services:						
Fundraising	162,079	-	162,079	163,166	-	163,166
Management and general	275,527	-	275,527	264,891	-	264,891
Total expenses	5,360,782	-	5,360,782	3,867,593	-	3,867,593
Increase (decrease) in net assets	(539,724)	194,195	(345,529)	(112,186)	84,710	(27,476)
Net assets (deficit), beginning of the year	(210,751)	1,511,806	1,301,055	(98,565)	1,427,096	1,328,531
Net assets (deficit), end of the year	\$ (750,475)	\$ 1,706,001	\$ 955,526	\$ (210,751)	\$ 1,511,806	\$ 1,301,055

Statements of Cash Flows

For the Years Ended June 30,

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (345,529)	\$ (27,476)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	36,939	20,003
Net unrealized investment gain	(93,873)	(71,219)
Amortization of right of use assets	232,008	219,221
Change in operating assets and liabilities:		
Grants and contracts receivable	(286,252)	(114,937)
Other receivables	3,017	(8,438)
Prepaid expenses and other current assets	(6,429)	10,207
Accounts payable	146,643	9,734
Accrued expenses	69,069	19,270
Operating lease liability	(214,074)	(198,298)
Deferred rent benefit	-	(3,734)
Net cash and cash equivalents used in operating activities	<u>(458,481)</u>	<u>(145,667)</u>
Cash flows from investing activities:		
Net proceeds from (purchases of) investments	225,812	(46,001)
Purchases of equipment	(21,752)	(13,078)
Net cash and cash equivalents provided by (used in) investing activities	<u>204,060</u>	<u>(59,079)</u>
Cash flows from financing activities	-	-
Net change in cash and cash equivalents	(254,421)	(204,746)
Cash and cash equivalents beginning of the year	259,628	464,374
Cash and cash equivalents end of the year	<u>\$ 5,207</u>	<u>\$ 259,628</u>
Supplemental disclosure of noncash investing and financing activities:		
Right-of-use assets and operating lease liabilities recorded for lease additions	\$ 332,030	\$ 1,066,310

Statements of Functional Expenses

For the Year Ended June 30, 2024

	Program Services				Supporting Services			Total Expenses
	Care About Childcare	ECCSG	Family Support Services	Building Blocks	Fundraising	Management and General		
Salaries and wages	\$ 858,169	\$ 177,217	\$ 1,186,085	\$ 191,660	\$ 94,480	\$ 106,478	\$ 2,614,089	
Program costs	159,808	824,481	166,859	40,977	1,459	2,369	1,195,953	
Employee benefits	242,344	39,221	277,003	64,974	23,207	6,975	653,724	
Occupancy	107,919	-	166,222	31,766	-	42,708	348,615	
Office supplies and postage	9,589	147	63,055	3,304	18,654	3,649	98,398	
Professional fees	-	-	5,367	-	11,795	76,198	93,360	
Repairs and maintenance	30,906	210	32,852	8,407	4,368	7,622	84,365	
Telephone	18,430	1,570	24,690	3,115	1,125	3,344	52,274	
Travel	8,318	5,003	29,144	-	1,494	4	43,963	
Dues and subscriptions	2,732	-	27,013	4,446	1,602	6,653	42,446	
Training and education	10,460	40	22,873	180	1,106	4,394	39,053	
Depreciation and amortization	1,658	-	26,872	7,301	902	206	36,939	
Insurance	10,270	-	10,472	-	-	2,587	23,329	
Printing and publications	3,855	-	15,002	599	1,887	307	21,650	
Miscellaneous	-	-	480	-	-	12,069	12,549	
Staff support	-	-	-	111	-	(36)	75	
Total expenses	\$ 1,464,458	\$ 1,047,889	\$ 2,053,989	\$ 356,840	\$ 162,079	\$ 275,527	\$ 5,360,782	

For the Year Ended June 30, 2023

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

History of Organization and Activity

Children's Service Society of Utah (the Organization), founded in 1884, is organized as a nonprofit corporation under the laws of the state of Utah. The mission of the Organization 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 Organization 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. Beginning in October 2022 the Organization also ran a grant program (Employer Child Care Startup Grant – ECCSG) that includes the application, approval and payment processes to provide startup grants to childcare programs who enter into a contract to provide childcare for an employer's employees. The Organization'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 while 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 serves as a professional development resource for employees to gain skills and experience alongside qualified early childhood professionals. Finally, the remaining services of the Organization 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 Organization is supported primarily through government contracts, grants, contributions, program fees, and by the United Way.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United State of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications, as applicable:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity. 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Concentrations of receivables as of June 30, 2024 and 2023 were as follows:

	2024	2023
Payor A	66%	58%
Payor B	29%	*

* Payor did not account for 10% or more of receivables in the respective year.

Concentrations of total revenue and support for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Grantor A	57%	40%
Grantor B	25%	20%

The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Organization has not experienced a loss of or lack of access to its invested cash; however, no assurance can be provided that access to the Organization's invested cash will not be impacted by adverse conditions in the financial markets.

Cash and Cash Equivalents

The Organization considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Investments

The Organization initially records investments in marketable securities at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Unrealized gains and losses, net of investment management fees, are included in the change in net assets.

Property and Equipment

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

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter) as follows:

	Useful Lives
Leasehold Improvements	7 years
Furniture and Fixtures	5 years
Equipment	5 years

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable assets, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the statement of activities.

Impairment of Long-Lived Assets

The Organization reviews its property and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Organization's assets to be impaired as of June 30, 2024 and 2023.

Grants and Contracts Receivable

The Organization receives substantial funding through federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, grants receivable and the related support are recorded when the expenses applicable to grant awards have been incurred. Management determines an allowance for uncollectable grants receivable, when applicable, based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. Management determined that no allowance for uncollectable grants was necessary as of June 30, 2024 and 2023.

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in grant or contribution revenue in the statement of activities.

Recognition of Revenue

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligations in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligations in the contract, and (5) recognized revenue when the performance obligations have been satisfied.

Contributions

Revenue for contributions received (including grants) is recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional promises to give include cost reimbursement contracts (grants) from government agencies for which qualifying expenses must be incurred before conditions are deemed to be satisfied. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions.

The Organization receives support from the public and governmental agencies. Unconditional contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. If a donor restriction expires in the same reporting period in which the support was initially recognized, that support is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and as net assets released from restrictions.

Donated Services and In-kind Contributions

In-kind contributions are recorded as support at their estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated item to a specific purpose. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Organization. Many individuals

volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services generally do not meet the above criteria.

Goodwill

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. The Organization 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 Organization amortizes goodwill on a straight-line basis over 10 years. The Organization 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 Organization 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 Organization performs the quantitative test to compare the fair value of the net assets 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 analysis 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, 2024 that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2024.

Compensated Absences

It is the Organization'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.

Expense Allocation

The Organization's expenses are charged to each program based on direct expenses incurred. Indirect expenses, including depreciation and amortization, insurance, occupancy maintenance, occupancy utilities, rent, and telephone expenses, are allocated to program and supporting services based on direct wages and benefits costs.

Income Taxes

The Organization is a qualified charitable Organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. The Organization is subject to taxation on unrelated business income, if any.

A liability for uncertain tax positions initially needs to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by tax authorities. As of June 30, 2024 and 2023, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Leases

The Organization leases certain office space. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use assets and lease liabilities are recorded within the statement of financial position as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the Organization's risk-free rate. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the right-of-use assets and lease liabilities. Leases with an initial term of 12 months

or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the right-of-use asset and lease liability as the Organization does not separate lease and non-lease components.

The Organization's leases include an option to renew, with unspecified terms. The exercise of the lease renewal option is at the Organization's sole discretion. The depreciable life of 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.

Reclassifications

Certain amounts in the financial statements as of and for the year ended June 30, 2023 have been reclassified to conform to the presentation for the year ended June 30, 2024.

Subsequent Events

Subsequent events have been evaluated through February 7, 2025, which is the date the accompanying financial statements were available to be issued.

2. Liquidity and Availability

Financial assets which are available for general expenditure, meaning they are without donor or other restrictions limiting their use within one year of the most recent date of the statement of financial position, comprise the following as of June 30:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 5,207	\$ 259,628
Investments	723,935	855,874
Grants and contracts receivable	671,241	384,989
Other receivables	10,536	13,553
Total financial assets	1,410,919	1,514,044
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,706,001	1,511,806
Financial assets (deficit of financial assets) available for general expenditures over the next twelve months	\$ (295,082)	\$ 2,238

The Organization regularly monitors liquidity in order to meet its operating needs and other contractual commitments using budgets and cash flow projections. Operations are funded primarily from government agencies and other third-party payors. The Organization's receivables are primarily due from governmental agencies. Although cash and investments can be used for general expenditure, The Organization's goal is to generally maintain financial assets to meet three months of operating expenses (approximately \$965,000).

As reflected in the statements of cash flows, the Organization's net cash used in operating activities was \$458,481 and \$145,667 for the years ended June 30, 2024 and 2023, respectively. The Organization's management is attempting to increase sources of future revenues and support and has the ability to reduce certain expenses in an effort to better match cash receipts with cash expenditures in future periods. Numerous factors can impact management's ability to accomplish this goal.

3. Fair Value Measurements

US GAAP defines fair value and establishes a framework for measuring fair value. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 433,159	\$ -	\$ -	\$ 433,159
Domestic fixed income	230,378	-	-	230,378
International fixed income	50,565	-	-	50,565
Cash equivalents	9,833	-	-	9,833
Total	\$ 723,935	\$ -	\$ -	\$ 723,935

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2023:

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

4. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2024	2023
Furniture and fixtures	\$ 2,724	\$ 2,724
Equipment	68,710	57,806
Leasehold improvements	38,954	28,106
Total	110,388	88,636
Less accumulated depreciation and amortization	(68,956)	(37,917)
Net property and equipment	\$ 41,432	\$ 50,719

Depreciation and amortization expense for property and equipment for the years ended June 30, 2024 and 2023 totaled \$31,039 and \$14,103, respectively.

5. Goodwill

Goodwill recorded on the statement of financial position consists of the following as of June 30:

	2024	2023
Goodwill	\$ 59,000	\$ 59,000
Less accumulated amortization	(15,733)	(9,833)
Goodwill, net	\$ 43,267	\$ 49,167

Amortization of goodwill amounted to \$5,900 in both fiscal years 2024 and 2023, and is expected to be approximately \$5,900 annually over a total period of ten years.

6. Operating Leases

The Organization leases office space under five operating leases located in Utah. The Organization's leases have a weighted average remaining lease term of 3.36 years, and the weighted average discount rate for the operating leases was 3.42% as of June 30, 2024.

Operating lease assets and liabilities consisted of the following as of June 30:

	2024	2023
Operating right of use assets	\$ 947,111	\$ 847,089
Operating lease liabilities - current	294,611	213,580
Operating lease liabilities - non-current	\$ 691,357	\$ 654,432

The following table reconciles the undiscounted future cash flows to the operating lease liabilities recorded within the statement of financial position:

Year Ended June 30,		
2025	\$	324,078
2026		322,887
2027		228,742
2028		86,389
2029		61,196
Total future minimum lease payments	\$	1,023,292
Less amounts representing interest		(37,324)
Present value of lease liabilities		985,968
Current portion of lease liabilities		294,611
Long-term portion of lease liabilities	\$	691,357

The Organization's rent expense was \$325,940 and \$280,013 for the years ending June 30, 2024 and 2023, respectively.

7. Donor Restricted Endowments

The Organization 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 Organization's programs.

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

	2024	2023
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	50,000
	\$ 220,556	\$ 220,556

The Organization 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 Organization has interpreted the 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 absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor stipulations or the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The 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 the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Spending Policy

Unless otherwise directed by policies and guidelines established for the individual endowment funds, the Organization’s Board of Directors, through the recommendation of its Finance Committee, determines the amount of funds to be spent from the individual endowment funds.

Investment and Spending Policies

The Organization 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 Organization 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.

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 additional donor-restricted endowments received for the year ended June 30, 2024. There was \$50,000 in donor-restricted endowments received for the year ended June 30, 2023.

8. Investment Income

The Organization’s investment income consisted of the following as of June 30:

	2024	2023
Dividends	\$ 50,376	\$ 27,785
Net unrealized gain	43,498	43,434
Total	\$ 93,874	\$ 71,219

9. Retirement Plan

Effective July 1, 2004, the Organization 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. 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 \$101,090 and \$89,066 for the years ended June 30, 2024 and 2023, respectively.

10. Donated Supplies and Services

The Organization recorded donated supplies and services in the amount of \$44,034 and \$79,222 for the years ended June 30, 2024 and 2023, respectively. These in-kind supplies, services and other goods have been expensed on the statements of functional expenses as program costs.

**SUPPLEMENTAL INFORMATION
AND OTHER REPORTS**

Year Ended June 30, 2024

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

Department/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed Through State of Utah Department of Workforce Services:			
COVID-19 - ARPA Funding - Building Blocks Daycare	93.575	-	\$ 102,500
Care About Childcare (CAC)	93.575	21DWS0057	1,502,589
COVID-19 - Employer Child Care Startup Grant (ECCSG) - ARPA Discretionary Funds	93.575	23DWS0405	1,185,040
			2,790,129
Passed Through State of Utah Department of Health and Human Services:			
Maternal and Child Health Federal Consolidated Programs	93.110	U7E42171	13,077
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	222700064	60,063
Title IV-E Kinship Navigator Program	93.471	A03636	296,832
Title IV-B Kinship Navigator Program	93.556	A03704	127,305
Community Based Grants for the Prevention of Child Abuse and Neglect	93.590	A03276	36,000
Passed Through Salt Lake County:			
Community Program to Improve Minority Health	93.137	HLT23HEGCSS	50,000
Block Grant for Prevention and Treatment of Substance Abuse	93.959	HLT22SUDCSS	81,959
Total U.S. Department of Health Human Services			3,455,365
Total Federal Awards			\$ 3,455,365

Notes To Schedule of Expenditures of Federal Awards

Note 1 – Basis for Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Children's Service Society of Utah (the Organization) under programs of the federal government for the year ended June 30, 2024.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Children's Service Society of Utah, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Children's Service Society of Utah.

Note 2 – 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 Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Subrecipients

The Organization made no payments of federal funding to subrecipients during the year ended June 30, 2024.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE 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 (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Tanner LLC

February 7, 2025

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR THE MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Major Federal Programs

Opinion on Each Major Federal Program

We have audited Children's Service Society of Utah's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2024. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization'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 Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *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 Organization'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 Organization'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 Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 below.

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 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.

Tanner LLC

February 7, 2025

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Award

Internal control over major program:

Material weakness identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X none reported

Type of auditors' report issued on compliance for major program: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ yes X no

Identification of major programs:

AL Number Name of Federal Program or Cluster

93.575 Childcare and Development Block Grant

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

Auditee qualified as low-risk auditee? ___ yes X no

Schedule of Findings and Questioned Costs – Continued

Findings - Financial Statement Audit

2024

There were no findings noted during the audit of the financial statements for the year ended June 30, 2024.

Findings – Major Federal Award Program Audit

2024

There were no findings noted during the audit of the major federal award program for the year ended June 30, 2024.

Summary Schedule of Prior Audit Findings

FINDINGS – FINANCIAL STATEMENT AUDIT (For the year ended June 30, 2023)

Material Weakness

2023-001 Year-end Reconciliation – During the audit, it was 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.

This finding was resolved in the current year.

FINDINGS – FEDERAL SINGLE AUDIT

None.