CENTRO DE LA FAMILIA DE UTAH

Financial Statements
For the Year Ended June 30, 2023

CENTRO
Utah · Nevada · Colorado

2023 FINANCIAL REPORT

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CENTRO DE LA FAMILIA DE UTAH

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For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Centro de la Familia de Utah
Salt Lake City, Utah

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Centro de la Familia de Utah (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centro de la Familia de Utah as of June 30, 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Centro de la Familia de Utah 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 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 Centro de la Familia de Utah's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Centro de la Familia de 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 Centro de la Familia de Utah's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of Centro de la Familia de Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Centro de la Familia de Utah'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 Centro de la Familia de Utah's internal control over financial reporting and compliance.

Karren, Hendrix, Stagg, Allen & Company

Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
December 8, 2023

CENTRO DE LA FAMILIA DE UTAH

Statement of Financial Position

June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash equivalents	$ 1,682,213
Accounts receivable	
Government contracts	960,062
Other	30,990
Prepaid expenses	91,894
Restricted cash	338,108
Total current assets	3,103,267
NONCURRENT ASSETS	
Library collection	28,335
Property and equipment, net	7,565,589
Right to use assets	5,455,818
Total noncurrent assets	13,049,742
Total assets	$ 16,153,009
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	$ 891,028
Accrued payroll and other accrued expenses	851,810
Current portion of lease liability	707,544
Total current liabilities	2,450,382
Long-term liabilities	
Long-term lease liability	4,798,752
Total long-term liabilities	4,798,752
Total liabilities	7,249,134
NET ASSETS	
Without donor restrictions	
Designated for fixed assets	7,565,589
Designated for library	28,335
Undesignated	971,843
With donor restrictions	338,108
Total net assets	8,903,875
Total liabilities and net assets	$ 16,153,009

The notes to the financial statements are an integral part of this statement.

CENTRO DE LA FAMILIA DE UTAH

Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Public support			
In-kind support	$ 193,364	$ -	$ 193,364
Other contributions	221,235	-	221,235
Total public support	414,599	-	414,599
Revenue			
Government contracts	24,103,360	338,108	24,441,468
Other income	14,141	-	14,141
Total revenue	24,117,501	338,108	24,455,609
Net assets released from restrictions	264,139	(264,139)	-
Total public support and revenue	24,796,239	73,969	24,870,208
Expenses			
Program expenses			
Migrant Head Start (MHSP)	11,477,227	-	11,477,227
Region 8 Head Start	8,118,969	-	8,118,969
Other programs	650,521	-	650,521
Total program expenses	20,246,717	-	20,246,717
Support expenses			
General and administrative	2,424,404	-	2,424,404
Fund raising	5,477	-	5,477
Total supporting services	2,429,881	-	2,429,881
Total expenses	22,676,598	-	22,676,598
Change in net assets	2,119,641	73,969	2,193,610
Net assets, beginning of year (as restated)	6,446,126	264,139	6,710,265
Net assets, end of year	$ 8,565,767	$ 338,108	$ 8,903,875

The notes to the financial statements are an integral part of this statement.

CENTRO DE LA FAMILIA DE UTAH

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Expenses				Support Expenses			
	Migrant Head Start	Region 8 Head Start	Other Programs	Total Program Expenses	General and Administrative	Fundraising	Total Supportive Services	Total
Salaries	$ 6,640,684	$ 4,019,688	$ 149,183	$ 10,809,555	$ 1,841,113	$ 5,088	$ 1,846,201	$ 12,655,756
Benefits	1,590,823	866,986	45,675	2,503,484	377,574	389	377,963	2,881,447
Total salaries and benefits	8,231,507	4,886,674	194,858	13,313,039	2,218,687	5,477	2,224,164	15,537,203
Accounting	12,159	9,728	112	21,999	21,900	-	21,900	43,899
Advertising	2,113	3,470	-	5,583	-	-	-	5,583
Client costs	40,044	163,051	113,071	316,166	-	-	-	316,166
Communications	49,590	35,873	2,982	88,445	4,463	-	4,463	92,908
Construction	-	35,375	106,200	141,575	-	-	-	141,575
Consultant/professional services	75,292	58,304	67,950	201,546	25,632	-	25,632	227,178
Data processing	217,827	229,865	1,963	449,655	111,160	-	111,160	560,815
Dues, licenses, and subscriptions	34,341	28,875	4,774	67,990	1,872	-	1,872	69,862
Equipment, fuel, and repair	413,059	281,200	2,786	697,045	3,933	-	3,933	700,978
Food and related costs	431,264	324,831	-	756,095	108	-	108	756,203
Health costs	22,111	22,513	34,058	78,682	356	-	356	79,038
Insurance	116,740	56,862	132	173,734	-	-	-	173,734
Interest and bank charges	606	476	354	1,436	2,912	-	2,912	4,348
Leasehold improvements	10,190	-	-	10,190	-	-	-	10,190
Maintenance and repairs	196,668	146,580	28,588	371,836	10,342	-	10,342	382,178
Meetings	92,624	58,565	18,960	170,149	2,569	-	2,569	172,718
Miscellaneous	388	267	-	655	-	-	-	655
Occupancy	517,917	740,887	7,675	1,266,479	16,120	-	16,120	1,282,599
Postage and freight	1,907	1,092	10	3,009	-	-	-	3,009
Printing and copying	6,628	4,042	2,305	12,975	-	-	-	12,975
Supplies	198,070	184,305	37,943	420,318	4,320	-	4,320	424,638
Training and conferences	72,645	118,041	12,394	203,080	30	-	30	203,110
Travel	126,925	80,761	13,193	220,879	-	-	-	220,879
Utilities	144,381	133,845	150	278,376	-	-	-	278,376
Total operating expenses	2,783,489	2,718,808	455,600	5,957,897	205,717		205,717	6,163,614
Depreciation	462,231	513,487	63	975,781	-	-	-	975,781
Total expenses	$ 11,477,227	$ 8,118,969	$ 650,521	$ 20,246,717	$ 2,424,404	$ 5,477	$ 2,429,881	$ 22,676,598

The notes to the financial statements are an integral part of this statement.

CENTRO DE LA FAMILIA DE UTAH

Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	2,193,610
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		975,781
Changes in current assets and current liabilities		
Decrease in accounts receivable		691,286
Decrease in prepaid expenses		40,927
Decrease in accounts payable		(110,471)
Increase in accrued payroll and other accrued expenses		7,132
Net cash provided by operating activities		3,798,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(2,879,608)
Net cash used in investing activities		(2,879,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in right to use assets and lease liabilities		50,478
Net cash provided by financing activities		50,478
Net increase in cash equivalents and restricted cash		969,135
CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR		1,051,186
CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$	2,020,321
RECONCILIATION OF CASH EQUIVALENTS AND RESTRICTED CASH		
Cash equivalents	$	1,682,213
Restricted cash		338,108
Total cash equivalents and restricted cash	$	2,020,321
Income taxes paid	$	-
Interest paid	$	346

The notes to the financial statements are an integral part of this statement.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Centro de la Familia de Utah ("Centro") is a non-profit organization dedicated to promoting educational success for children through parent engagement and high-quality, comprehensive child services. Founded in 1975, Centro serves low-income, marginalized communities throughout Utah and is especially involved with migrant and seasonal farmworker families in rural, agricultural areas. In 1991, Centro began serving infants, toddlers, and preschoolers when it was awarded its first Head Start grant and now serves 1,123 children throughout Utah, Nevada, and Colorado in Migrant and Seasonal Head Start and Region VIII Head Start centers. In addition to Head Start, Centro maintains a selection of afterschool programs for children and adult education programs for Spanish speakers.

The Organization is governed by an independent, volunteer Board of Directors who oversee the Organization's operations. Revenue to support the Organization is primarily received from federal and state grants.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit organizations adopted by the American Institute of Certified Public Accountants. They are stated on the accrual basis of accounting whereby expense is recorded when incurred, donations are recorded when notice is received, and grant revenue is recorded when earned.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets; unrestricted net assets, and donor restricted net assets, as applicable.

Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. Restricted cash is restricted by an awarding agency.

Receivables and Credit Policies

Accounts receivable consist primarily of amounts due under government contracts. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of June 30, 2023, the Organization determined that all accounts receivable are collectible, and no allowance was recorded.

Financial instruments and Credit Risk

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At June 30, 2023, the Organization had deposits with financial institutions totaling $2,006,547 that were not covered by FDIC insurance.

Credit risk associated with government contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization’s mission.

Property and Equipment

Property and equipment are recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization, as required by its grants, capitalizes all expenditures in excess of $5,000. Depreciation is recorded using the straight-line method with asset lives ranging from 2 to 19 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The majority of the Organization’s property and equipment was acquired with federal awards. Although the Organization holds title to the property and equipment, federal guidelines dictate that the property and equipment be used in the program for which it was acquired. When such property or equipment is sold or is no longer needed in a program, the federal awarding agency has a right to its share of the proceeds on the sale and/or provides instructions on the deposition of such assets.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, the impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Library Collection

The library collection consists of donated or purchased books. Accessions of these collection items are capitalized at cost, if the items were purchased; or at their appraised or fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

Contributions and Net Assets

Assets with donor restrictions - Net assets are required to be reported as assets with restrictions and net assets without restrictions. Net assets with restrictions are reclassified to assets without restrictions upon expiration of the time restriction or appropriate use of the assets. However, net assets with restrictions received during the reporting year and expended in accordance with the donor’s restrictions during the same year, are recorded as net assets without restrictions. Net assets with restrictions at June 30, 2023, represent donor-designated revenue that had not yet been expended for its intended purpose and money set aside for compensated absences required by grant agreements.

Net assets without restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. The government contracts are received on a reimbursement basis. All restrictions placed on the money are met when the money is spent and the receivable is recognized. The Organization has, therefore, elected to record the revenue from the government contracts as net assets without restrictions. Within the unrestricted net assets are designated assets. These designations are for fixed assets less loans on fixed assets and library collection.

Revenue and Revenue Recognition

Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

In-Kind Support

The Organization receives donations from a variety of sources for services and products in the furtherance of its objectives. The in-kind support consists principally of discounts on shipments of food and non-food products, and other services provided to the Organization; primarily medical and teaching services, and discounts on major purchases such as equipment and building materials.

The Organization recognized the following types of in-kind support for the year ended June 30, 2023:

	Head Start Programs			
	Migrant	Region 8	Non Head Start	Total
Contributed services				
Other services	$ 231	$ 259	$ -	$ 490
Total contributed services	231	259	-	490
Occupancy & Building Repairs	967	92,459	9	93,435
Material and Supplies	3,870	2,353	-	6,223
Accounting services	5,472	4,378	50	9,900
Software	-	83,316	-	83,316
Total materials and supplies	10,309	182,506	59	192,874
Total	$ 10,540	$ 182,765	$ 59	$ 193,364

Head Start programs are required to provide matching non-federal funds for the operation of programs. This match applies to regular Head Start and Early Head Start funds. Non-federal shares include donated cash and in-kind contributions. The Organization receives substantial assistance from volunteers who donate amounts of their time to our program services; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by the general accounting principles. For the year ended June 30, 2023, the monetary value (unaudited) of the educational activities in the homes, which falls into this category, was $5,339,569 based upon 239,657 hours valued at $22.28 average per hour. The volunteer activity in the centers and classrooms was $119,945 based upon 6,316 hours valued at $18.99 average per hour. Category other includes mileage paid and meeting time totals of $74,247. Total volunteer activities for the fiscal year was $5,533,760.

Program Services

Support and program services provided by the Organization are as follows:

Head Start – Head Start gives children from at-risk backgrounds the skills they need to be successful in school and life—supporting more kids, families, and communities on their path to success. Head Start children and their families receive comprehensive services, including early childhood education, health care, dental care, and nutritional and social services. For children with special needs, Centro works with therapists, parents, teachers, and caregivers to ensure that the child's intervention plan is understood by everyone involved. Parent engagement is one of Centro's core competencies and the key to its success. Engaging parents while their child is young sets them up to be lifelong advocates as the child continues their education beyond Head Start.

Centro runs four types of Head Start programs:

Migrant & Seasonal Head Start (MSHS) – Centro's MSHS programs serve children and pregnant women in six counties in Utah, five in Colorado, and two in Nevada, with a total funded enrollment of 604. The MSHS programs serve children from 6-weeks-old to 5-years-old. In order to qualify for MSHS, at least 51% of total family income must be from agricultural employment. As most MSHS children are from Spanish-speaking homes, Centro's classrooms are bilingual and cultural competency is expected of all staff.

Region 8 Head Start (HS) – Centro's HS programs serve children from one county in Utah and three in Colorado, with a total funded enrollment of 310 children. The HS programs are for preschool-aged children, 3- to 5-years-old.

Region 8 Early Head Start (EHS) – In Colorado and Utah, Centro offers EHS for children 6-weeks to 3-years-old and pregnant women. The funded enrollment for EHS is 109. Services to pregnant women include information about prenatal care, referrals to health providers, and postnatal care for both mother and infant.

Child Care Partnerships (CCP) – Centro partners with local child care providers in Salt Lake County in Utah to encourage high-quality early childhood development and education for the children they serve. The CCP programs have a combined funded enrollment of 60 children, ages 6-weeks to 3-years.

Other Programs – "Other Programs" include smaller grants from various agencies, including:

- Nuevo Dia – A substance abuse prevention grant for middle schoolers funded by Salt Lake County Health Department.
- Early Escalera – Developed for Latinx students, the program promotes college and career readiness for 9^{th} and 10^{th} grade students.
- Safe Dates – A sexual violence prevention program for teenagers in Salt Lake County. Funded by Utah Health Department.
- Safe Dates Online – An online sexual violence prevention program for teenagers throughout Utah. Funded by Utah Health Department.
- Plazas Comunitarias – An adult education program developed by the Mexican government for Spanish-speaking adults who have not completed their primary or secondary education. Funded by the Institute for Mexican's Abroad.
- Ventanilla de Orientacion Educativa (VOE) – A place within the Mexican consulate offices where people can go to receive information or help with anything related to education.
- Treasure Chest – Funded by The Scottish Rite Foundation, the Treasure Chest provides at-home activities for families with children experiencing developmental or speech delays.

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited. The Organization uses various methods to allocate expenses to functions including revenues, salaries, floor space and the ratio of kids served in head start areas.

Income Taxes

Centro de la Familia de Utah is organized as a not-for-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. An organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and has been determined not to be a private foundation under Sections 509(a)(I). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. For the year ended June 30, 2023, the Organization did not have any business activities unrelated to its exempt purpose.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Organization’s returns respectfully are subject to examination by taxing authorities, generally for three years after they are filed.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was $5,583 for the year ended June 30, 2023.

Interest Paid

The Organization paid $4,348 in interest and bank charges all of which was charged to expense and none capitalized. Bank charges were $4,002, and other interest on purchases were $346.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Accrued PTO

The Organization allows employees to accrue Paid Time Off (PTO) up to a maximum amount based on years of service. Employees that work from 0-2 years accrue PTO up to a maximum of 72 hours. Employees earn up to a maximum of 96 hours during years 2-4. After four years of service the maximum that can be accrued is 120 hours. Accrued PTO is paid out when an employee terminates their employment. Accrued PTO was $274,407 at June 30, 2023.

Leases

The Organization calculates lease liabilities with a discount rate equal to the applicable federal rate as of the date of the agreement or its borrowing rate as of the date of the agreement. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

2. PROPERTY AND EQUIPMENT

The cost of land, building, and equipment as of June 30, 2023, was as follows:

	Useful Life	
Land	N/A	$ 1,072,475
Work in process	N/A	1,808,445
Equipment	2 - 12 Years	4,657,988
Leasehold improvements	5 - 15 Years	900,495
Buildings and improvements	19 Years	3,394,087
Total cost		11,833,490
Less accumulated depreciation		(4,267,901)
Net property and equipment		$ 7,565,589

Depreciation expense for the year ended June 30, 2023 was $975,781.

3. LEASES AND RENTAL COMMITMENTS

The Organization leases various office spaces under operating leases. The leases commenced at various times for initial terms of up to twelve years, and some with options to extend. These leases extend up to December 2035. Occupancy expense for the year ended June 30, 2023 was $1,282,599. The lease agreements do not include any material residual value guarantees or restrictive covenants. In the event that the Organization's federal funding is terminated or reduced by greater than 30%, the Organization has the option to cancel certain leases provided that 30 days' notice is given in advance to terminating the lease.

Effective July 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all significant leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right-of-use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization has not elected the hindsight practical expedient.

Effective July 1, 2022, $6,327,133 in operating lease right-of-use assets and corresponding liabilities were recognized. Adoption of the new guidance did not have a significant impact to the statement of income or cash flows for the year ended June 30, 2023. A discount rate of between 1.00% and 4.72% was used, which represents the applicable federal rate at the commencement date for each lease.

During the year ended June 30, 2023, the following summarizes the various line items in the financial statements impacted by this standard:

Amortization of right-of-use assets	$ 871,315
Operating lease costs	953,579
Operating cash flows for operating leases	903,100

Balances remaining at June 30, 2023, include the following:

Right-of-use assets	$5,455,818
Lease liabilities (current portion)	707,544
Lease liabilities (long-term portion)	4,798,752

Future required lease payments and anticipated lease expense for future periods are as follows:

	Payments	Expense
For the year ended June 30,		
2024	$ 959,380	$ 990,581
2025	770,794	791,444
2026	477,444	492,777
2027	408,219	421,266
2028	399,720	408,162
Therafter	3,200,364	3,061,213
Total	$ 6,215,921	$ 6,165,443

4. ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its revenue from one federal agency. For the fiscal year ended June 30, 2023, this agency provided 94% of the Organization’s total support and revenue through the funding of the Head Start programs. Loss of this support could adversely affect the Organization’s activities.

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 8, 2023, the date the financial statements were available to be issued.

6. CONTRACTS

The Organization has grants and contracts that are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with the respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, any of which may result from these governmental audits, cannot be reasonably estimated, and accordingly, the Organization has no provision for the possible disallowance of program costs on its financial statements.

7. FUND RAISING

The Organization had fund raising expenses of $5,477 during the year ended June 30, 2023.

8. 401K Plan

The Organization has a 401k plan that includes all employees that meet the qualifications. The Organization made a discretionary contribution of $230,584 during the year ended June 30, 2023.

9. LINE-OF-CREDIT

During July 2020, the Organization obtained a revolving line-of-credit with a bank for $250,000. During August 2023, the line-of-credit was renewed and the amount was increased to $500,000. The line-of-credit bears interest at a variable rate equal to prime plus a margin of 1.85% with an interest rate floor of 5.85% (10.10% at June 30, 2023) and matures during August 2026. As of June 30, 2023, the balance owed on the line-of-credit was $-0-.

10. PRIOR PERIOD ADJUSTMENT

Beginning net assets of the Organization as of June 30, 2022 were restated for a prior period reclassification adjustment related to restricted cash as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year (as previously reported)	$ 6,686,486	$ 23,779	$ 6,710,265
Net assets, beginning of year (as restated)	6,446,126	264,139	6,710,265
Difference	$ 240,360	$ (240,360)	$ -

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Centro de la Familia de Utah
Salt Lake City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Centro de la Familia de Utah, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Centro de la Familia de 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Centro de la Familia de Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of Centro de la Familia de 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 Centro de la Familia de 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karren, Hendrix, Stagg, Allen & Company

Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
December 8, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER OCMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Centro de la Familia de Utah
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Centro de la Familia de Utah's 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 each of Centro de la Familia de Utah's major federal programs for the year ended June 30, 2023. Centro de la Familia de Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Centro de la Familia de Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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).[i] 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 Centro de la Familia de Utah 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 Centro de la Familia de Utah'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 Centro de la Familia de Utah'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 Centro de la Familia de Utah'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 Centro de la Familia de Utah'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 Centro de la Familia de Utah'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 Centro de la Familia de Utah'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 Centro de la Familia de Utah's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items

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.

Karren, Hendrix, Stagg, Allen & Company

Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
December 8, 2023

CENTRO DE LA FAMILIA DE UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Head Start Program	93.600	NA	$ 22,040,780	$ -
COVID Funds-Head Start Program	93.600	NA	927,910	
Passed through Utah Department of Mental Health Services Multicultural Rural Mental Health (MRMH)	93.958	NA	99,291	-
Passed through Salt Lake County Division of Substance Abuse of Substance Abuse Block Grants for Prevention and Treatment of Substance Abuse	93.959	AL16524C	61,010	-
Passed through State of Utah Violence and Injury Prevention Program (RPE)	93.136	NA	26,655	-
Passed through Utah Department of Health and Human Services Temporary Assistance for Needy Families (TANF)	93.558	NA	21,734	-
Salt Lake County Emergency Rental Assistance Program (ERAP)	21.023	NA	206,566	-
Total Department of Health and Human Services			23,383,946	-
U.S. Department of Agriculture				
Passed through Utah State Office of Education	10,558	3UT311N2020	482,687	-
Passed through State of Colorado	10,558	CFP10065799	246,875	-
Passed through State of Nevada	10.558	QMU2WFCQP2A7	21,195	-
Farm and Food Workers Relief Grant Program National Migrant and Seasonal Head Start Association (NHSHSA)	10.181	NA	110,926	
Hispanic Federation (HF)	10.181	NA	40,457	
Total Department of Agriculture			902,140	-
Total expenditures of federal awards			$ 24,286,086	$ -

The notes to the financial statements are an integral part of this statement.

CENTRO DE LA FAMILIA DE UTAH

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Centro de la Familia de Utah (the Organization), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The Organization received federal awards both directly from federal agencies and indirectly through pass-through entities. The Organization receives the bulk of its federal award programs directly from the federal awarding agency. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 – Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Centro de la Familia de Utah's summary of significant accounting policies is presented in Note 1 in Centro de la Familia de Utah's basic financial statements.

Note 3 – Cost Rates

The Organization has not elected to use the 10% de minimis cost rate.

Note 4 – Pass-Through to Sub-Recipients

The Organization did not pass through federal funding to any sub-recipients during the year ended June 30, 2023.

In accordance with 2 CFR section 200.515, a reference to the Uniform Guidance has been added to the references to GAAS and *Government Auditing Standards* in the Basis for Opinion on Each Major Federal Program section.

CENTRO DE LA FAMILIA DE UTAH

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	None reported
Significant deficiencies identified; not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	None reported

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified; not considered to be material weaknesses	None reported
Type of auditors' 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	No

IDENTIFICATION OF MAJOR PROGRAMS:

Name of Federal Program:	CFDA Number
Head Start	93.600
Dollar threshold used to distinguish between type A and type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes