

CENTRO DE LA FAMILIA DE UTAH

**Financial Statements
For the Year Ended June 30, 2020**





FINANCIAL REPORT



2020

CENTRO DE LA FAMILIA DE UTAH

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Centro de la Familia de Utah, (the Organization), which comprise the statement of financial position as June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centro de la Familia de Utah as of June 30, 2020, 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.

Other Matters

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 Requirement, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Centro de la Familia de Utah's internal control over financial reporting 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
Salt Lake City, Utah
December 18, 2020

CENTRO DE LA FAMILIA DE UTAH



Statement of Financial Position

June 30, 2020

ASSETS

CURRENT ASSETS

| | |
|----------------------|------------------|
| Cash equivalents | 273,143 |
| Accounts receivable | |
| Government contracts | 644,864 |
| Other | 5,382 |
| Prepaid expenses | 55,069 |
| Restricted cash | 101,290 |
| Total current assets | <u>1,079,748</u> |

NONCURRENT ASSETS

| | |
|-----------------------------|------------------|
| Library collection | 28,335 |
| Property and equipment, net | <u>2,904,812</u> |
| Total noncurrent assets | <u>2,933,147</u> |

| | |
|--------------|-------------------------|
| Total assets | <u><u>4,012,895</u></u> |
|--------------|-------------------------|

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|------------------------------------|----------------|
| Current liabilities | |
| Accounts payable | 120,917 |
| Accrued payroll and other expenses | 337,325 |
| Current portion notes payable | 50,588 |
| Total current liabilities | <u>508,830</u> |

Long -term liabilities

| | |
|-----------------------------|----------------|
| Accrued vacation | 172,262 |
| Notes payable | 61,500 |
| Total long-term liabilities | <u>233,762</u> |

| | |
|-------------------|----------------|
| Total liabilities | <u>742,592</u> |
|-------------------|----------------|

NET ASSETS

| | |
|-----------------------------|-----------|
| Without donor restrictions | |
| Designated for fixed assets | 2,792,724 |
| Designated for library | 28,335 |
| Undesignated | 347,954 |
| With donor restrictions | 101,290 |

| | |
|------------------|------------------|
| Total net assets | <u>3,270,303</u> |
|------------------|------------------|

| | |
|----------------------------------|-------------------------|
| Total liabilities and net assets | <u><u>4,012,895</u></u> |
|----------------------------------|-------------------------|

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, 2020



| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Public support and revenue | | | |
| Public support | | | |
| In-kind support | \$ 37,617 | \$ - | \$ 37,617 |
| Other contributions | 60,134 | - | 60,134 |
| Total public support | <u>97,751</u> | <u>-</u> | <u>97,751</u> |
| Revenue | | | |
| Government contracts | 10,381,195 | - | 10,381,195 |
| Other income | 11,780 | - | 11,780 |
| Total revenue | <u>10,392,975</u> | <u>-</u> | <u>10,392,975</u> |
| Net assets released from restrictions | <u>157,083</u> | <u>(157,083)</u> | <u>-</u> |
| Total public support and revenue | <u>10,647,809</u> | <u>(157,083)</u> | <u>10,490,726</u> |
| Expenses | | | |
| Program expenses | | | |
| Migrant Head Start (MHSP) | 5,509,124 | - | 5,509,124 |
| Region 8 Head Start | 2,004,335 | - | 2,004,335 |
| Child Care Partnership (CCP) | 1,543,197 | - | 1,543,197 |
| Other programs | 438,096 | - | 438,096 |
| Total program expenses | <u>9,494,752</u> | <u>-</u> | <u>9,494,752</u> |
| Support expenses | | | |
| General and administrative | \$ 1,335,341 | | \$ 1,335,341 |
| Fund raising | 2,334 | | 2,334 |
| Total supporting services | <u>1,337,675</u> | <u>-</u> | <u>1,337,675</u> |
| Total expenses | <u>10,832,427</u> | <u>-</u> | <u>10,832,427</u> |
| Change in net assets | (184,618) | (157,083) | (341,701) |
| Net assets, beginning of year | <u>3,353,631</u> | <u>258,373</u> | <u>3,612,004</u> |
| Net assets, end of year | <u>\$ 3,169,013</u> | <u>\$ 101,290</u> | <u>\$ 3,270,303</u> |

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, 2020



| | Program Expenses | | | | Total Program Expenses | Support Expenses | | Total Supportive Services | Total |
|-----------------------------------|--------------------|---------------------|------------------------|----------------|------------------------|----------------------------|-------------|---------------------------|---------------|
| | Migrant Head Start | Region 8 Head Start | Child Care Partnership | Other Programs | | General and Administrative | Fundraising | | |
| Salaries | \$ 3,179,009 | \$ 934,878 | \$ 612,064 | \$ 318,788 | \$ 5,044,739 | \$ 974,125 | \$ 2,168 | \$ 976,293 | \$ 6,021,032 |
| Benefits | 814,579 | 269,191 | 123,908 | 71,921 | 1,279,599 | 204,125 | 166 | 204,291 | 1,483,890 |
| Total salaries and benefits | 3,993,588 | 1,204,069 | 735,972 | 390,709 | 6,324,338 | 1,178,250 | 2,334 | | 7,504,922 |
| Accounting | | | | | - | 18,685 | | 18,685 | 18,685 |
| Advertising | 477 | 80 | 504 | 5 | 1,066 | | | - | 1,066 |
| Client costs | | | 402,430 | 23,691 | 426,121 | | | - | 426,121 |
| Communications | 42,713 | 14,644 | 7,554 | 967 | 65,878 | 6,754 | | 6,754 | 72,632 |
| Consultant/professional services | 20,899 | 18,831 | 14,025 | 822 | 54,577 | 11,486 | | 11,486 | 66,063 |
| Date processing | 56,486 | 19,555 | 19,241 | 693 | 95,975 | 70,073 | | 70,073 | 166,048 |
| Dues, licenses, and subscriptions | 29,470 | 9,166 | 6,384 | 2,407 | 47,427 | 781 | | 781 | 48,208 |
| Equipment, fuel, and repair | 250,548 | 159,308 | 81,247 | 8,141 | 499,244 | 4,226 | | 4,226 | 503,470 |
| Food and related costs | 250,799 | 91,845 | - | - | 342,644 | | | - | 342,644 |
| Health costs | 14,930 | 4,333 | 260 | 545 | 20,068 | 70 | | 70 | 20,138 |
| Insurance | 37,297 | 18,294 | 11,238 | 254 | 67,083 | 43 | | 43 | 67,126 |
| Interest and bank charges | 4,630 | 5,408 | 2 | 121 | 10,161 | 1,716 | | 1,716 | 11,877 |
| Maintenance-facilities | 100,511 | 35,656 | 9,416 | 317 | 145,900 | 1,178 | | 1,178 | 147,078 |
| Meetings | 19,205 | 4,670 | 5,830 | 1,988 | 31,693 | 16,875 | | 16,875 | 48,568 |
| Miscellaneous | 780 | 275 | 1,066 | - | 2,121 | 3,859 | | 3,859 | 5,980 |
| Occupancy | 139,856 | 231,982 | 96,703 | 1,903 | 470,444 | 14,020 | | 14,020 | 484,464 |
| Postage and freight | 2,178 | 295 | 229 | 17 | 2,719 | 113 | | 113 | 2,832 |
| Printing and copying | 1,959 | 662 | 526 | 43 | 3,190 | | | - | 3,190 |
| Supplies | 70,524 | 40,282 | 33,449 | 5,178 | 149,433 | 95 | | 95 | 149,528 |
| Training and conferences | 23,252 | 8,648 | 22,200 | 10 | 54,110 | 575 | | 575 | 54,685 |
| Travel | 37,175 | 14,879 | 11,808 | 253 | 64,115 | 6,452 | | 6,452 | 70,567 |
| Utilities | 66,925 | 23,050 | 15,652 | 14 | 105,641 | 90 | | 90 | 105,731 |
| Total operating expenses | 1,170,614 | 701,863 | 739,764 | 47,369 | 2,659,610 | 157,091 | | 157,091 | 2,816,701 |
| Depreciation | 344,922 | 98,403 | 67,461 | 18 | 510,804 | - | | - | 510,804 |
| Total expenses | \$ 5,509,124 | \$ 2,004,335 | \$ 1,543,197 | \$ 438,096 | \$ 9,494,752 | \$ 1,335,341 | \$ 2,334 | \$ 1,337,675 | \$ 10,832,427 |

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, 2020



| | |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ (341,701) |
| Adjustments to reconcile net cash from operating activities | |
| Depreciation | 510,804 |
| Changes in current assets and current liabilities | |
| Accounts receivable | (214,686) |
| Prepaid expenses | 15,984 |
| Accounts payable | (38,363) |
| Accrued payroll and other expenses | 109,183 |
| Net cash from operating activities | <u>41,221</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of equipment and leasehold improvements | <u>(60,353)</u> |
| Total cash flows for investing activities | <u>(60,353)</u> |
| Cash flows from financing activities | |
| Principle payments of long-term debt | <u>(70,329)</u> |
| Total cash flows for financing activities | <u>(70,329)</u> |
| Net change in cash equivalents and restricted cash | <u>(89,461)</u> |
| CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR | <u>463,894</u> |
| CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR | <u>\$ 374,433</u> |
| RECONCILIATION OF CASH EQUIVALENTS AND RESTRICTED CASH | |
| Cash equivalents | \$ 273,143 |
| Restricted cash | <u>101,290</u> |
| Total cash equivalents and restricted cash | <u>\$ 374,433</u> |
| Income taxes paid | \$ - |
| Interest paid | |
| NONCASH INVESTING AND FINANCING ACTIVITIES | |
| Assets purchased with note payable | |

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

CENTRO DE LA FAMILIA DE UTAH

Notes to the Financial Statements
For the Year Ended June 30, 2020



1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Centro de la Familia de Utah (the Organization) is a not-for-profit organization established in 1975 to strengthen the Hispanic family by promoting self-sufficiency. It is dedicated to empowering parents throughout the State of Utah to be invested in their children's education. It accomplishes this by working with the entire family as a unit. Trained staff teach skills to youth and their family members who need help.

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 three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently 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, 2020, 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, 2020, the Organization had no deposits with financial institutions 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 disposition 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, 2020.

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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, 2020, 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, 2020:

| | <u>Head Start Programs</u> | | | |
|------------------------------|----------------------------|-----------------|---------------|---------------|
| | <u>Migrant</u> | <u>Region 8</u> | <u>CCP</u> | <u>Total</u> |
| Contributed services | | | | |
| Other services | \$ 2,443 | \$ 966 | \$ 586 | \$ 3,995 |
| Total contributed services | <u>2,443</u> | <u>966</u> | <u>586</u> | <u>3,995</u> |
| Training | 320 | 1,978 | 79 | 2,377 |
| Food Costs | 4,190 | 670 | | 4,860 |
| Occupancy & Building Repairs | 1,542 | 1,058 | 206 | 2,806 |
| Material and Supplies | | | | |
| Accounting services | 2,700 | 953 | 782 | 4,435 |
| Supplies | 2,697 | 1,326 | - | 4,023 |
| Software | 3,044 | 1,075 | 882 | 5,001 |
| Other | - | 1,596 | 8,574 | 10,170 |
| | <u>14,493</u> | <u>8,656</u> | <u>10,523</u> | <u>33,672</u> |
| Total materials and supplies | | | | |

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 contributions services because they do not meet the recognition, criteria prescribed by the general accounting principles. For the year ended June 30, 2020, the monetary value (unaudited) of the educational activities in the homes, which falls into this category, was \$2,528,525 based upon 132,592 hours valued at \$19.07 per hour. The volunteer activity in the centers and classrooms was \$110,746 based upon 6,450 hours valued at \$17.17. Volunteer professional time varies per hour and totals \$51,908. Category other includes mileage paid and meeting time totals of \$2,814. Total volunteer activities for the fiscal year was \$2,693,994.

Program Services

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

Migrant Head Start Program (the MHSP) – the MHSP program operates facilities in Providence, Genola, and Box Elder, Utah. The MHSP centers provide a comprehensive set of services to

include full day education, child care, health and dental care, and nutritional and social services. It provides special services to children with disabilities and other special needs. It emphasizes socialization skills and language development. The program provides transportation, advocacy, and referral services to the entire family.

Region 8 Head Start – The Mt. Pleasant and Centerfield centers serve families below the poverty level under the Region 8 Head Start Program. The Region 8 Head Start centers provide a comprehensive set of Head Start services to include education, child care, health and dental care, and nutritional and social services. They provide special services to children with disabilities and other special needs. The program emphasizes socialization skills and language development. The program also provides transportation, advocacy, and referral services to the entire family.

Child Care Partnership – This program provides for Head Start funding and services to be shared with commercial child care providers.

Other Programs – “Other Programs” include smaller grants from various agencies including Nuevo Dia (substance abuse prevention), sexual violence prevention, plazas comunitarias (adult education) and others.

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 company 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(a) 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, 2020, 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 \$1,067 for the year ended June 30, 2020.

Interest Paid

The Organization paid \$11,877 in interest and bank charges all of which was charged to expense and none capitalized. Bank charges were \$7,263, and interest on bus purchases were \$4,614.

Recent Accounting Guidance

The Financial Accounting Standards Board issued Accounting standards Update: *Not-for-Profit Entities*. This new guidance stipulates that net assets be reported in two classes – net assets with donor restrictions and net assets without donor restrictions – rather than the currently required three classes. A number of enhanced disclosures covering various topics will also be required.

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.

2. NOTE 2. PROPERTY AND EQUIPMENT

The cost of land, building, and equipment as of June 30, 2020, was as follows:

| | <u>Useful Life</u> | |
|-------------------------------|--------------------|---------------------|
| Land | - | \$ 344,506 |
| Work in process | | - |
| Equipment | 2 - 12 Years | 2,762,777 |
| Leasehold improvements | 5 - 15 Years | 242,889 |
| Buildings and improvements | 19 Years | <u>1,798,957</u> |
| Total cost | | 5,149,129 |
| Less accumulated depreciation | | <u>(2,244,317)</u> |
| Net property and equipment | | <u>\$ 2,904,812</u> |

Depreciation expense for the year was \$510,804.

3. LEASES

Operating Leases

The Organization leases office space for administration and for the different centers from various lessors. Rent expense for the year ended June 30, 2020, on these operating leases was \$412,912

The following table summarizes the future minimum operating lease payments required by the Organization's leases:

| Year Ending June 30, | |
|-----------------------------|---------------------------------|
| 2021 | \$ 401,616 |
| 2022 | 316,092 |
| 2023 | |
| 2024 | |
| 2025 | - |
| Thereafter | <u>-</u> |
| Total | <u><u>\$ 717,708</u></u> |

Included in the table above are three center leases and one administrative building lease. The center leases are non-cancellable, except that the Organization will have the option to cancel the center leases with 30 days' notice in the event that the Organization's federal funding is terminated or reduced by greater than 30%. The administrative lease included above began on April 1, 2015, and is non-cancellable, except that the Organization will have the option to cancel the lease after 24 months and with 6 months' notice, provided that the Organization's federal funding is terminated or substantially reduced.

4. ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its revenue from one federal agency. For the fiscal year ended June 30, 2020, 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 18, 2020 the date the financial statements were available to be issued. During the following 2021 year the entity expanded its operations into Colorado and Nevada.

6. LONG-TERM DEBT

The Organization's long-term debt consists of the following:

Long-term debt:

| | |
|--|-------------------------|
| Note payable to a bank due in monthly installments of \$1,522.58 | |
| plus interest at an annual rate of 5.49%, secured by a school bus | \$ 26,163 |
| Note payable to a bank due in a monthly installments of \$1,733.50 | |
| plus interest at an annual rate of 6.90%, secured by a school bus | 60,994 |
| Note payable to a bank due in monthly installments of \$1,430.10 | |
| plus interest at an annual rate of 5.49%, secured by a school bus | <u>24,931</u> |
| Total | 112,088 |
| Less current portion | <u>50,587</u> |
| Total long-term debt | <u><u>\$ 61,501</u></u> |

Future scheduled maturities of long-term debt are as follows:

| | |
|---------------|--------------------------|
| Years ending | |
| June 30, 2021 | \$ 50,587 |
| June 30, 2022 | 35,983 |
| June 30, 2023 | 19,655 |
| June 30, 2024 | 5,863 |
| June 30, 2025 | - |
| Thereafter | <u>-</u> |
| Total | <u><u>\$ 112,088</u></u> |

7. 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.

8. FUND RAISING

The Organization had fund raising expenses \$2,334.

9. 401K Plan

The company entered into a 401k plan during the all employees that meet the qualifications this year. The company has a discretionary contribution of \$170,000.



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

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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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020

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
Salt Lake City, Utah
December 18, 2020



KARREN | HENDRIX | STAGG | ALLEN
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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 the Major Federal Program

We have audited Centro de la Familia de Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Centro de la Familia de Utah's major federal program for the year ended June 30, 2020. Centro de la Familia de Utah's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Centro de la Familia de Utah's compliance.

Opinion on Its Major Federal Program

In our opinion, Centro de la Familia de Utah 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, 2020.

Report on Internal Control Over Compliance

Management of Centro de la Familia de Utah is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Centro de la Familia de Utah's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Centro de la Familia de Utah's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of 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 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Karren, Hendrix, Stagg, Allen & Company
Salt Lake City, Utah
December 18, 2020

CENTRO DE LA FAMILIA DE UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020



| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Expenditures</u> | <u>Amounts Passed Through to Subrecipients</u> |
|---|----------------------------|---|----------------------|--|
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Head Start Program | 93.600 | NA | \$ 9,352,310 | \$ - |
| Passed through Utah Department of Health Sexual Violence Prevention Education | 93.136 | NA | 25,607 | - |
| Passed through Utah Department of Workforce Services High Quality School Readiness Expansion Grant | 93.558 | HQSR | 376,436 | - |
| Passed through Salt Lake County Division of Substance Abuse Block grants for prevention and treatment of substance abuse | 93.959 | AL16524C | <u>58,220</u> | <u>-</u> |
| Total Department of Health and Human Services | | | <u>9,812,573</u> | <u>-</u> |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through Utah State Office of Education Child and Adult Care Food Program | 10.558 | 3UT311N2020 | <u>379,374</u> | <u>-</u> |
| Total Department of Agriculture | | | <u>379,374</u> | <u>-</u> |
| Total expenditures of federal awards | | | <u>\$ 10,191,947</u> | <u>\$ -</u> |

CENTRO DE LA FAMILIA DE UTAH

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020



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, 2020.

CENTRO DE LA FAMILIA DE UTAH

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020



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:

| <u>Name of Federal Program:</u> | <u>CFDA Number</u> |
|---|--------------------|
| Head Start | 93.600 |
| Dollar threshold used to distinguish between type A and type B programs | \$ 750,000 |
| Auditee qualified as low-risk auditee? | No |