

CENTRO DE LA FAMILIA DE UTAH

**Financial Statements
For the Year Ended June 30, 2022**





CENTRO
de la familia



FINANCIAL REPORT | 2022



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

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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 January 16, 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
January 16, 2023

CENTRO DE LA FAMILIA DE UTAH

Statement of Financial Position

June 30, 2022



ASSETS

CURRENT ASSETS

Cash equivalents	\$ 1,027,407
Accounts receivable	
Government contracts	1,647,505
Other	34,833
Prepaid expenses	132,821
Restricted cash	23,779
Total current assets	<u>2,866,345</u>

NONCURRENT ASSETS

Library collection	28,335
Property and equipment, net	<u>5,661,762</u>
Total noncurrent assets	<u>5,690,097</u>

Total assets	<u>\$ 8,556,442</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	
Accounts payable	\$ 1,001,499
Accrued payroll and other expenses	604,318
Total current liabilities	<u>1,605,817</u>
Long -term liabilities	
Accrued vacation	240,360
Total long-term liabilities	<u>240,360</u>
Total liabilities	<u>1,846,177</u>

NET ASSETS

Without donor restrictions	
Designated for fixed assets	5,661,762
Designated for library	28,335
Undesignated	996,389
With donor restrictions	23,779
Total net assets	<u>6,710,265</u>

Total liabilities and net assets	<u>\$ 8,556,442</u>
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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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Public support			
In-kind support	\$ 21,835	\$ -	\$ 21,835
Other contributions	85,595	-	85,595
Total public support	<u>107,430</u>	<u>-</u>	<u>107,430</u>
Revenue			
Government contracts	24,150,959	-	24,150,959
Other income	62,120	-	62,120
Total revenue	<u>24,213,079</u>	<u>-</u>	<u>24,213,079</u>
Net assets released from restrictions	<u>148,621</u>	<u>(148,621)</u>	<u>-</u>
Total public support and revenue	<u>24,469,130</u>	<u>(148,621)</u>	<u>24,320,509</u>
Expenses			
Program expenses			
Migrant Head Start (MHSP)	10,257,183	-	10,257,183
Region 8 Head Start	6,833,402	-	6,833,402
Child Care Partnership (CCP)	1,988,012	-	1,988,012
Other programs	588,183	-	588,183
Total program expenses	<u>19,666,780</u>	<u>-</u>	<u>19,666,780</u>
Support expenses			
General and administrative	2,356,134	-	2,356,134
Fund raising	4,112	-	4,112
Total supporting services	<u>2,360,246</u>	<u>-</u>	<u>2,360,246</u>
Total expenses	<u>22,027,026</u>	<u>-</u>	<u>22,027,026</u>
Change in net assets	2,442,104	(148,621)	2,293,483
Net assets, beginning of year	<u>4,244,382</u>	<u>172,400</u>	<u>4,416,782</u>
Net assets, end of year	<u>\$ 6,686,486</u>	<u>\$ 23,779</u>	<u>\$ 6,710,265</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, 2022



	Program Expenses				Support Expenses			Total	
	Migrant Head Start	Region 8 Head Start	Child Care Partnership	Other Programs	Total Program Expenses	General and Administrative	Fundraising		Total Supportive Services
Salaries	\$ 5,636,808	\$ 3,587,276	\$ 716,510	\$ 266,658	\$ 10,207,252	\$ 1,824,989	\$ 3,820	\$ 1,828,809	\$ 12,036,061
Benefits	1,390,006	820,842	146,100	67,837	2,424,785	362,183	292	362,475	2,787,260
Total salaries and benefits	7,026,814	4,408,118	862,610	334,495	12,632,037	2,187,172	4,112	2,191,284	14,823,321
Accounting	11,319	8,624	1,874	183	22,000	11,400	-	11,400	33,400
Advertising	19,653	28,164	76	118	48,011	376	-	376	48,387
Client costs	-	506	403,810	56,594	460,910	1,700	-	1,700	462,610
Communications	52,890	41,679	7,542	4,166	106,277	8,323	-	8,323	114,600
Construction	19,787	-	-	500	20,287	-	-	-	20,287
Consultant/professional services	44,250	32,022	3,896	10,649	90,817	9,238	-	9,238	100,055
Data processing	178,824	159,747	28,920	2,207	369,698	47,913	-	47,913	417,611
Dues, licenses, and subscriptions	44,261	12,440	27,615	7,493	91,809	2,668	-	2,668	94,477
Equipment, fuel, and repair	566,950	329,734	101,134	27,782	1,025,600	26,302	-	26,302	1,051,902
Food and related costs	345,762	305,522	26,397	-	677,681	303	-	303	677,984
Health costs	24,825	8,187	811	37,854	71,677	328	-	328	72,005
Insurance	103,326	31,296	11,937	249	146,808	-	-	-	146,808
Interest and bank charges	270	773	45	925	2,013	2,863	-	2,863	4,876
Maintenance and repairs	301,577	155,389	154,009	63	611,038	1,564	-	1,564	612,602
Meetings	132,494	53,936	9,559	27,307	223,296	4,331	-	4,331	227,627
Miscellaneous	679	713	493	25	1,910	3	-	3	1,913
Occupancy	446,072	635,253	76,250	3,982	1,161,557	35,475	-	35,475	1,197,032
Postage and freight	2,880	2,350	149	48	5,427	105	-	105	5,532
Printing and copying	2,514	878	-	677	4,069	488	-	488	4,557
Supplies	318,316	167,063	108,906	60,957	655,242	10,467	-	10,467	665,709
Training and conferences	28,657	59,782	55,543	7,951	151,933	285	-	285	152,218
Travel	66,281	59,229	29,748	1,149	156,407	4,722	-	4,722	161,129
Utilities	126,079	106,894	15,243	2,726	250,942	108	-	108	251,050
Total operating expenses	2,837,666	2,200,181	1,063,957	253,605	6,355,409	168,962	-	168,962	6,524,371
Depreciation	392,703	225,103	61,445	83	679,334	-	-	-	679,334
Total expenses	\$ 10,257,183	\$ 6,833,402	\$ 1,988,012	\$ 588,183	\$ 19,666,780	\$ 2,356,134	\$ 4,112	\$ 2,360,246	\$ 22,027,026

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,293,483
Adjustments to reconcile net cash from operating activities	
Depreciation	679,334
Changes in current assets and current liabilities	
Accounts receivable	(664,300)
Prepaid expenses	(30,341)
Accounts payable	416,995
Accrued payroll and other expenses	93,662
Net cash from operating activities	<u>2,788,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment and leasehold improvements	<u>(2,568,515)</u>
Total cash flows for investing activities	<u>(2,568,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principle payments of long-term debt	<u>(3,751)</u>
Total cash flows for financing activities	<u>(3,751)</u>
Net change in cash equivalents and restricted cash	<u>216,567</u>
CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>834,619</u>
CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,051,186</u>
RECONCILIATION OF CASH EQUIVALENTS AND RESTRICTED CASH	
Cash equivalents	\$ 1,027,407
Restricted cash	<u>23,779</u>
Total cash equivalents and restricted cash	<u>\$ 1,051,186</u>
Income taxes paid	\$ -
Interest paid	\$ 731

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, 2022



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 1,200 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, 2022, 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, 2022, the Organization had deposits with financial institutions totaling \$1,032,093 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, 2022.

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, 2022, 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, 2022:

	Head Start Programs			Non Head Start	Total
	Migrant	Region 8	CCP		
Contributed services					
Other services	\$ 3,174	\$ 6,797	\$ 493	\$ -	\$ 10,464
Total contributed services	<u>3,174</u>	<u>6,797</u>	<u>493</u>	<u>-</u>	<u>10,464</u>
Occupancy & Building Repairs	-	198	-	-	198
Material and Supplies					
Accounting services	5,478	3,912	510	-	9,900
Software	740	664	86	-	1,490
	<u>6,218</u>	<u>4,774</u>	<u>596</u>	<u>-</u>	<u>11,588</u>
Total materials and supplies					
Total	<u>\$ 9,392</u>	<u>\$ 11,571</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ 22,052</u>

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, 2022, the monetary value (unaudited) of the educational activities in the homes, which falls into this category, was \$4,751,874 based upon 217,334 hours valued at \$21.86 per hour. The volunteer activity in the centers and classrooms was \$145,012 based upon 7,649 hours valued at \$18.96 per hour. The "Other" category includes mileage paid and meeting time totals of \$75,799. Total volunteer activities for the fiscal year was \$4,972,685.

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 384 children. The HS programs are for preschool-aged children, 3- to 5-years-old.

Region 8 Early Head Start (EHS) – In Colorado, Centro offers EHS for children 6-weeks to 3-years-old and pregnant women. The funded enrollment for EHS is 76. 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 and Millard Counties 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 100 children, ages 6-weeks to 3-years.

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

- Expanded Student Access Grant – Funded by the Department of Workforce Services and the Office of Child Care, this grant allows Centro to serve an additional 24 preschool children in Utah.
- 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 9th and 10th 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 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(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)(1). 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, 2022, 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 \$48,387 for the year ended June 30, 2022.

Interest Paid

The Organization paid \$4,876 in interest and bank charges all of which was charged to expense and none capitalized. Bank charges were \$4,145, and interest on bus purchases were \$731.

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. PROPERTY AND EQUIPMENT

The cost of land, building, and equipment as of June 30, 2022, was as follows:

	<u>Useful Life</u>	
Land	N/A	\$ 709,506
Work in process	N/A	598,136
Equipment	2 - 12 Years	4,032,220
Leasehold improvements	5 - 15 Years	921,013
Buildings and improvements	19 Years	<u>2,818,467</u>
Total cost		9,079,342
Less accumulated depreciation		<u>(3,417,580)</u>
Net property and equipment		<u>\$ 5,661,762</u>

Depreciation expense for the year was \$679,334.

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, 2022, on these operating leases was \$1,044,114.

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

Year Ending June 30,	
2023	\$ 936,000
2024	583,840
2025	508,454
2026	387,768
2027	393,744
Thereafter	<u>3,964,932</u>
Total	<u>\$ 6,774,738</u>

Four new leases have been added. One in Utah, and three in Colorado. The center leases are non-cancelable, 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%. As of June 30, 2022 Centro, had a total of thirty-three leases, with one terminating at June 2023 and thirty-two being carried forward into next year.

4. ECONOMIC DEPENDENCY

The Organization receives a substantial amount of its revenue from one federal agency. For the fiscal year ended June 30, 2022, this agency provided 99% 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 January 16, 2023 the date the financial statements were available to be issued. Centro de la Familia de Utah has purchased a track of land at Gilcrest, Colorado and plans to build a Head Start facility next year.

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 \$4,112.

8. 401K Plan

The company has a 401k plan that includes all employees that meet the qualifications. The company made a discretionary contribution of \$293,955 for the June 2022 year.



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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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 16, 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
Salt Lake City, Utah
January 16, 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 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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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).¹ 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
January 16, 2023

CENTRO DE LA FAMILIA DE UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022



<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	\$ 21,481,934	\$ -
COVID Funds-Head Start Program	93.600	NA	1,315,349	
Passed through Utah Department of Workforce Services High Quality School Readness (HQARS) Expansion Grant	93.575	NA	246,021	-
Passed through Utah Department of Mental Health Services Multicultural Rural Mental Health (MRMH)	93.958	NA	15,653	-
Passed through Salt Lake County Division of Substance Abuse of Substance Abuse Block Grants for Prevention and Treatment of Substance Abuse	93.959	AL16524C	57,875	-
Passed through Utah Department of Health (RPE) Sexual Violence Prevention Education	93.136	NA	18,205	-
Passed Through Utah Department of Health (RPE) Violence and Injury Prevention Program	93.558	NA	24,711	-
Salt Lake County Emergency Rental Assistance Program (ERAP)	21.023	NA	<u>146,024</u>	<u>-</u>
Total Department of Health and Human Services			<u>23,305,772</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Passed through Utah State Office of Education	10,558	3UT311N2020	429,593	-
Passed through State of Colorado	10,558	CFP10065799	264,541	-
Passed through State of Nevada	10.558	QMU2WFCQP2A7	<u>2,688</u>	<u>-</u>
Total Department of Agriculture			<u>696,822</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 24,002,594</u>	<u>\$ -</u>

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, 2022

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, 2022.

^j 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, 2022



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