The Consolidated Financial Statements
June 30, 2023 and 2022

# The Children's Center Utah and Affiliates

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**Independent Auditor's Report**

To the Board of Directors
The Children's Center Utah
Salt Lake City, Utah

**Report on the Audit of the Consolidated Financial Statements**

***Opinion***

We have audited the consolidated financial statements of The Children's Center Utah, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center Utah as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of The Children's Center Utah and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Center Utah's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibilities of the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Children's Center 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Center 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 25 to 28 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. 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 consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 17, 2023, on our consideration of The Children's Center 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 The Children's Center 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 The Children's Center Utah's internal control over financial reporting and compliance.

Eide Bailly LLP

Salt Lake City, Utah
November 17, 2023

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 2,775,431 | $ 2,825,311 |
| Accounts receivable, net | 1,105,801 | 679,407 |
| Unconditional promises to give, net | 430,928 | 334,127 |
| Prepaid expenses and other assets | 110,079 | 149,076 |
| Total current assets | 4,422,239 | 3,987,921 |
| Property and Equipment, Net | 16,948,608 | 8,318,812 |
| Unconditional Promises to Give, Less Current Portion | 363,430 | 339,132 |
| Unconditional Promises to Give, Restricted to Building Project | 949,952 | - |
| Endowment | 9,019,399 | 8,475,572 |
| Total assets | $ 31,703,628 | $ 21,121,437 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and other liabilities | $ 1,304,999 | $ 488,808 |
| Total current liabilities | 1,304,999 | 488,808 |
| Total liabilities | 1,304,999 | 488,808 |
| **Net Assets** | | |
| Without donor restrictions | | |
| Undesignated | 9,591,060 | 10,740,058 |
| The Children's Center Trust | 6,039,888 | 5,664,561 |
| | 15,630,948 | 16,404,619 |
| With donor restrictions | 4,038,987 | 4,228,010 |
| With donor restrictions - building project | 10,728,694 | - |
| | 14,767,681 | 4,228,010 |
| Total net assets | 30,398,629 | 20,632,629 |
| Total liabilities and net assets | $ 31,703,628 | $ 21,121,437 |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Public Support | | | |
| Contributions | $ 1,399,821 | $ 11,204,245 | $ 12,604,066 |
| In-kind revenue | 481,658 | - | 481,658 |
| Special events, less cost of direct benefits to donors of $148,374 | 895,409 | - | 895,409 |
| Federal grants | 3,707,921 | - | 3,707,921 |
| | 6,484,809 | 11,204,245 | 17,689,054 |
| Revenue | | | |
| Program services | | | |
| Federal and state contracts | 393,640 | - | 393,640 |
| Private contracts | 977,048 | - | 977,048 |
| Private fees | 491,683 | - | 491,683 |
| | 1,862,371 | - | 1,862,371 |
| Less contractual allowances | (332,984) | - | (332,984) |
| Total program services revenue | 1,529,387 | - | 1,529,387 |
| Endowment net investment return | 375,327 | 168,500 | 543,827 |
| Gain on sale of property and equipment | 343,558 | - | 343,558 |
| Other revenue | 83,558 | - | 83,558 |
| | 802,443 | 168,500 | 970,943 |
| Net assets released from restriction | 833,074 | (833,074) | - |
| Total public support and revenue | 9,649,713 | 10,539,671 | 20,189,384 |
| Expenses | | | |
| Program services | | | |
| Therapeutic Preschool | 2,553,660 | - | 2,553,660 |
| Training, Consultation and Research | 2,614,932 | - | 2,614,932 |
| Outpatient Services | 2,850,723 | - | 2,850,723 |
| Total program services | 8,019,315 | - | 8,019,315 |
| Supporting services | | | |
| Management and general | 1,457,432 | - | 1,457,432 |
| Fundraising | 946,637 | - | 946,637 |
| Total supporting services | 2,404,069 | - | 2,404,069 |
| Total program and supporting services expenses | 10,423,384 | - | 10,423,384 |
| Change in Net Assets | (773,671) | 10,539,671 | 9,766,000 |
| Net Assets, Beginning of Year | 16,404,619 | 4,228,010 | 20,632,629 |
| Net Assets, End of Year | $ 15,630,948 | $ 14,767,681 | $ 30,398,629 |

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Public Support | | | |
| Contributions | $ 1,250,152 | $ 673,259 | $ 1,923,411 |
| Special events, less cost of direct benefits to donors of $153,338 | 771,513 | - | 771,513 |
| Federal grants | 2,602,779 | - | 2,602,779 |
| | 4,624,444 | 673,259 | 5,297,703 |
| Revenue | | | |
| Program services | | | |
| Federal and state contracts | 179,986 | - | 179,986 |
| Private contracts | 781,150 | - | 781,150 |
| Private fees | 582,714 | - | 582,714 |
| | 1,543,850 | - | 1,543,850 |
| Less contractual allowances | (208,698) | - | (208,698) |
| Less bad debt | (214,798) | - | (214,798) |
| Total program services revenue | 1,120,354 | - | 1,120,354 |
| Endowment net investment return/(loss) | (888,086) | (469,652) | (1,357,738) |
| PPP loan forgiveness | 828,926 | - | 828,926 |
| Other revenue | 5,359 | - | 5,359 |
| | (53,801) | (469,652) | (523,453) |
| Net Assets Released from Restrictions | 367,357 | (367,357) | - |
| Total public support and revenue | 6,058,354 | (163,750) | 5,894,604 |
| Expenses | | | |
| Program services | | | |
| Therapeutic Preschool | 2,192,011 | - | 2,192,011 |
| Training, Consultation and Research | 1,637,708 | - | 1,637,708 |
| Outpatient Services | 2,079,139 | - | 2,079,139 |
| Total program services | 5,908,858 | - | 5,908,858 |
| Supporting services | | | |
| Management and general | 880,152 | - | 880,152 |
| Fundraising | 764,708 | - | 764,708 |
| Total supporting services | 1,644,860 | - | 1,644,860 |
| Total program and supporting services expenses | 7,553,718 | - | 7,553,718 |
| Change in Net Assets | (1,495,364) | (163,750) | (1,659,114) |
| Net Assets, Beginning of Year | 17,899,983 | 4,391,760 | 22,291,743 |
| Net Assets, End of Year | $ 16,404,619 | $ 4,228,010 | $ 20,632,629 |

| | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Therapeutic Preschool | Training, Consultation and Research | Outpatient Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| Salaries and related | $ 1,755,554 | $ 1,777,820 | $ 2,080,582 | $ 5,613,956 | $ 892,842 | $ 728,672 | $ 1,621,514 | $ 7,235,470 |
| Utilities | 37,200 | 28,340 | 26,721 | 92,261 | 13,329 | 7,123 | 20,452 | 112,713 |
| Occupancy | 307,346 | 202,718 | 202,718 | 712,782 | 104,629 | 58,854 | 163,483 | 876,265 |
| Property and professional liability insurance | 25,041 | 16,517 | 16,517 | 58,075 | 8,525 | 4,795 | 13,320 | 71,395 |
| Repairs and maintenance | 84,132 | 55,317 | 55,317 | 194,766 | 28,551 | 16,060 | 44,611 | 239,377 |
| Office supplies and materials | 20,001 | 17,757 | 13,182 | 50,940 | 7,113 | 5,179 | 12,292 | 63,232 |
| Program materials | 37,123 | 153,738 | 21,760 | 212,621 | 5,776 | 21,957 | 27,733 | 240,354 |
| Transportation of children | 119,829 | - | - | 119,829 | - | - | - | 119,829 |
| Printing, postage, and shipping | 6,223 | 4,480 | 4,105 | 14,808 | 2,118 | 7,463 | 9,581 | 24,389 |
| Publications and testing materials | 195 | 1,133 | 1,076 | 2,404 | 5,939 | 10,230 | 16,169 | 18,573 |
| Professional fees | 12,912 | 177,030 | 318,571 | 508,513 | 225,592 | 168,846 | 394,438 | 902,951 |
| Meetings and conventions | 3,961 | 84,811 | 14,785 | 103,557 | 32,228 | 2,842 | 35,070 | 138,627 |
| Meals and entertainment | 6,007 | 3,962 | 3,962 | 13,931 | 2,045 | 1,150 | 3,195 | 17,126 |
| Miscellaneous | 85,721 | 56,737 | 56,855 | 199,313 | 110,902 | 51,803 | 162,705 | 362,018 |
| Total expenses before depreciation | 2,501,245 | 2,580,360 | 2,816,151 | 7,897,756 | 1,439,589 | 1,084,974 | 2,524,563 | 10,422,319 |
| Depreciation | 52,415 | 34,572 | 34,572 | 121,559 | 17,843 | 10,037 | 27,880 | 149,439 |
| | 2,553,660 | 2,614,932 | 2,850,723 | 8,019,315 | 1,457,432 | 1,095,011 | 2,552,443 | 10,571,758 |
| Less expenses included with public support and revenue on the consolidated statement of activities | | | | | | | | |
| Cost of direct benefits to donors | - | - | - | - | - | (148,374) | (148,374) | (148,374) |
| Total expenses included in the expense section on the consolidated statement of activities | $ 2,553,660 | $ 2,614,932 | $ 2,850,723 | $ 8,019,315 | $ 1,457,432 | $ 946,637 | $ 2,404,069 | $ 10,423,384 |

| | Program Services | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Therapeutic Preschool | Training, Consultation and Research | Outpatient Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| Salaries and related | $ 1,471,029 | $ 1,214,414 | $ 1,394,463 | $ 4,079,906 | $ 631,016 | $ 679,407 | $ 1,310,423 | $ 5,390,329 |
| Professional insurance | 27,023 | 8,647 | 18,376 | 54,046 | - | - | - | 54,046 |
| Office supplies | 45,589 | 10,379 | 29,863 | 85,831 | 7,481 | 5,611 | 13,092 | 98,923 |
| Program materials | 29,686 | 75 | 9,112 | 38,873 | 54 | 41 | 95 | 38,968 |
| Food | 9,116 | 2,803 | 5,935 | 17,854 | 2,020 | 1,515 | 3,535 | 21,389 |
| Postage and printing | 5,703 | 3,552 | 4,589 | 13,844 | 3,218 | 15,598 | 18,816 | 32,660 |
| Publications and testing material | 8,172 | 4,137 | 5,320 | 17,629 | 1,811 | 1,358 | 3,169 | 20,798 |
| Utilities | 36,946 | 11,360 | 27,123 | 75,429 | 8,188 | 6,141 | 14,329 | 89,758 |
| Repairs and maintenance | 86,055 | 26,460 | 56,019 | 168,534 | 19,070 | 14,303 | 33,373 | 201,907 |
| Janitorial service and supplies | 18,720 | 3,744 | 11,232 | 33,696 | 1,872 | 1,872 | 3,744 | 37,440 |
| Rent | 149 | 46 | 97 | 292 | 33 | 25 | 58 | 350 |
| Property insurance | 2,568 | 790 | 1,672 | 5,030 | 569 | 427 | 996 | 6,026 |
| Professional fees | 17,532 | 234,196 | 181,589 | 433,317 | 148,601 | 148,602 | 297,203 | 730,520 |
| Transportation of children | 133,960 | - | - | 133,960 | - | - | - | 133,960 |
| Meetings and conventions | 11,144 | 42,937 | 182,977 | 237,058 | 3,362 | 5,264 | 8,626 | 245,684 |
| Miscellaneous | 91,777 | 28,743 | 59,922 | 180,442 | 30,144 | 15,169 | 45,313 | 225,755 |
| Total expenses before depreciation | 1,995,169 | 1,592,283 | 1,988,289 | 5,575,741 | 857,439 | 895,333 | 1,752,772 | 7,328,513 |
| Depreciation | 196,842 | 45,425 | 90,850 | 333,117 | 22,713 | 22,713 | 45,426 | 378,543 |
| | 2,192,011 | 1,637,708 | 2,079,139 | 5,908,858 | 880,152 | 918,046 | 1,798,198 | 7,707,056 |
| Less expenses included with public support and revenue on the consolidated statement of activities | | | | | | | | |
| Cost of direct benefits to donors | - | - | - | - | - | (153,338) | (153,338) | (153,338) |
| Total expenses included in the expense section on the consolidated statement of activities | $ 2,192,011 | $ 1,637,708 | $ 2,079,139 | $ 5,908,858 | $ 880,152 | $ 764,708 | $ 1,644,860 | $ 7,553,718 |

| | 2023 | 2022 |
|---|---|---|
| Reconciliation of Change in Net Assets to Net Cash used for Operating Activities | | |
| Change in net assets | $ 9,766,000 | $ (1,659,114) |
| Adjustments to reconcile change in net assets to net cash used for operating activities | | |
| Depreciation | 149,439 | 378,543 |
| Endowment net investment (return)/loss | (543,827) | 1,357,738 |
| Gain from sale of property and equipment | (343,558) | - |
| PPP loan forgiveness | - | (818,962) |
| Contributed property and equipment capitalized | (467,158) | - |
| Contributions restricted to building project | (10,728,694) | - |
| Change in operating assets and liabilities | | |
| Accounts receivable, net | (426,394) | 219,719 |
| Unconditional promises to give | (121,099) | (217,913) |
| Prepaid expenses and other assets | 38,997 | (57,294) |
| Accounts payable and other liabilities | 247,179 | 125,141 |
| Net Cash used for Operating Activities | (2,429,115) | (672,142) |
| Investing Activities | | |
| Purchase of property and equipment | (15,799,401) | (100,633) |
| Proceeds from sales of property and equipment | 8,399,894 | - |
| Purchases of endowment investments | (1,097,972) | (3,092,498) |
| Proceeds from sales of endowment investments | 1,097,972 | 3,092,498 |
| Net Cash used for Investing Activities | (7,399,507) | (100,633) |
| Financing Activities | | |
| Collections of contributions restricted to building project | 9,778,742 | - |
| Payment of line of credit | - | (400,000) |
| Net Cash from (used for) Financing Activities | 9,778,742 | (400,000) |
| Net Change in Cash and Cash Equivalents | (49,880) | (1,172,775) |
| Cash and Cash Equivalents, Beginning of Year | 2,825,311 | 3,998,086 |
| Cash and Cash Equivalents, End of Year | $ 2,775,431 | $ 2,825,311 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activity | | |
| Contributed property and equipment capitalized | $ 1,036,170 | $ - |
| Accounts payable for property and equipment | 569,012 | - |
| Forgiveness of Paycheck Protection Program loan | - | 818,962 |

## Note 1 - Principal Activity and Significant Accounting Policies

### Operational Purpose

Founded in 1962 by Dr. Agi Plenk, The Children's Center Utah provides comprehensive mental health care to enhance the emotional well-being of infants, toddlers, preschoolers, and their families. The Children's Center Utah operates a treatment facility in Salt Lake City. The only clinical agency of its kind in Utah, and one of the largest in the country, The Children's Center Utah is the recognized local expert in evidence-based, trauma-informed treatments for preschool-aged children with emotional and behavioral concerns. The Children's Center Utah believes in being a resource for community organizations and a training center to improve care for young children and their families. The Children's Center Utah's programs consist of the following:

Therapeutic Preschool: Provides treatment for preschool-aged children with emotional and behavioral problems, three hours per day, five days per week, 52 weeks per year.

Training, Consultation and Research: Provides training and consultation for mental health clinicians, community professionals, and staff in childcare centers and preschool providers to improve and enhance mental health services to young children in the State of Utah.

Outpatient Services: Provides psychological evaluations, mental health assessments, psychiatric evaluations, weekly therapy groups for children with emotional and behavioral problems, as well as therapy with children and families.

The Children's Center Utah Endowment (the Trust) is a separate nonprofit entity, governed by a board of seven trustees, which holds investments to provide for the future needs of The Children's Center Utah. Earnings from the Trust's investments are not restricted by the terms of the endowment and are used for capital improvements, research, and program development.

Historic Oquirrh School Manager, Inc., a wholly-owned subsidiary, was formed on September 3, 2008. This entity was formed to own and operate the Historic Oquirrh School (the School). The Children's Center Utah renovated the School and uses it as its administrative office and treatment center in Salt Lake City, Utah. The Children's Center Utah moved into the School in July 2009. In June 2022 the assets of the entity were transferred to The Children's Center Utah and were then sold to a third party in July 2022. The Children's Center Utah continued to operate from this location through July 2023. Effective June 2022 after the sale of The School, Historic Oquirrh School Manager, Inc. was dissolved.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of The Children's Center Utah and the Trust because The Children's Center Utah has both control and an economic interest in the Trust. The accounts and operations of Historic Oquirrh School Manager, Inc., wholly-owned by The Children's Center Utah, are also included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entities are hereinafter referred to as "TCCU."

**Cash and Cash Equivalents**

TCCU considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of TCCU are excluded from this definition.

**Accounts Receivable and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for therapeutic programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2023 and 2022, the allowance was $90,000 and $90,000, respectively. Accounts receivable at July 1, 2021 were $899,126.

**Unconditional Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the consolidated statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

**Property and Equipment**

Property and equipment additions over $500 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. 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 consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

**Endowment**

Endowment investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, endowments are reported at their fair values in the consolidated statements of financial position. Net endowment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board of directors (the Board) has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. TCCU reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released as revenue when the assets are placed in service.

**Revenue and Revenue Recognition**

Contributions, including public support and other federal service revenue as shown on the consolidated statement of activities for the years ended June 30, 2023 and 2022, are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2023 and 2022, conditional contributions consisting mainly of cost reimbursement grants where costs were not yet incurred at June 30, 2023 and 2022, for which no amounts had been received in advance and approximating $4,309,019 and $5,287,375, respectively, have not been recognized in the accompanying consolidated financial statements. TCCU records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

TCCU recognizes all revenue from program services at the time services are performed. Program service fees and payments under contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to TCCU's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. TCCU records donated professional services at the respective fair values of the services received. During the year ended June 30, 2023 TCCU received in-kind contributions totaling $481,658. Of this amount, $467,158 was capitalized to construction in process representing playground equipment and furniture that will be used at TCCU's new facility. No significant contributions of goods or services were received during the year ended June 30, 2022.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, utilities, occupancy, repair and maintenance, which are allocated on a square footage basis, as well as salaries and related, office supplies and materials, program materials, transportation of children, printing, postage and shipping, publications and testing materials, professional fees, meetings and conventions, meals and entertainment, property and professional liability insurance, and miscellaneous, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Children's Center Utah is organized as a Utah nonprofit corporation and The Children's Center Utah Endowment is organized as a trust. The entities have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) that qualify for the charitable contribution deduction, and have been determined not to be private foundations. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Historic Oquirrh School Manager, Inc. is taxed as a corporation but does not have any significant differences between book and tax accounting. Therefore, no tax provision is recorded in the accompanying consolidated financial statements.

Each entity 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 consolidated financial statements. The entities 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.

**Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Financial Instruments and Credit Risk**

TCCU manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, TCCU has not experienced losses in any of these accounts. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, the Company had approximately $2,480,000 in excess of FDIC-insured limits.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of TCCU's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of TCCU.

**Adoption of Accounting Standards Codification Topic 842**

Effective July 1, 2022, TCCU adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). TCCU elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. TCCU has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, TCCU accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

The adoption of the new standard did not materially impact TCCU's Statements of Financial Position, Activities or Cash Flows and there was no cumulative effect adjustment to net assets. See Note 10 for further disclosure of TCCU's leases.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on change in net assets or net assets.

**Subsequent Events**

The Organization has evaluated subsequent events through November 17, 2023, the date the consolidated financial statements were available to be issued.

## Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 2,775,431 | $ 2,825,311 |
| Accounts receivable, net | 1,105,801 | 679,407 |
| Unconditional promises to give, current portion, net | 430,928 | 334,127 |
| Endowment spending-rate distributions and appropriations - board designated (estimated) | 300,000 | 300,000 |
| With donor restrictions | (1,011,327) | (743,740) |
| | $ 3,600,833 | $ 3,395,105 |

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from the donor-restricted endowment funds and funds designated by the Board are both available for general expenditure. The endowment is subject to an annual spending rate formula as described in Note 6. Although TCCU does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), the funds designated by the Board could be made available for operational purposes if necessary.

Additionally, TCCU has a business revolving line of credit that can be drawn up to $2,100,000 (Note 7).

## Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Promises to Give | | |
| Within one year | $ 430,928 | $ 334,127 |
| In one to five years | 382,618 | 339,132 |
| | 813,546 | 673,259 |
| Promises to Give Restricted For Building Purposes | | |
| Within one year | 492,778 | - |
| In one to five years | 518,888 | - |
| | 1,011,666 | - |
| Less discount to net present value at rates ranging from 3 to 5% | (80,902) | - |
| Total Promises to Give | $ 1,744,310 | $ 673,259 |

## Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Land | $ - | $ 2,039,775 |
| Buildings and leasehold improvements | - | 9,148,244 |
| Furniture, fixtures and equipment | 1,198,841 | 1,400,266 |
| Land improvements | 193,506 | 657,203 |
| Construction-in-progress | 16,488,743 | - |
| | 17,881,090 | 13,245,488 |
| Less accumulated depreciation | (932,482) | (4,926,676) |
| | $ 16,948,608 | $ 8,318,812 |

TCCU placed in service substantially of its construction-in-process assets on August 1, 2023, concurrent with its move to its newly completed facilities.

## Note 5 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that TCCU can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, TCCU develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to TCCU's assessment of the quality, risk or liquidity profile of the asset or liability.

TCCU's endowment investment assets are classified within Level 1 because they are comprised of common stocks with readily determinable fair values based on quoted market prices and open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

| Assets | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | | Fair Value Measurements at Report Date Using | | |
| Cash and money market funds (at cost) | $ 207,708 | $ - | $ - | $ - |
| Common stocks | 2,539,537 | 2,539,537 | - | - |
| Mutual funds - stocks | 1,891,897 | 1,891,897 | - | - |
| Mutual funds - bonds | 3,981,873 | 3,981,873 | - | - |
| Mutual funds - real assets | 180,011 | 180,011 | - | - |
| Mutual funds - alternatives | 218,373 | 218,373 | - | - |
| Total assets at fair value | $ 9,019,399 | $ 8,811,691 | $ - | $ - |

The following table presents assets measured at fair value on a recurring basis at June 30, 2022:

| Assets | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | | Fair Value Measurements at Report Date Using | | |
| Cash and money market funds (at cost) | $ 105,372 | $ - | $ - | $ - |
| Common stocks | 2,215,768 | 2,215,768 | - | - |
| Mutual funds - stocks | 1,710,367 | 1,710,367 | - | - |
| Mutual funds - bonds | 4,044,548 | 4,044,548 | - | - |
| Mutual funds - real assets | 193,085 | 193,085 | - | - |
| Mutual funds - alternatives | 206,432 | 206,432 | - | - |
| Total assets at fair value | $ 8,475,572 | $ 8,370,200 | $ - | $ - |

## Note 6 - Endowment

TCCU’s endowment (the Endowment) was established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

TCCU’s Board has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted Endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, TCCU classifies as net assets with donor restrictions (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted Endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by TCCU in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Endowment net asset composition by type of fund is as follows:

| June 30, 2023 | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Board-designated quasi-endowment | $ 6,039,888 | $ - | $ 6,039,888 |
| Donor-restricted endowment | | | |
| Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor | - | 1,995,000 | 1,995,000 |
| Accumulated investment gains | - | 984,511 | 984,511 |
| | $ 6,039,888 | $ 2,979,511 | $ 9,019,399 |

| June 30, 2022 | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Board-designated quasi-endowment | $ 5,664,561 | $ - | $ 5,664,561 |
| Donor-restricted endowment | | | |
| Original donor-restricted gift amount and amount required to be maintained in perpetuity by donor | - | 1,995,000 | 1,995,000 |
| Accumulated investment gains | - | 816,011 | 816,011 |
| | $ 5,664,561 | $ 2,811,011 | $ 8,475,572 |

**Investment and Spending Policies**

The Endowment was established to support the treatment of young children with emotional and behavioral problems and their families. Amounts, once appropriated by the Board, may be distributed for the unrestricted use of TCCU.

The investment objective is to preserve and grow principal. The spending policy for the Endowment was established to allow for growth in excess of the long-term inflation rate. Distributions of income and up to 25% of the principal may be made with approval of the Board.

Changes in Endowment net assets for the year ending June 30, 2023, are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 5,664,561 | $ 2,811,011 | $ 8,475,572 |
| Investment return | | | |
| Investment income, net of fees | 138,491 | 62,175 | 200,666 |
| Net realized and unrealized gain (loss) | 236,836 | 106,325 | 343,161 |
| | 6,039,888 | 2,979,511 | 9,019,399 |
| Appropriation of endowment assets pursuant to spending-rate policy | - | - | - |
| Endowment net assets, end of year | $ 6,039,888 | $ 2,979,511 | $ 9,019,399 |

Changes in Endowment net assets for the year ending June 30, 2022, are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 6,431,896 | $ 3,401,414 | $ 9,833,310 |
| Investment return | | | |
| Investment income, net of fees | 46,964 | 24,837 | 71,801 |
| Net realized and unrealized loss | (935,050) | (494,489) | (1,429,539) |
| | 5,543,810 | 2,931,762 | 8,475,572 |
| Appropriation of endowment assets pursuant to spending-rate policy | 120,751 | (120,751) | - |
| Endowment net assets, end of year | $ 5,664,561 | $ 2,811,011 | $ 8,475,572 |

## Note 7 - Line of Credit

During the year ended June 30, 2023, TCCU had access to a $2,100,000 revolving line of credit with a bank, secured by the endowment and generally all assets of TCCU. Borrowings under the line bear interest at the three-month US Treasury Rate plus 2.25% (3.32% at renewal in July 2022). Accrued interest and principal are due at maturity (September 30, 2023). The agreement requires TCCU to comply with certain financial and non-financial covenants. At June 30, 2023 and 2022, the outstanding balance on the line of credit was $0 and $0, respectively.

## Note 8 - Paycheck Protection Program (PPP) Loan

On January 26, 2021, TCCU was granted a $815,454 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administrative (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the federal government. TCCU initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was released by the SBA. TCCU recognized $828,926 ($815,454 principal and $13,472 interest) of loan forgiveness for the year ended June 30, 2022.

## Note 9 - Employee Benefits

TCCU sponsors a defined contribution retirement plan (the Plan). Eligible employees can make contributions to the Plan on a pre-tax basis. TCCU offers a three-year vesting schedule, with 50% at the end of year two and 100% at year three, immediate dollar-for-dollar matching up to 5% of their annual salary. During the years ended June 30, 2023 and 2022, TCCU contributed $263,839 and $169,237, respectively, to the Plan.

## Note 10 - Leases

Effective with the sale of its previous office and operating space in Salt Lake City, Utah on July 1, 2022, TCCU leased back from the buyer the same space under a month to month lease. The lease terminated in July 2023 with the completion of TCCU's new facilities in West Valley City, Utah. The lease agreement required monthly rent charges of $47,125 for the use of the space. Total lease expense for the year ended June 30, 2023, totals $569,350. Additionally, the operating lease agreement required the Organization to pay real estate taxes, insurance, and repairs during the lease term. During the year ended June 30, 2023, TCCU purchased a condominium property which has Homeowners Association (HOA) Fees of approximately $24,000 a month. Total fees paid to the HOA during the year were $306,914.

## Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

| | 2023 | 2022 |
|---|---|---|
| Subject to Expenditure for Specified Purpose | | |
| Outpatient services and training | $ 245,932 | $ 533,740 |
| Restricted to acquire buses | - | 210,000 |
| Promises to give, the proceeds from which have been restricted by donors | 765,395 | - |
| Subject to Expenditure for Capital Campaign | | |
| Restricted for the capital campaign | 9,717,027 | - |
| Promises to give, the proceeds from which have been restricted for the capital campaign | 1,011,667 | - |
| Subject to the Passage of Time | | |
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | 48,149 | 673,259 |
| Endowments | | |
| Earnings subject to endowment spending policy appropriation | 984,511 | 816,011 |
| Perpetual in nature, earnings from which are subject to endowment spending policy appropriation | 1,995,000 | 1,995,000 |
| | $ 14,767,681 | $ 4,228,010 |

Appropriations of earnings on endowment funds are available for the unrestricted use of TCCU subject to appropriation by the Board.

**Note 12 - Contingencies**

TCCU is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes-in-process will not have a material adverse effect on TCCU.

Supplementary Information
June 30, 2023 and 2022

# The Children's Center Utah and Affiliates

# The Children's Center Utah

## Consolidating Schedule of Financial Position

June 30, 2023

| | The Children's Center Utah | The Children's Center Utah Endowment | Eliminations | Total |
|---|---|---|---|---|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | $ 2,775,431 | $ - | $ - | $ 2,775,431 |
| Accounts receivable, net | 1,105,801 | - | - | 1,105,801 |
| Unconditional promises to give, net | 430,928 | - | - | 430,928 |
| Prepaid expenses and other assets | 110,079 | - | - | 110,079 |
| Total current assets | 4,422,239 | - | - | 4,422,239 |
| Property and Equipment, Net | 16,948,608 | - | - | 16,948,608 |
| Unconditional Promises to Give, Less Current Portion | 363,430 | - | - | 363,430 |
| Unconditional Promises to Give, Restricted to Building Project, net | 949,952 | - | - | 949,952 |
| Endowment | - | 9,019,399 | - | 9,019,399 |
| Total assets | $ 22,684,229 | $ 9,019,399 | $ - | $ 31,703,628 |
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Accounts payable and other liabilities | $ 1,304,999 | - | - | 1,304,999 |
| Total current liabilities | 1,304,999 | - | - | 1,304,999 |
| Total liabilities | 1,304,999 | - | - | 1,304,999 |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 9,591,060 | - | - | 9,591,060 |
| The Children's Center Trust | - | 6,039,888 | - | 6,039,888 |
| | 9,591,060 | 6,039,888 | - | 15,630,948 |
| With donor restrictions | 1,059,476 | 2,979,511 | - | 4,038,987 |
| With donor restrictions - building project | 10,728,694 | - | - | 10,728,694 |
| | 11,788,170 | 2,979,511 | - | 14,767,681 |
| Total net assets | 21,379,230 | 9,019,399 | - | 30,398,629 |
| Total liabilities and net assets | $ 22,684,229 | $ 9,019,399 | $ - | $ 31,703,628 |

| | The Children's Center Utah | The Children's Center Utah Endowment | Historic Oquirrh School Manager, Inc. | Eliminations | Total |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | $ 2,825,311 | $ - | $ - | $ - | $ 2,825,311 |
| Accounts receivable, net | 679,407 | - | - | - | 679,407 |
| Unconditional promises to give, net | 334,127 | - | - | - | 334,127 |
| Prepaid expenses and other assets | 149,076 | - | - | - | 149,076 |
| Total current assets | 3,987,921 | - | - | - | 3,987,921 |
| Property and Equipment, Net | 8,318,812 | - | - | - | 8,318,812 |
| Unconditional Promises to Give, Less Current Portion | 339,132 | - | - | - | 339,132 |
| Endowment | - | 8,475,572 | - | - | 8,475,572 |
| Total assets | $ 12,645,865 | $ 8,475,572 | $ - | $ - | $ 21,121,437 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities | | | | | |
| Accounts payable and other liabilities | $ 488,808 | $ - | $ - | $ - | $ 488,808 |
| Total current liabilities | 488,808 | - | - | - | 488,808 |
| Total liabilities | 488,808 | - | - | - | 488,808 |
| Net Assets | | | | | |
| Without donor restrictions | | | | | |
| Undesignated | 10,740,058 | - | - | - | 10,740,058 |
| The Children's Center Trust | - | 5,664,561 | - | - | 5,664,561 |
| | 10,740,058 | 5,664,561 | - | - | 16,404,619 |
| With donor restrictions | 1,416,999 | 2,811,011 | - | - | 4,228,010 |
| Total net assets | 12,157,057 | 8,475,572 | - | - | 20,632,629 |
| Total liabilities and net assets | $ 12,645,865 | $ 8,475,572 | $ - | $ - | $ 21,121,437 |

| | The Children's Center Utah | The Children's Center Utah Endowment | Eliminations | Total |
|---|---|---|---|---|
| Public Support | | | | |
| Contributions | $ 12,604,066 | $ - | $ - | $ 12,604,066 |
| In-kind revenue | 481,658 | - | - | 481,658 |
| Special events, less cost of direct benefits to donors | 895,409 | - | - | 895,409 |
| Federal grants | 3,707,921 | - | - | 3,707,921 |
| | 17,689,054 | - | - | 17,689,054 |
| Revenue | | | | |
| Program services | | | | |
| Federal and state contracts | 393,640 | - | - | 393,640 |
| Private contracts | 977,048 | - | - | 977,048 |
| Private fees | 491,683 | - | - | 491,683 |
| | 1,862,371 | - | - | 1,862,371 |
| Less contractual allowances | (332,984) | - | - | (332,984) |
| Total program services revenue | 1,529,387 | - | - | 1,529,387 |
| Endowment net investment return | - | 543,827 | - | 543,827 |
| Gain on sale of property and equipment | 343,558 | - | - | 343,558 |
| Other revenue | 83,558 | - | - | 83,558 |
| | 427,116 | 543,827 | - | 970,943 |
| Total public support and revenue | 19,645,557 | 543,827 | - | 20,189,384 |
| Expenses | | | | |
| Program services | | | | |
| Therapeutic Preschool | 2,553,660 | - | - | 2,553,660 |
| Training, Consultation and Research | 2,614,932 | - | - | 2,614,932 |
| Outpatient Services | 2,850,723 | - | - | 2,850,723 |
| Total program services | 8,019,315 | - | - | 8,019,315 |
| Supporting services | | | | |
| Management and general | 1,457,432 | - | - | 1,457,432 |
| Fundraising | 946,637 | - | - | 946,637 |
| Total supporting services | 2,404,069 | - | - | 2,404,069 |
| Total program and supporting services expenses | 10,423,384 | - | - | 10,423,384 |
| Change in Net Assets | 9,222,173 | 543,827 | - | 9,766,000 |
| Net Assets, Beginning of Year | 12,157,057 | 8,475,572 | - | 20,632,629 |
| Net Assets, End of Year | $ 21,379,230 | $ 9,019,399 | $ - | $ 30,398,629 |

| | The Children's Center Utah | The Children's Center Utah Endowment | Historic Oquirrh School Manager, Inc. | Eliminations | Total |
|---|---|---|---|---|---|
| Public Support | | | | | |
| Contributions | $ 1,923,411 | $ - | $ - | $ - | $ 1,923,411 |
| Special events, less cost of direct benefits to donors | 771,513 | - | - | - | 771,513 |
| Federal grants | 2,602,779 | | | | 2,602,779 |
| | 5,297,703 | - | - | - | 5,297,703 |
| Revenue | | | | | |
| Program services | | | | | |
| Federal and state contracts | 179,986 | - | - | - | 179,986 |
| Private contracts | 781,150 | - | - | - | 781,150 |
| Private fees | 582,714 | - | - | - | 582,714 |
| | 1,543,850 | - | - | - | 1,543,850 |
| Less contractual allowances | (208,698) | - | - | - | (208,698) |
| Less bad debt | (214,798) | - | - | - | (214,798) |
| Total program services revenue | 1,120,354 | - | - | - | 1,120,354 |
| Endowment net investment return/(loss) | - | (1,357,738) | - | - | (1,357,738) |
| Rental income | - | - | 150,000 | (150,000) | - |
| PPP loan forgiveness | 828,926 | - | - | - | 828,926 |
| Other revenue | 5,359 | - | - | - | 5,359 |
| | 834,285 | (1,357,738) | 150,000 | (150,000) | (523,453) |
| Total public support and revenue | 7,252,342 | (1,357,738) | 150,000 | (150,000) | 5,894,604 |
| Expenses | | | | | |
| Program services | | | | | |
| Therapeutic Preschool | 2,115,703 | - | 142,308 | (66,000) | 2,192,011 |
| Training, Consultation and Research | 1,630,246 | - | 28,462 | (21,000) | 1,637,708 |
| Outpatient Services | 2,064,629 | - | 59,510 | (45,000) | 2,079,139 |
| Total program services | 5,810,578 | - | 230,280 | (132,000) | 5,908,858 |
| Supporting services | | | | | |
| Management and general | 850,294 | - | 38,858 | (9,000) | 880,152 |
| Fundraising | 760,771 | - | 12,937 | (9,000) | 764,708 |
| Total supporting services | 1,611,065 | - | 51,795 | (18,000) | 1,644,860 |
| Total program and supporting services expenses | 7,421,643 | - | 282,075 | (150,000) | 7,553,718 |
| Change in Net Assets | (169,301) | (1,357,738) | (132,075) | - | (1,659,114) |
| Net Assets, Beginning of Year | 12,416,207 | 9,833,310 | 7,111,571 | (7,069,345) | 22,291,743 |
| Transfer of net assets | (89,849) | - | (6,979,496) | 7,069,345 | - |
| Net Assets, End of Year | $ 12,157,057 | $ 8,475,572 | $ - | $ - | $ 20,632,629 |

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
The Children's Center 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 consolidated financial statements of The Children's Center Utah, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 17, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered The Children's Center Utah's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Children's Center Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of The Children's Center 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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Children's Center Utah's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Children's Center Utah's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on The Children's Center Utah's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Children's Center Utah's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

Eide Bailly LLP

Salt Lake City, Utah
November 17, 2023

## Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
The Children's Center Utah
Salt Lake City, Utah

### Report on Compliance for the Major Federal Program

***Opinion on The Major Federal Program***

We have audited The Children's Center Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on The Children's Center Utah's major federal program for the year ended June 30, 2023. The Children's Center Utah's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Children's Center 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, 2023.

***Basis for Opinion on The Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Children's Center 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 the major federal program. Our audit does not provide a legal determination of The Children's Center 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 The Children's Center 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 The Children's Center 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Children's Center Utah's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Children's Center 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 The Children's Center 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 The Children's Center 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.

**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.

Eide Bailly LLP

Salt Lake City, Utah
November 17, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Expenditures |
|---|---|---|---|
| U.S. Department of Health & Human Services | | | |
| Passed through Utah State Department of Workforce Services | | | |
| CCDF Cluster | | | |
| Child Care and Development Block Grant | 93.575 | 21DWS0065 | $ 863,321 |
| Child Care and Development Block Grant | 93.575 | 22DWS0073 | 355,888 |
| Child Care and Development Block Grant | 93.575 | 22DWS0297 | 950,549 |
| Total CCDF Cluster | | | 2,169,758 |
| Passed through Zero to Three: National Center for Infants, Toddlers, and Families | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 2021090588 | 344,272 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 2021090588 | 16,660 |
| Total Zero to Three | | | 360,932 |
| Passed through National Child Traumatic Stress Initiative | | | |
| Substance and Mental Health Services Administration | 93.243 | H79SM084809 | 328,558 |
| Passed through Utah State University | | | |
| Every Student Succeeds Act/Preschool Development | 93.434 | 204746-855 | 33,331 |
| Passed through the University of Utah | | | |
| Medical Student Education Program | 93.884 | 10067432-01-CCU | 3,747 |
| Total U.S. Department of Health & Human Services | | | 2,896,326 |
| U.S. Department of Housing & Urban Development | | | |
| Passed through Salt Lake City Corporation | | | |
| CDBG Entitlement Cluster | | | |
| Community Development Block Grant | 14.218 | 71-5-23-4583 | 53,001 |
| Total U.S. Department of Housing & Urban Development | | | 53,001 |
| Total Federal Financial Assistance | | | $ 2,949,327 |

## Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Children's Center Utah (TCCU) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TCCU, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of TCCU.

## Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

## Note 3 - Indirect Cost Rate

TCCU has elected to use the 10% de minimis cost rate.

## Section I – Summary of Auditor's Results

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Noncompliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major program: | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): | No |

**Identification of major programs:**

| Name of Federal Program | Federal Financial Assistance Listing |
|---|---|
| Child Care and Development Block Grant | 93.575 |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

## Section II – Financial Statement Findings

**2023 – 001** **Financial Statement Preparation and Adjustments**
**Significant Deficiency**

Criteria: TCCU should have a more detailed policies and procedure manual available to ensure that the general ledger accounts are properly reconciled and enhance the preparation of the organization's financial statements.

Condition: Reclassification adjustments were required to the year-end general ledger accounts. The organization's system of internal control did not include complete controls over certain financial statement classification and disclosures.

Cause: TCCU's internal control system and its year-end process did not detect all necessary adjustments to accounts and financial statement disclosure related items.

Effect: Reclassifications were required to properly represent certain general ledger account balances, classifications, and disclosures.

Recommendation: TCCU should strengthen its year-end process to ensure the proper closing of account balances, classifications, and disclosures.

Views of Responsible Officials: Management agrees with this finding.

## Section III – Federal Award Findings and Questioned Costs

**None**