EL PASO CENTER FOR CHILDREN, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

C O N T E N T S

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM

GRP
GIBSON RUDDOCK PATTERSON LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
El Paso Center for Children, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of El Paso Center for Children, Inc. (a nonprofit organization) and affiliate (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of El Paso Center for Children, Inc. and affiliate as of December 31, 2022, and the changes in their net assets and their 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Southwestern Children's Home Trust (Affiliate) were not audited in accordance with *Government Auditing Standards.*

Emphasis of Matter

Change in Accounting Principle

As described in Note 1to the consolidated financial statements, in 2022, the Organization adopted Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Organization's ability to continue as a going concern within one year after the date that the consolidated 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 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 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 consolidated 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 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 El Paso Center for Children Inc.'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 evaluating 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 El Paso Center for Children, Inc.'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 consolidated financial statements as a whole. The accompanying consolidating worksheets and schedule of expenditures of federal and state 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* and the *Texas Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 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 consolidating worksheets and the schedule of expenditures of federal and state awards are 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 September 29, 2023, on our consideration of El Paso Center for Children, Inc.'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 El Paso Center for Children, Inc.'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 El Paso Center for Children, Inc.'s internal control over financial reporting and compliance.

Gibson Ruddock Patterson LLC

El Paso, Texas
September 29, 2023

FINANCIAL SECTION

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

Cash and cash equivalents	$	1,683,124
Investments		1,911,702
Grants and fees receivable		741,632
Contracts with the State receivable		101,262
Unconditional promise to give		25,000
Prepaid expenses and other receivables		65,980
Net investment in sales-type lease		133,535
Land, building, and equipment, net		802,793
Right-of-use assets, net		10,743
Total assets	$	5,475,771

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	201,458
Accrued payroll, vacation and related expenses		205,057
Lease liabilities		11,006
Total liabilities		417,521
Net assets		
Without donor restrictions		4,983,250
With donor restrictions		75,000
Total net assets		5,058,250
Total liabilities and net assets	$	5,475,771

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
State grants	$ 2,044,730	$ -	$ 2,044,730
Federal grants	3,556,112	-	3,556,112
Contracts with the State	1,087,931	-	1,087,931
Contributions	377,277	25,000	402,277
Contributions of nonfinancial assets	2,300	-	2,300
Rental income	6,000	-	6,000
Net investment return	(279,376)	-	(279,376)
Miscellaneous	6,689	-	6,689
Special event revenue	8,940	-	8,940
Less cost of direct benefit to donors	(4,531)	-	(4,531)
Net special event revenue	4,409	-	4,409
Total revenue, support, and gains	6,806,072	25,000	6,831,072
Net assets released from restrictions	41,878	(41,878)	-
Total public support and revenues	6,847,950	(16,878)	6,831,072
Expenses			
Program services	5,822,472	-	5,822,472
Management and general	1,154,356	-	1,154,356
Fundraising	85,170	-	85,170
Total expenses	7,061,998	-	7,061,998
Change in net assets	(214,048)	(16,878)	(230,926)
Net assets, beginning of the year	5,197,298	91,878	5,289,176
Net assets, end of year	$ 4,983,250	$ 75,000	$ 5,058,250

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services													
	Border Collaborative	Transitional Living	Therapeutic Homes	Specialized Foster Care	Emergency Shelter	Family and Youth Success	Street Outreach	Rapid Rehousing	Drop In Center and Emergency Hotel	El Paso HOPES	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 145,454	$ 107,439	$ 127,630	$ 261,150	$ 332,121	$ 724,256	$ 65,815	$ 89,203	$ 83,655	$ 216,917	$ 2,153,640	$ 726,482	$ 59,864	$ 2,939,986
Payroll Taxes	12,745	9,302	10,878	21,904	29,174	62,037	5,612	8,156	7,796	18,221	185,825	58,427	4,862	249,114
Employee benefits	28,994	16,553	21,954	36,865	51,546	112,942	11,459	13,417	14,336	29,022	337,088	107,776	6,622	451,486
Total salaries and related expenses	187,193	133,294	160,462	319,919	412,841	899,235	82,886	110,776	105,787	264,160	2,676,553	892,685	71,348	3,640,586
Client transportation	-	3,323	-	-	10,363	-	3,277	4,042	3,561	-	24,566	-	-	24,566
Foster parent payments	-	-	286,189	110,137	-	-	-	-	-	-	396,326	-	-	396,326
Maintenance allocation	4,575	2,102	3,326	4,787	28,524	43,553	5,015	3,061	18,346	8,114	121,403	25,520	-	146,923
Maintenance and equipment	349	250	665	294	3,572	5,584	596	364	2,183	567	14,424	3,368	525	18,317
Miscellaneous	3,014	2,663	18,588	2,326	10,428	11,545	3,215	6,829	1,794	4,211	64,613	-	6,254	70,867
Professional fees	210,894	5,991	15,016	11,797	36,457	56,261	3,805	11,825	6,607	81,886	440,539	136,170	9,643	586,352
Rent	-	-	-	-	-	-	-	-	-	-	-	4,464	-	4,464
Specific assistance	55,461	157,158	35,020	-	8,990	211,170	7,380	93,591	41,090	114,894	724,754	-	-	724,754
Subcontracted services	-	-	-	-	-	53,603	-	-	-	871,059	924,662	-	-	924,662
Supplies	20,963	3,236	7,924	2,874	51,859	111,913	2,873	2,356	7,079	39,106	250,183	28,707	677	279,567
Travel and conference	1,971	1,762	7,088	295	3,837	4,560	1,369	672	-	16,989	38,543	1,587	1,254	41,384
Utilities	3,922	2,070	3,254	3,108	17,923	26,132	4,001	2,364	9,423	6,985	79,182	32,011	-	111,193
Total expenses by function before depreciation	488,342	311,849	537,532	455,537	584,794	1,423,556	114,417	235,880	195,870	1,407,971	5,755,748	1,124,512	89,701	6,969,961
Depreciation & amortization	2,310	1,240	187	269	20,147	9,600	6,229	11,881	12,353	2,508	66,724	29,844	-	96,568
Total expenses by function	490,652	313,089	537,719	455,806	604,941	1,433,156	120,646	247,761	208,223	1,410,479	5,822,472	1,154,356	89,701	7,066,529
Less expenses included with revenues on the statement of activities:														
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	$ (4,531)	$ (4,531)
Total expenses included in the expenses section in the statement of activities	$ 490,652	$ 313,089	$ 537,719	$ 455,806	$ 604,941	$ 1,433,156	$ 120,646	$ 247,761	$ 208,223	$ 1,410,479	$ 5,822,472	$ 1,154,356	$ 85,170	$ 7,061,998

See accompanying notes to consolidated financial statements.

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities	
Change in net assets	$ (230,926)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	96,568
Amortization of sale type lease	16,303
Unrealized (gain) loss on investments	287,808
Realized (gain) loss on sale of investments	94,284
(Increase) decrease in operating assets and liabilities:	
Grants and contract receivable	(54,886)
Prepaid expenses and other receivables	3,743
Accounts payable	(3,256)
Accrued payroll, vacation and related expenses	9,778
Lease liability	(22,851)
Net cash flows provided by (used in) operating activities	196,565
Cash flows from (used by) investing activities:	
Purchase of property and equipment	(187,447)
Purchase of investments	(1,688,456)
Proceeds from sale of investments	1,666,304
Net cash flows provided by (used in) investing activities	(209,599)
Net increase (decrease) in cash and cash equivalents	(13,034)
Beginning cash and cash equivalents	1,696,158
Ending cash and cash equivalents	$ 1,683,124

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - El Paso Center for Children, Inc. (the Center, we, us, our) is a nonprofit agency organized for the purpose of providing homes for dependent and neglected children and an array of support services for emotionally disturbed children, adolescents, and their families. We operate entirely in the County of El Paso. It is our mission to empower youth and families to brave adversity and conflict through constantly evolving, innovative, programs in order to co-create a brighter future. We fulfill our mission by focusing our efforts in the following main programs.

- *Border Collaborative* - Hosts a community-wide multi-system collaborative in partnership with the Family Leadership Council. Efforts focus on awareness and outreach to support stronger families in our region and prevent child abuse.
- *Transitional Living Program* - Serves young adults in a group transitional living program (home) for females and individuals identified as LGBTQ+ who find themselves without a family support system.
- *Therapeutic Homes and Specialized Foster Care*- Offers therapeutic foster care for children and adolescents with moderate to severe emotional and behavioral disturbances and survivors of human trafficking.
- *Emergency Shelter and Street Outreach*- Serves 10 to 17 year-old runaway and homeless youths and their families.
- *Family and Youth* Success (formerly known as Services *to At-Risk Youth)* - Serves youth and families that are at risk of abuse, delinquency, or family separation.
- *Rapid Rehousing* - Serves young adults with rental assistance, independence coaching, and other support to transition to self-sufficiency, and a healthy, productive adulthood.
- *Drop In Center and Emergency Hotel* - Serves survivors of trafficking, youth victims of other crimes, and youth who are at high risk of exploitation.
- *El Paso HOPES* - Serves families with young children to help them create a safe and healthy environment for children to grow and thrive.

Principles of Consolidation - The consolidated financial statements include the statements of financial position, activities, functional expenses, and cash flows of the Center and the affiliate, Southwestern Children's Home Trust, because the Center has both control and an economic interest in the Trust. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "El Paso Center for Children, Inc. and Affiliate."

The Southwestern Children's Home Trust (the Trust) is a separate nonprofit corporation, which operates for our benefit. Four of the five individual trustees of the Trust are appointed by the board of directors of El Paso Center for Children, Inc. The Trust holds and maintains investments out of which monthly contributions are distributed to us. The Trust investments are managed by a board of directors that has authority to make distributions to us or for our use.

Basis of Accounting Presentation - The accompanying consolidated financial statements have been prepared and presented on the accrual basis of accounting and conform with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned. Expenses are recognized when the related liability for payments is incurred.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restrict by donors/grantors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Financial Instruments and Credit Risk - We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced any losses in any of these accounts. Investments of the Trust are made by diversified investment managers whose performance is monitored by its board. Although the fair value of investments are subject to fluctuation on a year-to-year basis, the Trust board believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

We maintain a cash account at a financial institution in El Paso, Texas, whose cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. We evaluated the balances held at the financial institution and do not believe we are exposed to any significant credit risk.

The uninsured balance at December 31, 2022 was $1,389,697.

In addition, the cash and cash equivalents included in the Southwestern Children's Home Trust investments are not FDIC insured. The cash and equivalents balances as of December 31, 2022 was $67,139.

Credit risk associated with grants and fees 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 our mission.

Investments - We record investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest, dividends, royalty income, and realized and unrealized capital gain and losses, less external and direct internal investment expenses.

Fair Value Measurement - We report certain assets and liabilities 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 categorized the inputs as follows:

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we 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 not active, inputs other than quoted prices that are the observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure 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 our assessment of the quality, risk or liquidity profile of the asset or liability.

Grants and Contracts Receivable - Grants and contract receivable consist primarily of noninterest-bearing amounts due from government entities for services provided. We determine the allowance for uncollectible grants and fees 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 December 31, 2022, we considered all grants and contract receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts related to grants and contract receivable.

Unconditional Promises to Give - We record unconditional promises to give when we receive in writing, a promise to give. Unconditional promises to give that are 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 technique incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the state of activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review for subsequent collections. Unconditional promises to give are written off when deemed uncollectible. At December 31, 2022, we considered unconditional promises to give to be fully collectible. Accordingly, there was no allowance for doubtful accounts related to unconditional promises to give.

Conditional promises to give are not included as support until the conditions are substantially met.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - We record property and equipment additions over $5,000 at cost, or, if donated, at fair value on the date of donation, or if a financed lease asset, at present value of lease payments over the lease term. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of the assets ranging from 5-30 years, or in the case of finance lease right-of-use assets or leasehold improvement, 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 gain or loss is included in the statements of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Contributions of property and equipment or cash restricted for acquisition of property and equipment are reported as net assets with donor restrictions, if the donor has restricted the use of the property or equipment to a particular program. If the donor specifies a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, we consider the restriction met when the assets are placed in service. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Property and equipment acquired by us are considered to be owned by us. However, federal and state funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Analysis for Impairment - We review the carrying values of property and equipment for impairment whenever events or circumstances indicated 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. Indefinite-lived assets are reviewed for impairment at least annually. When considered impaired, an 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 December 31, 2022.

Accrued Leave - Our employees receive paid vacation days depending on length of service and other factors. Upon termination, the employee is paid for vacation leave accrued but not used. The vacation accrual can be reasonably estimated, and accordingly, a liability for the year ended December 31, 2022 was recorded in the accompanying consolidated financial statements in the amount of $57,430.

Leases – A contract is determined to contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration.

We determine if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Finance lease assets represent the right to control the use of an identified asset for the lease term and finance lease liabilities represent the obligation to make lease payments arising from the lease. Finance lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and are expensed on a straight-line basis. For a lessee, operating leases are any lease other than a finance lease. From the perspective of a lessor, operating leases are any lease other than a sales-type lease or a direct financing lease.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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. Net assets received and expended within the reporting period are reported in the Statement of Activities as support or revenue without donor restrictions.

Net Assets With Donor Restrictions - We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Disclosures about the Fair Value of Financial Instruments - Due to the short-term nature of the accounts, certain assets and liabilities such as cash and cash equivalents, grants and fees receivable, contracts receivable, unconditional promises to give, prepaid assets, accounts payables, and accrued liabilities are carried at values that we believe approximate fair value.

Support and Revenue Recognition - Our revenue comes primarily from federal and state grants, contracts with the State, and contributions. Revenue is recognized when earned. Program service fees and 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.

Grants - Grants can be either contribution or exchange transactions. Grants that are exchange transactions recognize revenue when the expenses are incurred or service delivery has been made, or when matches have been made in accordance with the related agreement.

Contracts with the State - We recognize revenue from contracts with the State during the year in which the related services are provided to the children in need of shelter. Revenue is recognized when control of the promised services (shelter) is provided to the child on behalf of the State, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The performance obligation of delivering shelter is simultaneously received and consumed by the children and is satisfied at a point in time. Payment is made by the State monthly for the previous month's service based upon pre-established nightly rates. The revenue is recognized using the five-step approach required by ASC Topic 606 as follows:

- Identification of the contract with a customer
- Identification of the performance obligation in the contract
- Determination of the transaction price

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied.

Contributions - Contributions 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 are not recognized until the conditions on which they depend have been substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-imposed restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities as net assets released from restriction. Contributions received with donor imposed restrictions that are met in the same year in which the contributions are received are classified as support without donor restrictions.

Contributions of nonfinancial assets - Contributions of nonfinancial assets include contributed services, which are defined as contributed services that would have to be purchased in order for us to operate if not donated, are recorded as revenue and expense in the Statement of Activities in the period received. We utilize rather than monetize and contributions of nonfinancial assets. The value of contributed services included in the consolidated statement of activities and in the consolidated statement of functional expenses as professional fees for the Family and Youth Success program for the year ended December 31, 2022 was $2,300 based upon the invoice provided by the vendor. The expenses related to contributed services are excluded from billing to granting agencies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Operating revenues and expenses are directly related to client assistance in the area of shelter and support services.

Advertising - Advertising costs are expenses as incurred, and the total amounts expensed for the year ended December 31, 2022 was $158,799.

Functional Allocation of Expenses - The cost of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of the expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Direct expenses of a particular program are charged to that program while indirect expenses are allocated to the various programs based upon the two indirect cost rate allocations that we have adopted.

1. *Maintenance*: Maintenance costs are first allocated to each direct service and management and general based on the percentage of building square footage that each program occupies.

2. *Management & General*: Management and general costs are then allocated to each direct service program based on the percentage of total allowable direct costs (including maintenance) that each program represents.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes - Both us and the Trust are organized as Texas nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. 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. We have determined that we are not subject to unrelated business income tax and have not filed an Exempt Organization Business Tax return (Form 990-T) with the IRS for the year ended December 31, 2022. Therefore, no provision for federal income taxes is included in the accompanying financial statements. In addition, the Trust did not have any unrelated business income in 2022.

Our tax returns are subject to examination by federal taxing authorities. The tax laws, rules and regulations governing these returns are complex, technical, and subject to varying interpretations. If an examination required the Center to make adjustments, the profits or losses would be adjusted accordingly. No examination is currently in process. The IRS Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates, and those differences could be material.

Uncertain Tax Positions - We have adopted FASB ASC 740-10-25, Accounting for Uncertainty of Income Taxes. The accounting standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, an organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status for an organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Our evaluation as of December 31, 2022 revealed no uncertain tax positions that would have a material impact on the financial statements, and therefore, there were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2022. We do not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle - Effective January 1, 2022, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

We elected to apply the package of practical expedients allowing us to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases. We also elected, as a policy, the practical expedient that allows us to use a risk-free rate for a lease instead of our incremental borrowing rate when the rate implicit in the lease is not readily determinable. Our policy is to use this rate for all classes of underlying assets. Additionally, we made the election to not apply the recognition requirements to short-term leases for all classes of underlying assets as permitted.

We have implemented ASU No. 2016-02, *(Topic 842, Leases)* as amended, and have adjusted the presentation and disclosures in these financial statements accordingly. Upon adoption on January 1, 2022, we recorded initial finance right-of-use assets and initial finance lease liabilities of $33,857 (see Note 8).

During September 2020, Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* was issued. Topic 958 clarifies the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received an how they are used and recognized by the Not-for-Profit entity. We have implemented ASU 2020-07 and have adjusted the presentation and disclosures in these financial statements accordingly.

(Continued)

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure for the Center, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Financial Assets:	
Cash and cash equivalents	$ 1,615,985
Grants, fees, and contracts receivable	842,894
Unconditional promises to give	25,000
Net investment in sales-type lease	17,395
	2,501,274
Donor imposed restrictions:	
Programs and perpetual in nature	(75,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,426,274

As part of our liquidity management plan, we submit grant reports in a timely manner to ensure funds are available as needed. In addition, we can request funding from our affiliate to cover any shortfalls that occur.

3. FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2022 are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Mutual funds	$ 1,308,229	$ 1,308,229	$ -	$ -
Fixed Income Mutual Funds	339,971	339,971	-	-
Alternative Investments Mutual Funds	109,350	109,350	-	-
Real Asset Mutual Funds	67,357	67,357	-	-
Mineral interest/Producing Well	86,795	-	-	86,795
Total	$ 1,911,702	$ 1,824,907	$ -	$ 86,795

(Continued)

3. FAIR VALUE MEASUREMENTS (Continued)

We use appropriate valuation techniques based on the available inputs to measure the fair value of our investments. The mutual funds' fair values are provided by the financial institution that manages the investments. Mutual funds are classified as Level 1. The value of investment in mineral interest/producing well is based on a cash flow analysis over a multiyear period as provided by the financial institution that manages the investment. Mineral interest/producing well are classified as Level 3.

Asset measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Mineral Interest/ Producing Well
January 1, 2021	$ 111,424
Unrealized loss	(75,683)
December 31, 2021	$ 35,741
January 1, 2022	$ 35,741
Unrealized gain	51,054
December 31, 2022	$ 86,795

The investments held by the Trust at December 31, 2022, are as follows:

	Fair Value	Cost	Unrealized Gain(Loss)
Equity Mutual Funds	$ 1,308,229	$ 1,220,490	$ 87,739
Fixed Income Mutual Funds	339,971	363,337	(23,366)
Alternative Investments Mutual Funds	109,350	118,434	(9,084)
Real Asset Mutual Funds	67,357	72,584	(5,227)
Mineral Interest/Producing Well	86,795	3	86,792
Total	$ 1,911,702	$ 1,774,848	$ 136,854

The Trust invests in various investment securities which are exposed to risks such as interest rate, market, and credit risks.

A significant portion of the Trust investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

(Continued)

3. FAIR VALUE MEASUREMENTS (Continued)

The following summarizes the investment return in the statement of activities:

Interest, dividends and royalties	$	127,213
Realized gains (losses)		(94,284)
Unrealized gains (losses)		(287,808)
Investment expenses		(24,497)
Net investment return	$	(279,376)

4. UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give as of December 31, 2022, are net assets with donor restrictions. These unconditional promises to give are to be received during the next fiscal year and are deemed to be fully collectible by management.

United Way	$	25,000
Receivable in next fiscal year	$	25,000

5. SALES-TYPE LEASE RECEIVABLE

On December 22, 2003 we, as lessor, signed a lease agreement with the Young Women's Christian Association of El Paso, Texas for the main building and the land it occupies at 3700 Altura, El Paso, Texas, for an initial period of twenty-two years with an option on the part of the lessee to extend the lease for a period of three years for a total of twenty-five years. Certain provisions of the building lease allow the lessee to purchase the building for $1 at the end of the 25-year lease term. The lease was considered a real estate sale-type lease and was accounted for under the installment method, whereby gain is deferred until payment is received. A nominal interest rate of 6.5% was used. With the implementation of ASU No. 2016-02, as amended, we continue treating this lease under previous GAAP as required with the modified retrospective transition method.

Present value of minimum lease payments	$	237,945
Less deferred gain		(104,410)
Net book value of real estate assets sold	$	133,535

(Continued)

5. SALES-TYPE LEASE RECEIVABLE (Continued)

The composition of the net investment in sales-type lease at December 31, 2022 is as follows:

Total minimum lease payments to be received	$ 288,000
Less: Amount representing interest	(50,055)
Present value of future minimum lease payments	237,945
Deferred gain	(104,410)
Net investment in sales-type lease	$ 133,535

At December 31, 2022 future minimum lease payments receivable under the lease are as follows:

Year Ended December 31,	Amount
2023	$ 48,000
2024	48,000
2025	48,000
2026	48,000
2027	48,000
2028	48,000
Future lease payments	$ 288,000

The portion of interest income recognized in the statement of activities amounted to $16,584 for the year ended December 31, 2022.

(Continued)

6. LAND, BUILDING, AND EQUIPMENT

The following is a summary of the changes in building and equipment for the year ended December 31, 2022:

	Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
Land	$ 258,581	$ -	$ -	$ 258,581
Building and improvements	1,772,575	24,400	-	1,796,975
Furniture, fixtures and equipment	153,152	163,047	-	316,199
Total land, building, and equipment	2,184,308	187,447	-	2,371,755
Less accumulated depreciation for building and equipment	(1,495,508)	(73,454)	-	(1,568,962)
Capital assets, net	$ 688,800	$ 113,993	$ -	$ 802,793

Depreciation expense recorded for the year ended December 31, 2022 was $73,454.

7. RIGHT-OF-USE LEASE ASSETS

The following is a summary of the changes in right-of-use lease assets for the year ended December 31, 2022:

	(Restated) Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
Right-of-use lease assets				
Equipment	$ 33,857	$ -	$ -	$ 33,857
Total Right-of-use lease assets	33,857	-	-	33,857
Less accumulated amortization for Right-of-use lease assets	-	(23,114)	-	(23,114)
Right-of-use lease assets, net	$ 33,857	$ (23,114)	$ -	$ 10,743

Amortization expense recorded for the year ended December 31, 2022 was $23,114.

(Continued)

8. OPERATING LEASING ARRANGEMENTS AS LESSEE

During 2020, we entered into a thirty-nine month noncancellable operating lease agreement for office equipment. The lease agreement requires monthly payments in the amount of $1,377. The discount rate to calculate the present value of future minimum payments was 0.85%. The rate is based on the risk free U.S. Treasury yield rate.

During 2020, we entered into a three year operating lease agreement for one vehicle. The lease agreement requires monthly payments in the amount of $615. The rate implicit in the agreement is 12%.

The weighted average discount rate is 5.04% and the weighted average remaining lease term is 6 months.

For the year ended December 31, 2022, cash paid for operating leases for the year was $23,907.

A summary of changes in the lease liabilities for the year ended December 31, 2022 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance
Right-of-use operating lease liabilities	$ 33,857	$ -	$ 22,851	$ 11,006

Future maturities of lease liabilities as of December 31, 2022 are as follows:

Year Ended December 31,	Amount
2023	$ 11,188
Less present value discount	182
Total	$ 11,006

(Continued)

9. ENDOWMENT

Our endowment consists of Southwestern Children's Home Trust (Affiliate). The endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. As of December 31, 2022, there were no Board designated endowment funds.

Interpretation of Relevant Law

Our Board of Directors has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (SPMIFA) to not require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless the donor explicitly required preservation of fair value. There are no such explicit donor requirements for the Trust except for the Espy Fund. As a result of this interpretation, we classify as perpetual restricted net assets (a) the value of gifts donated to the permanent endowment(Espy Fund) and (b) the value of subsequent gifts to the permanent endowment (Espy Fund). The portion of the donor-restricted endowment fund (Espy Fund) that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions. In accordance with Texas SPMIFA, we consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Academy 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 Academy
- The investment policies of the Trust and El Paso Center for Children, Inc.

Investment Objective: The endowment has adopted a moderately aggressive investment objective.

Return Objectives: The endowment will be managed targeting a 7.5% long-term average annual total rate of return on a pre-inflation, pre-fee basis. The target return is based upon the assumption that future underlying asset class returns will approximate the long-term projected rates of return and are not guaranteed. It is understood that market performance varies and the target return may not be meaningful during some periods. The evaluation benchmark will be a weighted average of appropriate underlying indices corresponding to the target asset class weighting in the portfolio's strategic allocation.

Permitted Asset Classes and Ranges:

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Fixed Income	20%	30%	40%
Equity	50%	60%	70%
Real Assets	4%	7%	11%
Alternative Investments	1%	3%	9%

(Continued)

9. ENDOWMENT (Continued)

As of December 31, 2022, the endowment had $50,000 in net assets with donor restrictions related to amounts required to be maintained in perpetuity by the donor. (See Note 9) All remaining net assets related to the endowment are without donor restrictions.

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by the donor or by law, Texas SPMIFA, (underwater endowments). There were no underwater endowments as of December 31, 2022.

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, January 1, 2022	$ 2,826,520	$ 50,000	$ 2,876,520
Charitable contributions	39,730	-	39,730
Rental income	6,120	-	6,120
Investment return, net	(311,073)	-	(311,073)
Distribution to El Paso Center for Children	(70,070)	-	(70,070)
Miscellaneous expenses	(9,486)	-	(9,486)
Depreciation	(22,509)	-	(22,509)
Endowment net assets, December 31, 2022	$ 2,459,232	$ 50,000	$ 2,509,232

10. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose:	
Emergency Shelter	$ 25,000
Perpetual in nature	50,000
Total net assets with donor restrictions	$ 75,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors were as follows during the year ended December 31, 2022:

Emergency Shelter	$ 25,000
Emergency Apartment Kits and PPE	16,878
	$ 41,878

(Continued)

11. TAX-DEFERRED ANNUITY PLAN

We offer to our employees a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate not withstanding years of service. The Plan is 100% funded by the employee and there is no match by us. We have a fiduciary responsibility to ensure that the employee contributions are received and properly remitted to the plan administrator.

12. CONTINGENT LIABILITIES

We participate in numerous federal, state, and local grants which are subject to additional audit and review by the granting agencies. These grants have complex compliance requirements and should federal, state, or local audits discover areas of material noncompliance, those funds may be subject to refund if so determined by the grantor. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. In our opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies.

We have purchased certain equipment with federal awards. If the equipment is not used for its intended purpose during its depreciable life, title may revert to the grantor.

We are subject to licensing requirements and periodic inspections by State personnel for both the emergency shelter and the therapeutic homes program. The State may suspend the license if we fail to meet certain requirements or inspections.

13. CONCENTRATION OF REVENUE, SUPPORT, AND GAINS

During the year ended December 31, 2022, we received revenue of $6,688,773, from government grants and contracts. This constitutes approximately 98% of total revenue, support, and gains. The loss of this funding could have a material impact on our ability to continue to provide the current level of services to the community.

14. LITIGATION

During the normal course of business, we may be subject to various legal claims. As of December 31, 2022, we are not aware of any claims which would have a material adverse effect on the financial statements.

15. SUBSEQUENT EVENT

Subsequent events were evaluated through September 29, 2023, which is the date the consolidated financial statements were available to be issued.

(Continued)

16. PENSION PLAN

On September 1, 1993, a simplified employee pension (individual retirement account) plan was adopted. The SEP-IRA plan covers all employees who have completed one year of service and who have attained the age of 18. Contributions to the plan are based upon 5% of wages of eligible employees. Annual pension costs for 2022 was $98,844.

17. RELATED PARTY TRANSACTIONS

The use of the facilities where we operate was donated by Southwestern Children's Home Trust (Affiliate) which owns the real property. During the fiscal year ending December 31, 2022, we both recognized $554,860, each year, of in-kind rent as revenues and expenses in the consolidating worksheet. In addition, we received financial support in the form of grants from the Southwestern Children's Home Trust in the amount of $70,070 during the fiscal year ended December 31, 2022. We paid $120 in rent to Southwestern Children's Home Trust during the fiscal year ended December 31, 2022. These transactions were eliminated in the Consolidating Worksheet.

18. RESTATEMENT

As part of the Center's implementation of ASU 2016-02, *Leases (Topic 842)*, as amended, a restatement was necessary to establish the opening balances as of January 1, 2022 for the right-of-use lease assets and the right-of-use lease liability in the amount of $33.857. The restatement had no impact on net assets.

19. NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The requirements of this ASU will be effective for periods beginning after December 15, 2022. The new guidance provides financial statement users with improved information about expected credit losses on financial instruments and other commitments to extend credit. We are evaluating the impact this standard will have on our financial reporting.

OTHER INFORMATION

EL PASO CENTER FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING WORKSHEET
December 31, 2022

	El Paso Center for Children, Inc. as of 12/31/2022	Southwestern Children's Home Trust as of 12/31/2022	Combined Balance as of 12/31/2022	Total Eliminations as of 12/31/2022	Consolidated Balance as of 12/31/2022
ASSETS					
Cash and cash equivalents	$ 1,615,985	$ 67,139	$ 1,683,124	$ -	$ 1,683,124
Investments	-	1,911,702	1,911,702	-	1,911,702
Grants and fees receivable	741,632	-	741,632	-	741,632
Contracts with the State receivable	101,262	-	101,262	-	101,262
Unconditional promise to give	25,000	-	25,000	-	25,000
Prepaid expenses and other receivables	65,980	4,630	70,610	(4,630)	65,980
Net investment in sales-type lease	133,535	-	133,535	-	133,535
	2,683,394	1,983,471	4,666,865	(4,630)	4,662,235
Land, building, and equipment, net	277,032	525,761	802,793	-	802,793
Right-of-use assets, net	10,743	-	10,743	-	10,743
	287,775	525,761	813,536	-	813,536
Total assets	2,971,169	2,509,232	5,480,401	(4,630)	5,475,771
LIABILITIES & NET ASSETS					
Accounts payable	206,088	-	206,088	(4,630)	201,458
Accrued payroll, vacation, and related expenses	205,057	-	205,057	-	205,057
Lease liabilities	11,006	-	11,006	-	11,006
Total liabilities	422,151	-	422,151	(4,630)	417,521
Net assets	2,549,018	2,509,232	5,058,250	-	5,058,250
Total liabilities and net assets	2,971,169	2,509,232	5,480,401	(4,630)	5,475,771
SUPPORT AND REVENUES					
State grants	2,044,730	-	2,044,730	-	2,044,730
Federal grants	3,556,112	-	3,556,112	-	3,556,112
Contracts with the State	1,087,931	-	1,087,931	-	1,087,931
Contributions	432,617	39,730	472,347	(70,070)	402,277
Contributions of nonfinancial assets	557,160	-	557,160	(554,860)	2,300
Rental income	-	560,980	560,980	(554,980)	6,000
Net investment return	31,697	(311,073)	(279,376)	-	(279,376)
Miscellaneous	6,689	-	6,689	-	6,689
Special event revenue	8,940	-	8,940	-	8,940
Less cost of direct benefit to donors	(4,531)	-	(4,531)	-	(4,531)
Total Support and Revenues	7,721,345	289,637	8,010,982	(1,179,910)	6,831,072
EXPENSES					
Salaries	2,939,986	-	2,939,986	-	2,939,986
Payroll taxes	249,114	-	249,114	-	249,114
Employee benefits	451,486	-	451,486	-	451,486
Client transportation	24,566	-	24,566	-	24,566
Foster parent payments	396,326	-	396,326	-	396,326
Grants and donations	-	624,930	624,930	(624,930)	-
Maintenance allocation	146,923	-	146,923	-	146,923
Maintenance and equipment	18,317	-	18,317	-	18,317
Miscellaneous	66,336	-	66,336	-	66,336
Professional fees	581,880	4,472	586,352	-	586,352
Rent	554,980	4,464	559,444	(554,980)	4,464
Specific assistance	724,754	-	724,754	-	724,754
Subcontracted services	924,662	-	924,662	-	924,662
Supplies	279,017	550	279,567	-	279,567
Travel and conference	41,384	-	41,384	-	41,384
Utilities	111,193	-	111,193	-	111,193
Depreciation/amortization	74,059	22,509	96,568	-	96,568
Total Expenses	7,584,983	656,925	8,241,908	(1,179,910)	7,061,998
Change in net assets	136,362	(367,288)	(230,926)	-	(230,926)
Net assets, beginning of the year	2,412,656	2,876,520	5,289,176	-	5,289,176
Net assets, end of year	$ 2,549,018	$ 2,509,232	$ 5,058,250	$ -	$ 5,058,250

FEDERAL AND STATE AWARDS SECTION

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM

GRP
GIBSON RUDDOCK PATTERSON LLC
certified public accountants

INDEPENDENT AUDITOR'S 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
El Paso Center for Children, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of El Paso Center for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 September 29, 2023. The financial statements of Southwestern Children's Home Trust (Affiliate) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Southwestern Children's Home Trust (Affiliate).

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Center for Children, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso Center for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso Center for Children, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibson Ruddock Patterson LLC

El Paso, Texas
September 29, 2023

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM

GRP
GIBSON RUDDOCK PATTERSON LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE TEXAS GRANT MANAGEMENT STANDARDS

To the Board of Directors
El Paso Center for Children, Inc.

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited El Paso Center for Children, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of El Paso Center for Children, Inc.'s major federal and state programs for the year ended December 31, 2022. El Paso Center for Children, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, El Paso Center for Children, Inc. 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 and state programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal and State 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; 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) and the Texas Grant Management Standards. Our responsibilities under those standards, the Uniform Guidance, and Texas Grant Management Standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of El Paso Center for Children, Inc. 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 and state program. Our audit does not provide a legal determination of El Paso Center for Children, Inc.'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 El Paso Center for Children, Inc.

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 El Paso Center for Children, Inc.'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*, the Uniform Guidance, and Texas Grant Management Standards 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 El Paso Center for Children, Inc.'s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Texas Grant Management Standards, 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 El Paso Center for Children, Inc.'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 El Paso Center for Children, Inc.'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 and Texas Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of El Paso Center for Children, Inc.'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 or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 or state 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 or state 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 and Texas Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Gibson Ruddock Patterson LLC

El Paso, Texas
September 29, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Were significant deficiencies in internal controls disclosed?	None reported
Were material weaknesses in internal control disclosed?	No
Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?	No

Federal and State Awards

Internal Control over major federal and state award programs:	
Were significant deficiencies in internal control over major programs disclosed?	Federal - None reported State - None reported
Were material weaknesses in internal control over major programs disclosed?	Federal - No State - No
Type of auditor's report issued on compliance for the major federal and state programs:	Unmodified
Were there any audit findings that the auditor is required to disclose under Title 2 CFR 200.516 Audit findings paragraph (a) and the Texas Grant Management Standards?	Federal Programs - No State Programs - No
Dollar threshold used to distinguish between Type A and Type B Programs:	Federal Programs - $750,000 State Programs - $750,000
Did auditee qualify as low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee?	Federal Programs - Yes State Programs - N/A

(Continued)

SUMMARY OF AUDITOR'S RESULTS

Major Federal Programs:	**Victims of Crime Act Formula Grant Program, CFDA 16.575**
Major State Programs:	**Family and Youth Success Program, Contract #24555393**

(Continued)

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings or questioned costs.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF STATUS OF **PRIOR** YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Pass-Through Grantor's Number	Total Federal Expenditures	Amount Pass-through to Subrecipients
U.S. Department of Health and Human Services				
Runaway and Homeless Youth (Basic Center Program)	93.623	90CY7224-01-00 90CY7224-02-00	$ 195,072	$ -
Border Youth Street Outreach Program	93.557	90YO2402-01-00 90YO2402-02-00	111,856	-
Transitional Living for Homeless Youth (Female and LGBTQ+ Therapeutic TLP)	93.550	90CX7251-03-00 90CX7385-01-00	132,884	-
Transitional Living Program for Young Men	93.550	90CX7386-01-00	168,007	-
Total Assistance Listing Number 93.550			300,891	-
Border Collaborative to Strengthen and Preserve Families	93.670	90CA1856-03-00 90CA1856-04-00	581,583	-
<u>Passed through Texas Department of Family and Protective Services</u>				
Promoting Safe and Stable Families - Family and Youth Success	93.556	24555393	295,792	-
Community-Based Child Abuse Prevention Grants - Family and Youth Success	93.590	24555393	230,000	-
COVID-19 Community-Based Child Abuse Prevention Grants - ARPA Innovation Grant	93.590	2101TXBCC6 2102TXBCAP	91,875	-
Total Assistance Listing Number 93.590			321,875	-
Temporary Assistance for Needy Families - Family and Youth Success	93.558	24555393	180,466	-
Temporary Assistance for Needy Families - Healthy Outcomes through Prevention and Early Support Program	93.558	HHS000332600009	51,216	-
Total Assistance Listing Number 93.558			231,682	-
Total U.S. Department of Health and Human Services			2,038,751	-
U.S. Department of Housing and Urban Development				
Continuum of Care Program	14.267	TX0456L6T031903 TX0456L6T032004	50,732	-
<u>Passed through City of El Paso</u>				
*Community Development Block Grant (Runaway Shelter)	14.218	1016864	44,637	-
Total CDBG-Entitlement Grants Cluster (AL 14.218/14.225)			44,637	-
COVID-19 Emergency Solutions Grant Response and Recovery Program	14.231	1062140	121,484	-
<u>Passed through Texas Department of Housing and Community Affairs</u>				
Emergency Solutions Grant Program	14.231	E20-DC-48-0001 E21-DC-48-0001	80,012	-
COVID-19 Emergency Solutions Grant Program	14.231	E-20-DW-48-0001	166,767	-
Total Assistance Listing Number 14.231			368,263	-
Total U.S. Department of Housing and Urban Services			463,632	-

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing No.	Pass-Through Grantor's Number	Total Federal Expenditures	Amount Pass-through to Subrecipients
U.S. Department of Justice				
Passed through Texas Office of the Governor-Criminal Justice Division (CJD)				
Victims of Crime Act Formula Grant Program - Youth Shelter and Victim's Services	16.575	2019-V2-GX-0011 2020-V2-GX-0004	322,308	-
Victims of Crime Act Formula Grant Program - CSEY Foster Care and Drop-In Center	16.575	2020-V2-GX-0004	505,692	-
Total Assistance Listing Number 16.575			828,000	-
Passed through the Office of Justice Programs (OJP)				
Children Exposed to Violence/Defending Childhood - Border Youth Resiliency Project	16.818	15PJDP-21-GK-03228-CEVJ	133,347	53,603
Total U.S. Department of Justice			961,347	53,603
U.S. Department of Treasury				
Passed through Texas Office of the Governor-Criminal Justice Division (CJD)				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds-Youth Shelter and Victim's Services	21.027	2021-CS-21027	92,382	-
Total Federal Awards			$ 3,556,112	$ 53,603

* Clustered Program

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

EL PASO CENTER FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

State Grantor/Pass-Through Grantor/Program Title	State Award Number	Total State Expenditures	Amount Pass-through to Subrecipients
Texas Department of Family and Protective Services			
Family and Youth Success Program	24555393	$ 550,404	$ -
Healthy Outcomes through Prevention and Early Support Program (HOPES)	HHS000332600009	1,434,778	871,059
Total for Texas Department of Family and Protective Services		1,985,182	871,059
Texas Department of Housing and Community Affairs			
Passed through City of El Paso			
Texas Youth Set Aside Homeless Housing and Services Program	19-1039-1789 21-1039-2007	59,548	-
Total State Awards		$ 2,044,730	$ 871,059

See accompanying notes to Schedule of Expenditures of Federal and State Awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the El Paso Center for Children, Inc., under programs of the federal and state government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance) and the *Texas Grant Management Standards.* Because the schedule presents only a selected portion of the operations of the El Paso Center for Children, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the El Paso Center for Children, Inc.

2. BASIS OF ACCOUNTING

Accounting and Financial Reporting - The schedule of expenditures of federal and state awards is presented using the accrual basis of accounting, which reflects the flow of economic resources measurement focus and requires recognition of revenue when earned and expenses when incurred.

Period of Performance - The period of performance for federal and state grants for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal and state project period extended 90 days beyond the federal and state project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - April 2022, and Closeout Requirements of the Texas Grant Management Standards.

Matching - Matching contributions for the year ended December 31, 2022 were as follows:

Program	Assistance Listing Number	Amount
Emergency Solutions Grant Program	14.231	$ 88,108
Continuum of Care Program	14.267	17,024
Transitional Living for Homeless Youth (Female and LGBTQ+ Therapeutic TLP)	93.550	31,441
Transitional Living Program for Young Men	93.550	19,442
Border Youth Street Outreach Program	93.557	16,702
Runaway and Homeless Youth (Basic Center Program)	93.623	22,224
		$ 194,941

Program Income - Program income was not generated from any of the federal or state awards.

Non-Cash Assistance - El Paso Center for Children, Inc. did not receive any federal or state awards in the form of non-cash assistance during the year.

3. INDIRECT COST RATE

The Center did not elect to use the 10% de minimis indirect cost rate but used the indirect cost rate assigned by the Department of Health and Human Services and allowed by the granting agency.