

CENTRONÍA, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND GRANT COMPLIANCE

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

CENTRONÍA, INC. AND SUBSIDIARY
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Report of Independent Auditor

To the Board of Directors
CentroNía, Inc. and Subsidiary
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of CentroNía, Inc. and Subsidiary, (collectively, "CentroNía"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CentroNía as of June 30, 2022 and 2021, and the changes in its net assets and their 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 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 Consolidated Financial Statements* section of our report. We are required to be independent of the Association, 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 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 CentroNía'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 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 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 CentroNía'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 CentroNía'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 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. 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 information 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 March 22, 2023, on our consideration of CentroNía'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 CentroNía'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 CentroNía's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
March 22, 2023

CENTRONÍA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 1,142,487	\$ 1,934,105
Investments	11,640,693	13,713,215
Grants and contracts receivable	1,635,479	1,345,706
Accounts receivable	<u>662,947</u>	<u>135,581</u>
Total Current Assets	15,081,606	17,128,607
Property and equipment, net of accumulated depreciation	157,825	161,981
Other Assets:		
Prepaid expenses	155,546	103,160
Deferred rent receivable	76,548	81,565
Security deposit	<u>131,865</u>	<u>130,860</u>
Total Assets	<u>\$ 15,603,390</u>	<u>\$ 17,606,173</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 235,257	\$ 566,767
Accrued payroll and liabilities	396,203	766,750
Deferred revenue	45,984	46,221
Lines of credit	3,424,783	3,524,783
Loan payable to Department of Housing and Community Development	<u>3,094,508</u>	<u>3,037,554</u>
Total Current Liabilities	7,196,735	7,942,075
Long-Term Liabilities:		
Deferred rent expense	<u>339,994</u>	<u>285,213</u>
Total Liabilities	7,536,729	8,227,288
Net Assets:		
Without donor restrictions	6,978,737	8,314,676
With donor restrictions	<u>1,087,924</u>	<u>1,064,209</u>
Total Net Assets	<u>8,066,661</u>	<u>9,378,885</u>
Total Liabilities and Net Assets	<u>\$ 15,603,390</u>	<u>\$ 17,606,173</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CENTRONÍA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Government grants and contract revenue	\$ 12,754,182	\$ -	\$ 12,754,182	\$ 11,142,232	\$ -	\$ 11,142,232
Private grants and contributions	184,457	815,600	1,000,057	512,378	130,000	642,378
Contributions of nonfinancial services	73,418	-	73,418	183,461	-	183,461
Parents' fees	1,174,137	-	1,174,137	660,713	-	660,713
Rental income	1,298,241	-	1,298,241	1,113,685	-	1,113,685
Investment return, net	(1,572,507)	198	(1,572,309)	2,085,935	388	2,086,323
Catering service fees	891,775	-	891,775	549,989	-	549,989
Other income	39,429	-	39,429	42,682	-	42,682
Net assets released from donor restrictions	792,083	(792,083)	-	736,908	(736,908)	-
Total Support and Revenue	15,635,215	23,715	15,658,930	17,027,983	(606,520)	16,421,463
Expenses:						
Program services	14,483,015	-	14,483,015	14,115,373	-	14,115,373
General and administrative	2,246,455	-	2,246,455	2,331,460	-	2,331,460
Fundraising	241,684	-	241,684	123,275	-	123,275
Total Expenses	16,971,154	-	16,971,154	16,570,108	-	16,570,108
Other Income (Loss):						
Gain on extinguishment of the Paycheck Protection Program loan	-	-	-	1,763,530	-	1,763,530
Loss on disposal of fixed assets	-	-	-	(6,923)	-	(6,923)
Other income	-	-	-	198,490	-	198,490
Total Other Income	-	-	-	1,955,097	-	1,955,097
Change in net assets	(1,335,939)	23,715	(1,312,224)	2,412,972	(606,520)	1,806,452
Net assets, beginning of year	8,314,676	1,064,209	9,378,885	5,901,704	1,670,729	7,572,433
Net assets, end of year	\$ 6,978,737	\$ 1,087,924	\$ 8,066,661	\$ 8,314,676	\$ 1,064,209	\$ 9,378,885

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CENTRONÍA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 8,123,129	\$ 847,095	\$ 178,893	\$ 9,149,117
Payroll taxes and benefits	1,112,490	267,434	29,074	1,408,998
Total Personnel Costs	9,235,619	1,114,529	207,967	10,558,115
Consultants and substitutes and stipends	570,661	84,995	3,743	659,399
Supplies and small equipment	302,553	11,999	-	314,552
Office supplies	27,710	17,880	595	46,185
Travel and transportation	7,488	429	95	8,012
Postage and printing	12,624	12,159	-	24,783
Equipment rental and maintenance	6,762	8,351	-	15,113
Professional fees	203,754	27,458	2,450	233,662
Staff training	121,317	40,795	4,442	166,554
Insurance	109,245	12,870	2,491	124,606
Food expenses	769,825	981	-	770,806
Telephone and internet services	78,968	9,303	1,801	90,072
Repairs and maintenance	729,546	201	-	729,747
Utilities	284,125	-	-	284,125
Rent	1,258,869	1,138,026	15,000	2,411,895
Interest	99,109	11,676	2,260	113,045
Depreciation	41,276	-	-	41,276
Bank fees	30,965	3,648	706	35,319
Contributions of nonfinancial services expenses	72,218	-	-	72,218
Bad debts	23,184	-	-	23,184
Scholarships	91,050	-	-	91,050
Parents training, meetings, and events	79,041	158	-	79,199
Other	33,027	45,076	134	78,237
Indirect allocation	294,079	(294,079)	-	-
Total Expenses	<u>\$ 14,483,015</u>	<u>\$ 2,246,455</u>	<u>\$ 241,684</u>	<u>\$ 16,971,154</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CENTRONÍA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 7,595,139	\$ 1,010,773	\$ 99,381	\$ 8,705,293
Payroll taxes and benefits	1,084,716	276,715	17,074	1,378,505
Total Personnel Costs	8,679,855	1,287,488	116,455	10,083,798
Consultants and substitutes and stipends	879,871	78,035	1,870	959,776
Supplies and small equipment	434,342	8,924	-	443,266
Office supplies	29,741	8,150	176	38,067
Travel and transportation	5,055	593	-	5,648
Postage and printing	11,867	14,214	33	26,114
Equipment rental and maintenance	15,633	14,009	-	29,642
Professional fees	166,998	-	-	166,998
Staff training	64,177	6,160	-	70,337
Insurance	113,642	16,422	1,525	131,589
Food expenses	475,807	1,093	-	476,900
Telephone and internet services	69,407	10,030	930	80,367
Repairs and maintenance	534,666	1,525	-	536,191
Utilities	224,898	-	-	224,898
Rent	1,528,162	1,109,092	-	2,637,254
Interest	109,998	15,895	1,476	127,369
Depreciation	47,384	-	-	47,384
Bank fees	19,677	2,843	264	22,784
Contribution of nonfinancial services expenses	158,380	-	-	158,380
Bad debts	19,375	330	-	19,705
Scholarships	89,975	-	-	89,975
Parents training, meetings, and events	82,419	268	-	82,687
Other	76,562	33,871	546	110,979
Indirect allocation	277,482	(277,482)	-	-
Total Expenses	<u>\$ 14,115,373</u>	<u>\$ 2,331,460</u>	<u>\$ 123,275</u>	<u>\$ 16,570,108</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CENTRONÍA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,312,224)	\$ 1,806,452
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	41,276	47,384
Bad debt expense	23,184	19,705
Loss on disposal of fixed assets	-	6,923
Proceeds from converting donated securities	-	(50,232)
Realized gain on investments	(426,642)	(1,695,776)
Accrued interest on Department of Housing and Community Development loan payable and Bainum Family Foundation loan payable	56,954	56,954
Unrealized loss (gain) on investments, net	2,007,633	(264,132)
Gain on extinguishment of the Paycheck Protection Program loan	-	(1,763,530)
Change in assets and liabilities:		
Grants and contracts receivable	(289,773)	(370,404)
Contributions receivable	-	200,000
Accounts receivable	(550,550)	(38,453)
Prepaid expenses	(52,386)	(2,743)
Deferred rent receivable	5,017	(81,565)
Security deposit	(1,005)	-
Accounts payable	(331,510)	164,315
Accrued payroll and liabilities	(370,547)	163,437
Deferred revenue	(237)	(8,216)
Deferred rent expense	54,781	266,126
Net cash flows from operating activities	(1,146,029)	(1,543,755)
Cash flows from investing activities:		
Purchases of property and equipment and intangible asset	(37,120)	-
Purchases of investments	(8,469)	(6,476,309)
Sales of investments and certificates of deposit	500,000	6,350,295
Net cash flows from investing activities	454,411	(126,014)
Cash flows from financing activities:		
Repayments on lines of credit	(100,000)	(1,602,803)
Borrowings on line of credit	-	1,609,170
Net cash flows from financing activities	(100,000)	6,367
Net change in cash	(791,618)	(1,663,402)
Cash, beginning of year	1,934,105	3,597,507
Cash, end of year	<u>\$ 1,142,487</u>	<u>\$ 1,934,105</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 56,091</u>	<u>\$ 70,308</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CENTRONÍA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Organization and nature of operations

CentroNía, Inc. (“CentroNía”) was formally incorporated as a nonprofit organization in June 1991. The primary purpose of CentroNía is to promote the physical, social, emotional, cognitive, and cultural growth and development of children in a bilingual environment. CentroNía’s programs include child development and childcare programs, before and after school care, summer camp, academic support, arts enrichment, and family support services. CentroNía receives the majority of its support and revenue from the federal and District of Columbia governments, contributions, and grants from private foundations.

Note 2—Summary of significant accounting policies

Basis of Accounting and Presentation – The consolidated financial statements of CentroNía have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

CentroNía reports information regarding its financial position and activities into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CentroNía and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CentroNía. These net assets may be used at the discretion of CentroNía and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CentroNía or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. CentroNía did not have any net assets held in perpetuity as of June 30, 2022 and 2021.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of NíaCentral LLC, in which CentroNía has a 100% controlling financial interest. NíaCentral LLC was established on May 5, 2017. During 2022 and 2021, there were no transactions or activity; therefore, there was no consolidation to be performed.

Cash – CentroNía considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. CentroNía places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. CentroNía from time to time may have amounts on deposit in excess of insured limits. As of June 30, 2022 and 2021, CentroNía had \$520,747 and \$1,494,137, respectively, which exceeded these amounts.

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Investments – CentroNía has adopted the Investments-Debt and Equity Securities for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (“FASB”) accounting standards codification (“ASC”). Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Realized gains on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security's fair market value at the beginning of the year. Donated securities are recorded at their fair value on the date of donation.

Fair Value Measurements – CentroNía adopted the provisions of the Fair Value Measurements and Disclosure Topic (“Fair Value Topic”) of the FASB ASC as its valuation methodology. The Fair Value Topic provides the framework for measuring fair value of assets and liabilities. The Fair Value Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. It also establishes a hierarchy to help maximize the use of observable inputs when measuring fair values. These measurements are then classified by how observable or unobservable the inputs used to reach fair value are. The three levels of the fair value hierarchy are:

Level 1 – Inputs to the valuation methodology are quoted prices available in actively traded markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology are quoted prices outside of the active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 – Inputs to valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of CentroNía's valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Equities, Mutual Funds, and Fixed Income – These investments are based on quoted prices in active markets and classified within Level 1 of the valuation hierarchy.

Cash – Cash is recorded at cost which approximates market and is classified within Level 1 of the valuation hierarchy.

Fair Value of Financial Instruments – The carrying amount of cash and cash equivalents, grants, contracts and accounts receivable, and accounts payable approximate fair value due to the short maturity of these financial instruments.

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Grants and Contracts Receivable/Accounts Receivable – Grants and contracts receivable/accounts receivable balances are recorded at net realizable value and approximate fair value. It is CentroNía's policy to write off uncollectible amounts when management determines such balances to be uncollectible. For the years ended June 30, 2022 and 2021, these amounts were \$23,184 and \$19,705, respectively.

Property and Equipment – Equipment is recorded at cost when purchased or its estimated value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the related assets, generally five years. CentroNía capitalizes assets purchased at a cost greater than \$1,000.

Contributions Receivable – Unconditional promises to give are recorded as receivables and revenue when received, and allowances are provided for amounts estimated to be uncollectible. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. There were no conditional receivables as of June 30, 2022 and 2021.

CentroNía records an allowance for uncollectible pledges as a reduction in contribution revenue. Write-offs of specific pledges are recorded against the reserve and are included in bad debt losses on the accompanying consolidated statements of activities. At June 30, 2022 and 2021, there was no allowance for uncollectible pledges.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met.

Private Grants and Contributions – All grants and contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction that is temporary in nature 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.

Contributed Nonfinancial Assets – Effective July 1, 2021, CentroNía adopted the provisions and expanded disclosure requirements described in ASU 2020-07, Not-for-Profit Entities ("Topic 958"): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. CentroNía adopted the standard using the retrospective method on July 1, 2021. The purpose is to clarify 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 and how they are used and recognized by the non-profit organization. See Note 13 for further information.

Government Grants and Contract Revenue – CentroNía receives funding under grants and contracts from the federal government, the District of Columbia and state of Maryland agencies for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, based on the guidance of Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, ("ASU 2018-08"), CentroNía's government grants and contracts are nonreciprocal transactions which fall under the guidance of ASC 958. The government grants have limited discretion inherent in the requirements of federal cost principles and are restricted for the purpose of the grant. As such, government grants are considered conditional until the point in time when expenses related to the purpose of the project are incurred.

CENTRONÍA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Program Services Revenue – CentroNía's streams of program services revenue are as follows:

Parent Fees – CentroNía recognizes revenue from parent fees based on enrollment contracts with students within the fiscal year in which academic services are rendered, on a per-week basis over the course of the academic year.

Catering Service Fees – Catering service fees correspond to the catering services for breakfast, lunch, and snack that CentroNía provides to other educational centers in the Washington, D.C. metro area. CentroNía recognizes revenue from catering service fees based on the agreement in place with the customer. The catering agreement specifies the customer, the period in which the services are to be provided, and the catering rate applicable. The amount of catering service fees revenue is calculated based on the catering rate per the agreement and the number of hours the services are to be performed for based on the agreement. Once the catering services have been provided, CentroNía will then recognize the appropriate revenue based on that calculation.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of time and effort derived from payroll expenditures. The expenses that were allocated include professional fees (such as audit and payroll) utilities (such as telephone and internet), insurance fees, interest fees, and bank fees.

Income Taxes – CentroNía is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") for all activities related to its exempt purposes. CentroNía is classified by the Internal Revenue Service ("IRS") as a public charity under Section 509(a) (2) of the IRC.

CentroNía is subject to audit by taxing jurisdictions; however, there are currently no audits for tax periods in progress.

Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes CentroNía continues to satisfy the requirements of a tax-exempt organization at June 30, 2022. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined CentroNía had no uncertain income tax positions at June 30, 2022 and 2021.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842*; ASU 2018-11, *Targeted Improvements*; ASU 2018-20, *Narrow-Scope Improvements for Lessors*; ASU 2021-05, *Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*. The ASU requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of activities at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of operations. This ASU will be effective for the year ended December 31, 2022 and a modified retrospective approach is required with certain practical expedients available including the option to apply the new guidance at the adoption date without adjusting prior periods presented. CentroNía is currently in the process of evaluating the impact of the adoption of this future accounting pronouncement on the consolidated financial statements.

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30:

	2022	2021
Financial assets at year-end:		
Cash	\$ 1,142,487	\$ 1,934,105
Investments	11,640,693	13,713,215
Grants and contracts receivable	1,635,479	1,345,706
Accounts receivable	662,947	135,581
Total financial assets	<u>15,081,606</u>	<u>17,128,607</u>
Less amounts not available to be used for general expenditures within one year:		
Restricted by donor with purpose restrictions	<u>1,087,924</u>	<u>1,064,209</u>
Financial assets not available to be used within one year	<u>1,087,924</u>	<u>1,064,209</u>
Financial assets available to meet general expenditures within one year	<u>\$ 13,993,682</u>	<u>\$ 16,064,398</u>

CentroNía regularly monitors liquidity to meet its operating needs and other contractual commitments, while striving to maximize the investment of and return on available funds. CentroNía has various sources of liquidity at its disposal, including cash, investments, receivables, and lines of credit. For purpose of analyzing resources available to meet general expenditures over a 12-month period, CentroNía considers all expenditures related to its ongoing activities of education and student services as well as the conduct of services undertaken to support those activities to be general expenditures.

CentroNía has donor-restricted resources which are limited in their use for specific purposes. Accordingly, these assets are shown as a reduction to financial assets available to meet general expenditures within one year. These assets limited to use, are more fully described in Note 7.

Note 4—Investment

Fair value hierarchy levels at June 30, 2022 were as follows:

	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Equities	\$ 1,914,507	\$ -	\$ -	\$ 1,914,507
Mutual funds	7,916,012	-	-	7,916,012
Fixed income	939,354	-	-	939,354
Cash	870,821	-	-	870,821
Total investments at fair value	<u>\$ 11,640,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,640,693</u>

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4—Investment (continued)

Fair value hierarchy levels at June 30, 2021 were as follows:

	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Equities	\$ 2,482,724	\$ -	\$ -	\$ 2,482,724
Mutual funds	9,758,946	-	-	9,758,946
Fixed income	1,005,401	-	-	1,005,401
Cash	466,144	-	-	466,144
Total investments at fair value	<u>\$ 13,713,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,713,215</u>

Investment return, net consisted of the following for the years ended June 30:

	2022	2021
Interest and dividends	\$ 81,361	\$ 126,415
Unrealized (loss) gain	(2,007,633)	335,937
Realized gain	426,642	1,695,776
Management fees	(72,679)	(71,805)
	<u>\$ (1,572,309)</u>	<u>\$ 2,086,323</u>

Note 5—Property and equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Leasehold improvements	\$ 570,279	\$ 570,279
Computers and equipment	482,748	445,628
Vehicles	145,138	145,138
Total	1,198,165	1,161,045
Less accumulated depreciation	(1,040,340)	(999,064)
Property and equipment, net	<u>\$ 157,825</u>	<u>\$ 161,981</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$41,276 and \$47,384, respectively.

CENTRONÍA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6—Loan payable and lines of credit

Loan Payable to Department of Housing and Community Development – CentroNía obtained a 3% deferred interest construction loan in 1999 from the District of Columbia Department of Housing and Community Development (“DHCD”) to finance the renovation of its headquarters building. In March 2016, the building was sold. CentroNía has drawn \$1,898,472 out of the \$1,900,000 that was available. The loan would have matured in February 2031; however, the related remaining debt due to DHCD has been reclassified to current liabilities pursuant to the loan covenants stipulating that DHCD may demand payment in full anytime subsequent to the sale of the building. Deferred interest accrued on the loan from the occupancy date of 2002 through June 30, 2022 and 2021 amounts to \$1,196,036, and \$1,139,082, respectively, and has been included in the loan payable balance. Extinguishment of this debt is at the discretion of the District of Columbia. CentroNía has been actively negotiating with the DHCD and the District of Columbia Government to convert this loan into a forgivable government grant. On February 15, 2022, CentroNía received a Payment Demand Letter for a lump sum equivalent to the original value of the loan (\$1,900,000) to be completed before March 15, 2022. The lender waived all accrued interests and penalties. CentroNía continues to negotiate with the District of Columbia for the abatement of the DHCD loan, as it believes the public interest of the use of these funds was achieved and the loan should be converted to a forgivable grant or similar. As further described in Note 15, subsequent to year-end, it was determined that CentroNía would repay the original value of the loan. See Note 15 for additional information.

Lines of Credit – CentroNía has established two lines of credit with two separate financial institutions; United Bank and PNC. Total availability under the lines of credit amount to \$5,000,000. For 2022, interest rates for United Bank were based on the Secured Overnight Financing Rate (“SOFR”) plus 1.37% and Bloomberg Short Term Bank Yield index plus 250 bps for PNC. (2.86% and 6.41% at June 30, 2022, respectively). Interest rates for both United Bank and PNC ranged from the Daily LIBOR plus 1.25% to the Daily LIBOR plus 2.5% (0.09% at June 30, 2021).

The United Bank line of credit has a maturity date of May 28, 2023 and had an outstanding balance of \$3,424,783 and \$3,524,783, as of June 30, 2022 and 2021, respectively. The PNC line of credit has a maturity date of March 31, 2023 and did not have an outstanding balance as of June 30, 2022 and 2021, respectively.

The lines of credit with United Bank and PNC are collateralized by the investment accounts in such entities. There are no financial statement covenants required by the lines of credit.

Note 7—Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30:

	2022	2021
Subject to purpose restrictions:		
Gudelsky Child Development Center MOU	\$ 395,107	\$ 1,014,175
DIVAs Giving Circle	4,507	-
Workforce Development Collaboration	674,310	36,034
Healthy Business Initiative	14,000	14,000
Total subject to purpose restrictions	<u>\$ 1,087,924</u>	<u>\$ 1,064,209</u>

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Net assets with donor restrictions (continued)

Net assets with donor restrictions were released for the following programs at June 30:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Gudelsky Child Development Center MOU	\$ 619,265	\$ 656,942
DIVAs Giving Circle	494	-
Workforce Development Collaboration	172,324	63,966
Healthy Business Initiative	-	16,000
Total satisfaction of purpose restrictions	<u>\$ 792,083</u>	<u>\$ 736,908</u>

Note 8—Rental income

CentroNía subleases several portions of the building at the Columbia Road location under various agreements that terminate through 2034.

Rental income for the years ended June 30, 2022 and 2021 totaled \$1,298,241 and \$1,113,685, respectively.

Future minimum lease rental receipts under these sublease arrangements are as follows:

Years Ending June 30,

2023	\$ 918,946
2024	73,252
2025	75,804
2026	63,145
2027 and thereafter	168,664
	<u>\$ 1,299,811</u>

Note 9—Lease commitments

CentroNía has one noncancelable lease agreement for educational facilities that will expire in January 2026. CentroNía has two noncancelable lease agreements for educational facilities that will expire between March 2026 and June 2027.

Total rent expense for the years ended June 30, 2022 and 2021 was \$2,411,895 and \$2,637,254, respectively, including property taxes and applicable operating expenses. Total rent donated as in-kind revenue totaled \$0- and \$23,881 for the years ended June 30, 2022 and 2021, respectively, and is included within rent expense in the consolidated statements of functional expenses.

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Lease commitments (continued)

The following schedule summarizes the future minimum lease payments:

Years Ending June 30,

2023	\$ 2,126,126
2024	2,182,508
2025	2,239,449
2026	1,697,755
2027 and thereafter	171,091
	<u>\$ 8,416,930</u>

Note 10—Pension plan

CentroNía has a defined-contribution plan under section 401(k) of the IRS (the “Plan”), under which all employees, including part-time employees working at least 20 hours per week are eligible to participate. Beginning in January 2022, CentroNía matches 100% of employee contributions, with the total employer contributions limited to 4% of the employee’s compensation. For the years ended June 30, 2022 and 2021, CentroNía contributed \$41,136 and \$0- to the Plan.

Note 11—Commitments

Government Grants and Contract Revenue – Certain federal and state-funded government grants are routinely audited by various governmental agencies. Such audits could result in claims against the resources of CentroNía. The reports on those examinations, which are conducted for CentroNía by auditors engaged pursuant to specific regulatory requirements, are required to be submitted to both CentroNía and the respective governmental agency.

These governmental agencies have the authority to determine liabilities, as well as to limit, suspend, or terminate CentroNía’s participation in these programs. Management does not believe CentroNía will incur significant liabilities as a result of any such audits.

Note 12—Risks and uncertainties

On April 7, 2020, CentroNía entered into an unsecured promissory note under the Paycheck Protection Program (the “PPP”), with a principal amount of \$1,747,800. The PPP was established under the recently congressional approved Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) and is administered by the U.S. Small Business Administration (the “SBA”). The term of the PPP loan is two years and matures on April 30, 2022. The interest rate on this loan is 1.0% per annum, which shall be deferred for the first six months of the term of the loan. After the initial six-month deferral period, the loan requires monthly payments of principal and interest until maturity with respect to any portion of the PPP loan which is not forgiven as described below. CentroNía is permitted to prepay or partially prepay the PPP loan at any time with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP loan. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs, and the maintenance of employee and compensation levels. CentroNía applied for forgiveness with the SBA and on March 10, 2021, the SBA had forgiven the PPP loan in full, as well as the associated unpaid interest. As a result, the Company recognized \$1,763,530 as a gain on extinguishment of debt.

CentroNía utilized the Employee Retention Tax Credits (“ERTC”) as provided by the CARES Act using the basis of employer tax expenses for calendar year 2021 and 2020. For the year ended June 30, 2021, CentroNía received \$198,490 in ERTC, which is included within other nonoperating income on the consolidated statements of activities.

CENTRONÍA, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 13—Contributed nonfinancial assets

For the years ended June 30, contributed nonfinancial assets recognized within the statements of activities included:

	2022	2021
Legal and other professional services	\$ 1,200	\$ 1,200
Donated rent	-	23,881
Noncash items	72,218	158,380
	<u>\$ 73,418</u>	<u>\$ 183,461</u>

The Organization recognized nonfinancial assets within revenue, comprised of legal and other professional services, donated rent, and other donated noncash items, such as baby formula and diapers. Contributed nonfinancial assets did not have donor-imposed restrictions. Such donations are reported as a simultaneous increase and decrease in net assets without donor restrictions unless the donor has restricted a donate asset to a specific purpose.

Donated services comprised of legal and other professional services. Fair values were estimated based on the average cost for similar services.

Donated rent was related to the lease for one educational facility. Fair values were calculated based on the rent agreement. See Note 9 for further information on donated rent.

Baby formula and diapers were provided for use in the classrooms. Fair values were calculated based on the average cost of similar items.

Note 14—Subsequent events

On February 15, 2022, CentroNía received a Payment Demand Letter for a lump sum equivalent to the original value of the loan (\$1,900,000) to be completed before March 15, 2022. The lender agreed to waive all accrued interests and penalties. After multiple negotiations and extensions on the deadline, CentroNía was forced to accept the DHCD proposal and, subsequent to year-end, on July 14, 2022, wired a payment for \$1,900,000 to DHCD. Based on management's deliberations, the financial impact of entering into litigation procedures with DHCD, would have had catastrophic results. A debtor status would prevent CentroNía from obtaining new or renewing grants and contracts with the District of Columbia and further expanding to other grantors, including the Federal government, thereby reducing majority of the revenue streams of an organization with more than 40 years in service to the community. A net gain of \$1,194,508 will be recognized as a result of the settlement relating to accrued interest.

CentroNía has evaluated subsequent events through March 22, 2023, the date on which these consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CENTRONÍA, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Child Care and Development Fund Cluster				
<i>Passed-through from the District of Columbia Office of the State Superintendent of Education</i>				
Early Childhood - Child Development Associate Continuation	93.575	82CCDD / 2014G996005	\$ 88,165	-
Total Child Care and Development Fund Cluster			<u>88,165</u>	
<i>Passed-through from the District of Columbia Office of the State Superintendent of Education DC Child Care Provider Relief Fund</i>				
Every Student Succeeds Act/Preschool Development Grants - COVID-19	94.434	90TP0045	744,547	
Early Childhood - Child Development Associate Continuation - COVID-19	93.575	908601, 91012, 102568, 102792	227,395	
<i>Passed-through from the Maryland State Department of Education MD Office of Child Care Pandemic Relief Grant (CRRSA Funding)</i>				
Early Childhood - Child Development Associate Continuation - COVID-19	93.575	2409739, 2409741	58,761	-
Early Childhood - Child Development Associate Continuation - COVID-19	93.575	MSDECCRF	137,255	
<i>Direct Awards</i>				
Head Start	93.600		<u>1,940,068</u>	-
Total Head Start			<u>1,940,068</u>	
Total U.S. Department of Health and Human Services			<u>3,196,191</u>	
U.S. Department of Agriculture				
<i>Direct Awards</i>				
Farmers Market and Local Food Promotion Program	10.175	AM19100XXXXG146	120,855	-
<i>Passed-through from the District of Columbia Office of the State Superintendent of Education</i>				
Child and Adult Care Food Program	10.558	CA20212054	317,405	-
<i>Passed-through from Maryland State Department of Education</i>				
Child and Adult Care Food Program	10.558	347403 CentroNia	<u>189,900</u>	-
Total U.S. Department of Agriculture			<u>628,160</u>	
Total Expenditures of Federal Awards			<u>\$ 3,824,351</u>	

CENTRONÍA, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CentroNía, Inc. and Subsidiary (collectively, "CentroNía") under programs of the federal government for the year ended June 30, 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 Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of CentroNía, it is not intended to and does not present the consolidated financial position, activities and changes in net assets, or cash flows of CentroNía.

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. Uniform Guidance requires the Schedule to reflect total expenditures for each federal financial assistance program as identified by the federal assistance listing number.

CentroNía elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3—Federal programs

The following is a description of the federal programs for the year ended June 30, 2022:

Child Care and Development Fund Cluster (federal assistance listing number 93.575)

The Child Care and Development Fund ("CCDF") provides funds that are used to subsidize child care for low-income families where the parents are working or attending educational programs, as well as for activities to promote overall child care quality for all children. It is required that all Federal child care funds be spent in accordance with the provisions of the amended Child Care and Development Block Grant program. In order to receive funds, a plan must be submitted which is effective for a two-year period. CentroNía may operate the CCDF program under a consolidated United States Public Law. No.102-477 demonstration project, the purpose of which is to provide for the integration of employment, training, and related services to improve the effectiveness of those services.

Head Start (federal assistance listing number 93.600)

The objectives of the Head Start and Early Head Start (collectively, Head Start) programs are to promote school readiness by enhancing children's cognitive social and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to 5) and their families, who are under the poverty line or are eligible for public assistance, including federally recognized Indian tribes, Alaska Natives, migrant and seasonal farm workers, homeless children or children in foster care, and children with disabilities. Comprehensive services are provided to enrolled children, pregnant women and their families, which include health, nutrition, social, and other services determined to be necessary by family needs assessments, in addition to education and cognitive development services. Services are designed to be responsive to each child and family's ethnic, cultural, and linguistic heritage.

CENTRONÍA, INC. AND SUBSIDIARY**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)***YEAR ENDED JUNE 30, 2022***Note 3—Federal programs (continued)***Child and Adult Care Food Program (federal assistance listing number 10.558)*

Child and Adult Care Food Program assists states, through grants-in-aid and donated foods, to initiate and maintain non-profit food service programs for eligible children and adults in nonresidential day care settings.

Local Food Promotion Program (federal assistance listing number 10.175)

CentroNía seeks to increase the consumption of local produce by offering affordable catering services to early childhood education (“ECE”) centers in the District of Columbia, including the southeast quadrant. Local producers will have a steady stream of income, and ECE centers an affordable and reliable supply of meals with a local component. An outreach component also entails ServSafe Food Handler Training to community members to prepare early childhood educators and foodservice industry professionals to prevent food sanitation risks and meet regulatory requirements and food safety best practices.

Every Student Succeeds Act/Preschool Development Grants (federal assistance listing number 94.434), Early Childhood – Child Development Associate Continuation CRRSA Funding (federal assistance listing number 93.575)

These are all part of the COVID funding provided by Congress under either the Coronavirus Aid, Relief, and Economic Security Act or the Coronavirus Response and Relief Supplementation Appropriation Act. These were one-time awards provided via government agencies to state agencies to distribute money to support local service providers for any needs created by the pandemic.

Note 4—Federal loan programs

The federal loan program with the DHCD is included in CentroNía’s consolidated financial statements. The loan commenced in 1999, and was for the sole purpose for financing hard construction costs relating to an office building located at 1420 Columbia Road, N.W. The federal government did not impose any continuing compliance requirements, and as such, as of the beginning of the audit period, July 1, 2021, is not included within the Schedule. CentroNía has drawn \$1,898,472 out of the \$1,900,000 that was available. Deferred interest accrued on the loan from the occupancy date of 2002 through June 30, 2022 and 2021, which amounts to \$1,196,036 and \$1,139,082, respectively, and has been included in the loan payable balance. Activity relating to the federal loan for the year ended June 30, 2022 was as follows:

June 30, 2021	\$ 3,037,554
Accrued interest	<u>56,954</u>
June 30, 2022	<u><u>\$ 3,094,508</u></u>

**Report of Independent Auditor 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
CentroNía, Inc. and Subsidiary
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of CentroNía, Inc. and Subsidiary (collectively “CentroNía”), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, 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 March 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statement, we considered CentroNía’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 CentroNía’s internal control. Accordingly, we do not express an opinion on the effectiveness of CentroNía’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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CentroNía’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 consolidated 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 CentroNía's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CentroNía's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "Cherry" and "Bekaert" being more prominent than "LLP".

Tysons Corner, Virginia
March 22, 2023

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
CentroNía, Inc. and Subsidiary
Washington, D.C.

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited CentroNía, Inc. and Subsidiary's (collectively, "CentroNía") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of CentroNía's major federal programs for the year ended June 30, 2022. CentroNía's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, CentroNía complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). 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 CentroNía and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CentroNía'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 CentroNía'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 CentroNía's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CentroNía's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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



Tyson's Corner, Virginia
March 22, 2023

CENTRONÍA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial consolidated statements noted?

 yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified no considered to be material weaknesses(es)?

 yes x none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

 yes x no

Identification of major federal programs:

Assistance Listing Numbers

93.600

Name of Program or Cluster

Head Start Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

CENTRONÍA, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Finding

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Prior Year Financial Statement Finding

None reported.