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# TANNER

BUSINESS ADVISORS AND CERTIFIED  
PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



Utah Foster Care  
FOUNDATION

**Financial Statements and Report Required by  
Government Auditing Standards**

**As of June 30, 2012 and 2011 and For the Years Then Ended**

**Together With Independent Auditors' Reports**

Member of  
**PKF**  
North America



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**TANNER**  
BUSINESS ADVISORS AND CERTIFIED  
PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of Utah Foster Care Foundation

We have audited the accompanying statements of financial position of Utah Foster Care Foundation (the Foundation) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Foster Care Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2012, on our consideration of Utah Foster Care Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Tanner LLC*

October 11, 2012



UTAH FOSTER CARE FOUNDATION  
Statements of Financial Position

As of June 30,

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 855,897	\$ 714,343
Investments	464,979	483,782
Receivables	245,245	305,411
Prepaid expenses	65,225	99,404
Property and equipment, net	38,329	39,384
Other assets	10,473	10,473
	<u>1,680,148</u>	<u>1,652,797</u>
Total assets	<u>\$ 1,680,148</u>	<u>\$ 1,652,797</u>
<b><u>Liabilities and Net Assets</u></b>		
Accounts payable	\$ 23,693	\$ 11,849
Accrued liabilities	155,948	148,661
	<u>179,641</u>	<u>160,510</u>
Total liabilities	<u>179,641</u>	<u>160,510</u>
Commitments		
Net assets:		
Unrestricted	1,367,866	1,359,923
Temporarily restricted	132,641	132,364
	<u>1,500,507</u>	<u>1,492,287</u>
Total net assets	<u>1,500,507</u>	<u>1,492,287</u>
Total liabilities and net assets	<u>\$ 1,680,148</u>	<u>\$ 1,652,797</u>



UTAH FOSTER CARE FOUNDATION  
Statements of Activities

For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>
<b>Change in unrestricted net assets:</b>		
Revenues, support, and investment income:		
Government contract	\$ 2,715,977	\$ 2,715,977
Contributions	522,478	486,181
Interest and other income	5,672	17,009
Net realized and unrealized (losses) gains on investments	<u>(5,630)</u>	<u>90,056</u>
 Total unrestricted revenues, support, and investment income	 3,238,497	 3,309,223
 Net assets released from restrictions	 <u>66,266</u>	 <u>97,168</u>
 Total unrestricted revenues, support, investment income and reclassifications	 <u>3,304,763</u>	 <u>3,406,391</u>
 Expenses:		
Program services:		
Recruitment	1,343,850	1,246,272
Education	696,482	682,871
Retention	813,798	935,261
Supporting services:		
Management and general	411,852	401,063
Fundraising	<u>30,838</u>	<u>3,775</u>
 Total expenses	 <u>3,296,820</u>	 <u>3,269,242</u>
 Increase in unrestricted net assets	 <u>7,943</u>	 <u>137,149</u>
 <b>Change in temporarily restricted net assets:</b>		
Contributions	66,543	97,896
Net assets released from restrictions	<u>(66,266)</u>	<u>(97,168)</u>
 Increase in temporarily restricted net assets	 <u>277</u>	 <u>728</u>
 Increase in net assets	 8,220	 137,877
 Net assets, beginning of the year	 <u>1,492,287</u>	 <u>1,354,410</u>
 Net assets, end of the year	 <u>\$ 1,500,507</u>	 <u>\$ 1,492,287</u>

**UTAH FOSTER CARE FOUNDATION**  
Statement of Functional Expenses

For the Year Ended June 30, 2012

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 780,277	\$ 510,832	\$ 408,628	\$ 1,699,737	\$ 274,098	\$ 25,642	\$ 299,740	\$ 1,999,477
Professional fees	8,591	4,795	4,995	18,381	6,656	-	6,656	25,037
Insurances	5,846	3,247	3,381	12,474	3,277	-	3,277	15,751
Supplies	4,460	5,494	2,284	12,238	15,831	123	15,954	28,192
Telephone / Internet	14,001	9,315	8,211	31,527	5,731	-	5,731	37,258
Postage / Shipping	2,574	1,821	1,649	6,044	1,932	100	2,032	8,076
Occupancy	82,701	21,785	48,100	152,586	59,597	-	59,597	212,183
Depreciation and amortization	11,873	6,158	6,963	24,994	6,158	-	6,158	31,152
Equipment maintenance and rental	20,950	11,156	12,550	44,656	11,452	-	11,452	56,108
Printing and publications	11,801	10,727	2,918	25,446	3,989	1,043	5,032	30,478
Travel	56,283	45,944	26,848	129,075	11,201	307	11,508	140,583
Professional development	6,437	1,350	892	8,679	2,030	29	2,059	10,738
Direct service	69,250	63,125	285,769	418,144	7,934	3,386	11,320	429,464
Dues / Memberships	2,560	733	610	3,903	1,449	208	1,657	5,560
Community outreach	266,246	-	-	266,246	-	-	-	266,246
Other	-	-	-	-	517	-	517	517
<b>Total expenses</b>	<b>\$ 1,343,850</b>	<b>\$ 696,482</b>	<b>\$ 813,798</b>	<b>\$ 2,854,130</b>	<b>\$ 411,852</b>	<b>\$ 30,838</b>	<b>\$ 442,690</b>	<b>\$ 3,296,820</b>

# UTAH FOSTER CARE FOUNDATION

## Statement of Functional Expenses

For the Year Ended June 30, 2011

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 771,258	\$ 509,479	\$ 425,704	\$ 1,706,441	\$ 276,127	\$ 1,367	\$ 277,494	\$ 1,983,935
Professional fees	8,566	4,734	4,931	18,231	8,825	-	8,825	27,056
Insurances	5,738	3,376	3,137	12,251	3,190	-	3,190	15,441
Supplies	4,481	3,363	1,845	9,689	3,316	304	3,620	13,309
Telephone / Internet	13,423	9,034	7,541	29,998	4,424	-	4,424	34,422
Postage / Shipping	2,103	1,168	2,980	6,251	1,190	-	1,190	7,441
Occupancy	77,053	18,585	45,014	140,652	59,492	-	59,492	200,144
Depreciation and amortization	10,735	5,380	6,151	22,266	5,380	-	5,380	27,646
Equipment maintenance and rental	20,128	10,651	12,126	42,905	11,450	-	11,450	54,355
Printing and publications	12,203	17,821	5,081	35,105	2,592	1,896	4,488	39,593
Travel	37,517	43,381	20,195	101,093	11,916	-	11,916	113,009
Professional development	5,895	4,594	3,084	13,573	4,687	-	4,687	18,260
Direct service	41,082	50,718	396,958	488,758	6,467	-	6,467	495,225
Dues / Memberships	3,040	587	514	4,141	1,353	208	1,561	5,702
Community outreach	233,050	-	-	233,050	-	-	-	233,050
Other	-	-	-	-	654	-	654	654
<b>Total expenses</b>	<b>\$ 1,246,272</b>	<b>\$ 682,871</b>	<b>\$ 935,261</b>	<b>\$ 2,864,404</b>	<b>\$ 401,063</b>	<b>\$ 3,775</b>	<b>\$ 404,838</b>	<b>\$ 3,269,242</b>



**UTAH FOSTER CARE FOUNDATION**  
**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 8,220	\$ 137,877
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,152	27,646
Net realized and unrealized losses (gains) on investments	5,630	(90,056)
(Increase) decrease in:		
Receivables	60,166	(41,503)
Prepaid expenses	34,179	(16,634)
Increase (decrease) in:		
Accounts payable	11,844	10,024
Accrued liabilities	7,287	(8,009)
Net cash provided by operating activities	<u>158,478</u>	<u>19,345</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(30,097)	(33,191)
Proceeds from investments	13,173	-
Purchases of investments	-	(14,609)
Net cash used in investing activities	<u>(16,924)</u>	<u>(47,800)</u>
<b>Cash flows from financing activities</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	141,554	(28,455)
Cash and cash equivalents, beginning of year	<u>714,343</u>	<u>742,798</u>
Cash and cash equivalents, end of year	<u>\$ 855,897</u>	<u>\$ 714,343</u>





1. Description of Organization and Summary of Significant Accounting Policies

**Organization**

Utah Foster Care Foundation (the Foundation) is a Utah not-for-profit corporation organized to recruit, train, and support foster care families.

**Financial Statement Presentation**

The Foundation reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. The Foundation has no permanently restricted net assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include allowances for doubtful accounts, useful lives for property and equipment, and allocation of program and supporting service expenses.

**Concentrations of Credit Risk**

The Foundation maintains its cash and cash equivalents in bank deposit accounts which are either uninsured or, at times, exceed federally insured limits. At June 30, 2012, the Foundation had approximately \$489,000 of cash and cash equivalents that were either uninsured or exceeded federally insured limits. To date, the Foundation has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Foundation's invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

A significant portion of the Foundation's revenues and receivables are from a government agency located in the State of Utah. This agency represented 97.5% and 99.9% of the receivables balance at June 30, 2012 and 2011, respectively. Additionally, for the years ended June 30, 2012 and 2011, this agency represented approximately 82% and 80% of revenues, support, and investment income, respectively.

**Cash and Cash Equivalents**

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2012 and 2011, cash equivalents consisted of money market funds.



1. Description of Organization and Summary of Significant Accounting Policies  
*Continued*

***Investments***

Investments in marketable securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

***Receivables***

Receivables are carried at the original billed amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of June 30, 2012 and 2011, management estimated that no allowance was necessary.

***Property and Equipment***

The Foundation capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. Minor replacements, maintenance, and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from 3 to 7 years.

***Impairment of Long-Lived Assets***

The Foundation reviews its property and equipment, and other long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Foundation's assets to be impaired as of June 30, 2012 and 2011.

***Contributions***

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

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.



1. Description of Organization and Summary of Significant Accounting Policies  
*Continued*

***Contributions - Continued***

Donations of property and equipment and supplies, such as blankets and clothing, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

***Donated Services***

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and assignments. Donated services are reflected in the financial statements when services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The expense for these contributed services is allocated between program and supporting services in the statements of activities. For the years ended June 30, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was approximately \$181,000 and \$170,000, respectively.

***Service Revenue***

The Foundation's service revenue is generated through performance of services for a government entity on a cost-reimbursement basis. Service revenue is recognized as the services are provided and costs incurred, when a valid contract exists, collection is reasonably assured, and there are no significant obligations remaining.

***Expense Allocation***

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

***Advertising***

Advertising costs are expensed as incurred and were approximately \$266,200 and \$233,000 for the years ended June 30, 2012 and 2011, respectively.



1. **Description of Organization and Summary of Significant Accounting Policies**  
*Continued*

***Income Taxes***

The Foundation is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. The Foundation is subject to taxation on unrelated business income.

The Foundation accounts for uncertain tax positions, if any, using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, a tax liability would need to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by the tax authorities. As of June 30, 2012, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to examinations for fiscal years prior to 2009.

***Activities***

The following is a description of the activities for each major program:

*Recruitment* – Increase community efforts to provide information on the needs of foster children and families; target the types of families who can meet the needs of foster children; provide initial consultation services to persons interested in foster care participation; assess needs of foster children in cooperation with the State Division of Child and Family Services.

*Education* – Provide pre-service and in-service training to families involved in all phases of foster care.

*Retention* – Provide supporting services to foster care families to assist them in their care giving experience.

***Subsequent Events***

Management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.



**2. Fair Value Measurements** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available.

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

Description	Fair Value Measurements as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Money market fund	\$ 487,853	\$ –	\$ –	\$ 487,853
Mutual fund – balanced fund	464,979	–	–	464,979
	<u>\$ 952,832</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 952,832</u>

Description	Fair Value Measurements as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Money market fund	\$ 380,806	\$ –	\$ –	\$ 380,806
Mutual fund – balanced fund	483,782	–	–	483,782
	<u>\$ 864,588</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 864,588</u>

**3. Investments** Investments are stated at fair value and consist of the following as of June 30:

	2012	2011
Cost basis of mutual fund	\$ 498,745	\$ 517,494
Unrealized loss	(33,766)	(33,712)
	<u>\$ 464,979</u>	<u>\$ 483,782</u>



**UTAH FOSTER CARE FOUNDATION**  
**Notes to Financial Statements**  
*Continued*

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<b>4. Property and Equipment</b>	Property and equipment consists of the following as of June 30:		
		<b>2012</b>	<b>2011</b>
		<u>                    </u>	<u>                    </u>
	Office equipment	\$ 187,219	\$ 204,003
	Furniture and fixtures	34,566	162,015
	Leasehold improvements	33,654	33,654
		<u>255,439</u>	<u>399,672</u>
	Less accumulated depreciation and amortization	<u>(217,110)</u>	<u>(360,288)</u>
		<u>\$ 38,329</u>	<u>\$ 39,384</u>
<b>5. Accrued Liabilities</b>	Accrued liabilities consist of the following as of June 30:		
		<b>2012</b>	<b>2011</b>
		<u>                    </u>	<u>                    </u>
	Payroll and payroll related costs	\$ 64,018	\$ 65,630
	Personal leave	73,719	63,329
	Other	18,211	19,702
		<u>\$ 155,948</u>	<u>\$ 148,661</u>
<b>6. Temporarily Restricted Net Assets</b>	Temporarily restricted net assets are available for the following purposes and events as of June 30:		
		<b>2012</b>	<b>2011</b>
		<u>                    </u>	<u>                    </u>
	Foster Family Retention	\$ 100,161	\$ 75,169
	Chalk Art Festival	17,853	26,870
	Wishing Well Fund	83	13,520
	Aspen Grove Foster Family Camp	2,500	6,931
	Other	12,044	9,874
		<u>\$ 132,641</u>	<u>\$ 132,364</u>
<b>7. Retirement Plan</b>	The Foundation sponsors a defined contribution retirement plan, which covers all employees age 21 and older with 6 months of full-time service. The Foundation contributes, on a discretionary basis, a percent of the annual salary of each eligible employee. The expense for the years ended June 30, 2012 and 2011 was approximately \$125,000 and \$118,500, respectively.		

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**8. Commitments** *Operating Leases*

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2012, future minimum lease payments under non-cancelable operating leases with terms of one year or more are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2013	\$ 197,494
2014	190,440
2015	184,314
2016	115,876
2017	18,996
Thereafter	<u>1,584</u>
	<u>\$ 708,704</u>

Rental expense under operating leases was approximately \$196,000 and \$170,000 for the years ended June 30, 2012 and 2011, respectively.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Utah Foster Care Foundation

We have audited the financial statements of Utah Foster Care Foundation (the Foundation) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



## **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, the Board of Directors, others within the Foundation, and government funding agencies, and is not intended to be and should not be used by any one other than these specified parties.

*Tanner LLC*

October 11, 2012