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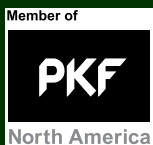
TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



Financial Statements
As of June 30, 2014 and 2013 and For the Years Then Ended

Together With Independent Auditors' Report



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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 financial statements of Utah Foster Care Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, 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.

Tanner LLC

October 20, 2014



UTAH FOSTER CARE FOUNDATION
Statements of Financial Position

As of June 30,

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 241,384	\$ 411,520
Investments	614,977	516,618
Receivables	500,461	548,785
Prepaid expenses	73,536	68,483
Property and equipment, net	83,886	84,847
Other assets	11,799	11,751
	<hr/>	<hr/>
Total assets	\$ 1,526,043	\$ 1,642,004
	<hr/>	<hr/>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 55,915	\$ 31,359
Accrued liabilities	162,411	148,230
	<hr/>	<hr/>
Total liabilities	218,326	179,589
	<hr/>	<hr/>
Commitments		
Net assets:		
Unrestricted	1,174,499	1,329,554
Temporarily restricted	133,218	132,861
	<hr/>	<hr/>
Total net assets	1,307,717	1,462,415
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,526,043	\$ 1,642,004
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UTAH FOSTER CARE FOUNDATION
Statements of Activities

For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Change in unrestricted net assets:		
Revenues, support, and investment income:		
Government contract	\$ 2,733,977	\$ 2,715,977
Contributions	424,870	437,107
Interest and other income	36,463	32,955
Net realized and unrealized gain on investments	<u>81,475</u>	<u>65,820</u>
 Total unrestricted revenues, support, and investment income	 3,276,785	 3,251,859
 Net assets released from restrictions	 <u>126,700</u>	 <u>113,380</u>
 Total unrestricted revenues, support, investment income and reclassifications	 <u>3,403,485</u>	 <u>3,365,239</u>
 Expenses:		
Program services:		
Recruitment	1,348,492	1,322,755
Education	810,865	733,432
Retention	923,309	883,554
Supporting services:		
Management and general	411,216	420,237
Fundraising	<u>64,658</u>	<u>43,573</u>
 Total expenses	 <u>3,558,540</u>	 <u>3,403,551</u>
 Decrease in unrestricted net assets	 <u>(155,055)</u>	 <u>(38,312)</u>
 Change in temporarily restricted net assets:		
Contributions	127,057	113,600
Net assets released from restrictions	<u>(126,700)</u>	<u>(113,380)</u>
 Increase in temporarily restricted net assets	 <u>357</u>	 <u>220</u>
 Decrease in net assets	 (154,698)	 (38,092)
 Net assets, beginning of the year	 <u>1,462,415</u>	 <u>1,500,507</u>
 Net assets, end of the year	 <u>\$ 1,307,717</u>	 <u>\$ 1,462,415</u>

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 839,988	\$ 598,562	\$ 460,296	\$ 1,898,846	\$ 280,330	\$ 37,125	\$ 317,455	\$ 2,216,301
Professional fees	7,671	4,704	4,567	16,942	8,873	-	8,873	25,815
Insurance	7,029	4,016	4,184	15,229	4,016	-	4,016	19,245
Supplies	9,009	8,393	3,601	21,003	4,547	620	5,167	26,170
Telephone / Internet	14,429	8,978	9,155	32,562	5,408	206	5,614	38,176
Postage / Shipping	1,795	976	4,577	7,348	747	241	988	8,336
Occupancy	86,773	23,700	66,120	176,593	55,169	5,377	60,546	237,139
Depreciation and amortization	15,671	10,003	8,336	34,010	9,002	-	9,002	43,012
Equipment maintenance and rental	17,738	9,707	10,671	38,116	18,481	4,807	23,288	61,404
Printing and publications	16,759	5,912	20,107	42,778	763	2,194	2,957	45,735
Travel	47,217	58,674	37,832	143,723	10,882	941	11,823	155,546
Professional development	811	1,846	1,345	4,002	1,956	547	2,503	6,505
Direct service	76,348	74,423	291,944	442,715	6,646	12,500	19,146	461,861
Dues / Memberships	1,329	971	574	2,874	768	100	868	3,742
Community outreach	205,925	-	-	205,925	-	-	-	205,925
Other	-	-	-	-	3,628	-	3,628	3,628
Total expenses	\$ 1,348,492	\$ 810,865	\$ 923,309	\$ 3,082,666	\$ 411,216	\$ 64,658	\$ 475,874	\$ 3,558,540

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

For the Year Ended June 30, 2013

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 794,771	\$ 536,830	\$ 433,980	\$ 1,765,581	\$ 283,576	\$ 32,015	\$ 315,591	\$ 2,081,172
Professional fees	8,604	4,916	5,121	18,641	5,584	-	5,584	24,225
Insurance	6,091	3,420	3,562	13,073	3,400	-	3,400	16,473
Supplies	18,854	16,731	14,056	49,641	15,896	144	16,040	65,681
Telephone / Internet	14,050	8,566	8,949	31,565	5,206	80	5,286	36,851
Postage / Shipping	1,709	1,186	2,466	5,361	1,741	78	1,819	7,180
Occupancy	85,898	23,776	50,997	160,671	59,610	-	59,610	220,281
Depreciation and amortization	16,512	9,487	9,817	35,816	9,367	-	9,367	45,183
Equipment maintenance and rental	29,450	11,781	12,500	53,731	11,079	2,178	13,257	66,988
Printing and publications	12,230	3,461	12,345	28,036	1,160	1,577	2,737	30,773
Travel	44,570	46,078	29,207	119,855	7,161	954	8,115	127,970
Professional development	3,490	1,876	6,357	11,723	3,736	845	4,581	16,304
Direct service	47,710	64,910	293,515	406,135	10,208	5,645	15,853	421,988
Dues / Memberships	2,305	414	682	3,401	1,263	57	1,320	4,721
Community outreach	236,511	-	-	236,511	-	-	-	236,511
Other	-	-	-	-	1,250	-	1,250	1,250
Total expenses	\$ 1,322,755	\$ 733,432	\$ 883,554	\$ 2,939,741	\$ 420,237	\$ 43,573	\$ 463,810	\$ 3,403,551



UTAH FOSTER CARE FOUNDATION
Statements of Cash Flows

For the Years Ended June 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (154,698)	\$ (38,092)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	43,012	45,183
Net realized and unrealized gain on investments	(81,475)	(65,820)
(Increase) decrease in:		
Receivables	48,324	(303,540)
Prepaid expenses and other assets	(5,101)	(4,536)
Increase (decrease) in:		
Accounts payable	24,556	7,666
Accrued liabilities	14,181	(7,718)
Net cash used in operating activities	<u>(111,201)</u>	<u>(366,857)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(42,051)	(91,701)
Purchases of investments	(16,884)	-
Proceeds from investments	<u>-</u>	<u>14,181</u>
Net cash used in investing activities	<u>(58,935)</u>	<u>(77,520)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(170,136)	(444,377)
Cash and cash equivalents, beginning of year	<u>411,520</u>	<u>855,897</u>
Cash and cash equivalents, end of year	<u>\$ 241,384</u>	<u>\$ 411,520</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 the useful lives of property and equipment and the allocation of program and supporting service expenses.

Concentrations of Credit Risk and Revenue Sources

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. As of June 30, 2014, the Foundation had approximately \$133,000 of cash and cash equivalents that exceeded federally insured limits. To date, the Foundation has not experienced a loss or lack of access to its cash and cash equivalents; however, no assurance can be provided that access to the Foundation's 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 98.2% and 98.4% of the receivables balance as of June 30, 2014 and 2013, respectively. Additionally, for the years ended June 30, 2014 and 2013, this agency represented approximately 80% and 81% of revenues, support, and investment income, respectively. A future reduction of the revenue from this agency, due to either amendment of contract terms or cancellation of the contract, would have a significant impact on the Foundation's ability to continue as a going concern.

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, 2014 and 2013, cash equivalents consisted of bank deposit sweep 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, 2014 and 2013, management determined 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, 2014 and 2013.

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 such services create or enhance a nonfinancial asset, or when the 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 donated services is allocated between program and supporting services in the statements of activities. For the years ended June 30, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was approximately \$132,000 and \$127,000, 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 \$206,000 and \$237,000 for the years ended June 30, 2014 and 2013, 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, when it is more-likely-than-not the position will not be sustained upon examination by the tax authorities. As of June 30, 2014, 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 Foundation believes it is no longer subject to examinations for fiscal years prior to 2011.

Activities

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

Recruitment – Assess the needs of children in foster care in cooperation with the State Division of Child and Family Services. Provide information to communities and target the types of families who can meet those needs.

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statement presentation to conform to the 2014 presentation.

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 comparability, the following hierarchy prioritizes fair value measurements according to the type of inputs included in 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.

The fair value of mutual funds and money market funds is based on the quoted net asset values of shares held at year-end and are classified as Level 1. There have been no changes in valuation methodologies used as of June 30, 2014 and 2013.

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

Fair Value Measurements as of June 30, 2014				
Description	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Mutual funds				
Bond	271,712	-	-	271,712
International	68,913	-	-	68,913
Mid growth	58,012	-	-	58,012
Blend	48,154	-	-	48,154
Large growth	32,557	-	-	32,557
Small growth	32,059	-	-	32,059
Large blend	31,704	-	-	31,704
Mid value	24,891	-	-	24,891
Large value	18,712	-	-	18,712
Small blend	12,913	-	-	12,913
Mid blend	12,164	-	-	12,164
Money market fund	3,186	-	-	3,186
	\$ 614,977	\$ -	\$ -	\$ 614,977

Fair Value Measurements as of June 30, 2013				
Description	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Mutual fund, large growth	\$ 516,618	\$ -	\$ -	\$ 516,618



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

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

	<u>2014</u>	<u>2013</u>
Cost basis of mutual funds	\$ 597,445	\$ 475,774
Unrealized gain	17,532	40,844
	<u>\$ 614,977</u>	<u>\$ 516,618</u>

- 4. Property and Equipment** Property and equipment consists of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Office equipment	\$ 254,470	\$ 226,688
Furniture and fixtures	89,958	75,689
Leasehold improvements	34,854	34,854
	379,282	337,231
Less accumulated depreciation and amortization	<u>(295,396)</u>	<u>(252,384)</u>
	<u>\$ 83,886</u>	<u>\$ 84,847</u>

- 5. Accrued Liabilities** Accrued liabilities consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Payroll and related costs	\$ 74,674	\$ 66,824
Personal leave	71,381	61,917
Other	16,356	19,489
	<u>\$ 162,411</u>	<u>\$ 148,230</u>

- 6. Line of Credit** The Foundation entered into a \$300,000 revolving line of credit arrangement with a bank in March 2013, secured by the Foundation's assets. The agreement terminates on March 30, 2015, and any funds drawn on the line will bear interest at the bank's Prime rate plus 1.65%. No funds had been drawn under the line of credit arrangement as of June 30, 2014 and 2013.



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

7. Temporarily Restricted Net Assets Temporarily restricted net assets are available for the following purposes and events as of June 30:

	<u>2014</u>	<u>2013</u>
Foster Family Retention	\$ 101,643	\$ 93,553
Wishing Well Fund	17,839	14,522
Aspen Grove Foster Family Camp	7,520	5,139
Spanish Mentorship	2,252	-
Other	3,964	6,658
Chalk Art Festival	-	12,989
	<u>\$ 133,218</u>	<u>\$ 132,861</u>

8. Retirement Plan The Foundation sponsors a defined contribution retirement plan, which covers employees age 21 and older with 6 months of full-time service. The Foundation contributes, on a discretionary basis, a percentage of the annual salary of each eligible employee. The expense for the years ended June 30, 2014 and 2013 was approximately \$132,000 and \$128,000, respectively.

9. Commitments *Operating Leases*

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2014, 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>
2015	\$ 192,583
2016	124,384
2017	27,744
2018	7,371
2019	960
	<u>\$ 353,042</u>

Rental expense under operating leases was approximately \$198,000 and \$206,000 for the years ended June 30, 2014 and 2013, respectively.