



Utah Foster Care
FOUNDATION

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

As of June 30, 2011 and 2010 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 statements of financial position of Utah Foster Care Foundation (the Foundation) as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 14, 2011, 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 14, 2011



UTAH FOSTER CARE FOUNDATION
Statements of Financial Position

As of June 30,

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 714,343	\$ 742,798
Investments	483,782	379,117
Receivables	305,411	263,908
Prepaid expenses	99,404	82,770
Property and equipment, net	39,384	33,839
Other assets	10,473	10,473
Total assets	<u>\$ 1,652,797</u>	<u>\$ 1,512,905</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 11,849	\$ 1,825
Accrued liabilities	148,661	156,670
Total liabilities	<u>160,510</u>	<u>158,495</u>
Commitments		
Net assets:		
Unrestricted	1,359,923	1,222,774
Temporarily restricted	132,364	131,636
Total net assets	<u>1,492,287</u>	<u>1,354,410</u>
Total liabilities and net assets	<u>\$ 1,652,797</u>	<u>\$ 1,512,905</u>



UTAH FOSTER CARE FOUNDATION
Statements of Activities

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Change in unrestricted net assets:		
Revenues, support, and investment income:		
Government contract	\$ 2,715,977	\$ 2,799,976
Contributions	486,181	321,804
Interest and other income	17,009	18,342
Net realized and unrealized gains on investments	<u>90,056</u>	<u>35,477</u>
Total unrestricted revenues, support, and investment income	3,309,223	3,175,599
Net assets released from restrictions	<u>97,168</u>	<u>63,995</u>
Total unrestricted revenues, support, investment income and reclassifications	<u>3,406,391</u>	<u>3,239,594</u>
Expenses:		
Program services:		
Recruitment	1,246,272	1,308,775
Education	682,871	655,008
Retention	935,261	820,856
Supporting services:		
Management and general	401,063	358,122
Fundraising	<u>3,775</u>	<u>21,318</u>
Total expenses	<u>3,269,242</u>	<u>3,164,079</u>
Increase in unrestricted net assets	<u>137,149</u>	<u>75,515</u>
Change in temporarily restricted net assets:		
Contributions	97,896	55,234
Net assets released from restrictions	<u>(97,168)</u>	<u>(63,995)</u>
Increase (decrease) in temporarily restricted net assets	<u>728</u>	<u>(8,761)</u>
Increase in net assets	137,877	66,754
Net assets, beginning of the year	<u>1,354,410</u>	<u>1,287,656</u>
Net assets, end of the year	<u>\$ 1,492,287</u>	<u>\$ 1,354,410</u>

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
Total expenses	\$ 1,246,272	\$ 682,871	\$ 935,261	\$ 2,864,404	\$ 401,063	\$ 3,775	\$ 404,838	\$ 3,269,242

UTAH FOSTER CARE FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2010

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 840,416	\$ 498,059	\$ 419,602	\$ 1,758,077	\$ 246,117	\$ 13,594	\$ 259,711	\$ 2,017,788
Professional fees	11,248	5,064	5,178	21,490	17,759	-	17,759	39,249
Insurances	6,797	2,950	2,703	12,450	2,421	-	2,421	14,871
Supplies	12,840	5,089	5,024	22,953	4,788	35	4,823	27,776
Telephone / Internet	20,684	11,556	12,398	44,638	6,333	617	6,950	51,588
Postage / Shipping	3,060	1,477	5,831	10,368	1,418	550	1,968	12,336
Occupancy	85,840	19,164	41,129	146,133	47,130	4,594	51,724	197,857
Depreciation and amortization	9,535	5,085	5,297	19,917	4,634	452	5,086	25,003
Equipment maintenance and rental	21,462	8,631	10,186	40,279	8,939	-	8,939	49,218
Printing and publications	31,338	17,013	5,067	53,418	1,833	1,292	3,125	56,543
Travel	45,285	43,052	18,041	106,378	6,850	-	6,850	113,228
Professional development	2,949	1,485	4,948	9,382	1,122	-	1,122	10,504
Direct service	55,663	34,731	284,869	375,263	7,068	184	7,252	382,515
Dues / Memberships	2,572	358	554	3,484	1,710	-	1,710	5,194
Community outreach	154,720	-	-	154,720	-	-	-	154,720
Other	4,366	1,294	29	5,689	-	-	-	5,689
Total expenses	\$ 1,308,775	\$ 655,008	\$ 820,856	\$ 2,784,639	\$ 358,122	\$ 21,318	\$ 379,440	\$ 3,164,079



UTAH FOSTER CARE FOUNDATION
Statements of Cash Flows

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 137,877	\$ 66,754
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,646	25,003
Loss on disposal of property and equipment	-	1,296
Net realized and unrealized gains on investments	(90,056)	(35,477)
(Increase) decrease in:		
Receivables	(41,503)	57,666
Prepaid expenses	(16,634)	(19,171)
Increase (decrease) in:		
Accounts payable	10,024	(3,223)
Accrued liabilities	(8,009)	2,533
Net cash provided by operating activities	<u>19,345</u>	<u>95,381</u>
Cash flows from investing activities:		
Purchases of property and equipment	(33,191)	(9,620)
Purchases of investments	(14,609)	(7,615)
Net cash used in investing activities	<u>(47,800)</u>	<u>(17,235)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(28,455)	78,146
Cash and cash equivalents, beginning of year	<u>742,798</u>	<u>664,652</u>
Cash and cash equivalents, end of year	<u>\$ 714,343</u>	<u>\$ 742,798</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, 2011, the Foundation had approximately \$644,000 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 99.9% and 99.0% of the receivables balance at June 30, 2011 and 2010, respectively. Additionally, for the years ended June 30, 2011 and 2010, this agency represented approximately 80% and 87% 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, 2011 and 2010, cash equivalents consisted of money market funds.



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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt 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, 2011 and 2010, 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 – 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, 2011 and 2010.

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, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was approximately \$170,000 and \$93,000, 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 \$233,000 and \$155,000 for the years ended June 30, 2011 and 2010, 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 any uncertain tax provision, if any, using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of June 30, 2011, 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 years prior to 2008.

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, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market fund	\$ 380,806	\$ –	\$ –	\$ 380,806
Mutual fund – balanced fund	483,782	–	–	483,782
	\$ 864,588	\$ –	\$ –	\$ 864,588

Description	Fair Value Measurements as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market fund	\$ 633,462	\$ –	\$ –	\$ 633,462
Mutual fund – balanced fund	379,117	–	–	379,117
	\$ 1,012,579	\$ –	\$ –	\$ 1,012,579

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

	2011	2010
Cost basis of mutual fund	\$ 517,494	\$ 502,885
Unrealized loss	(33,712)	(123,768)
	\$ 483,782	\$ 379,117



4. Property and Equipment	Property and equipment consists of the following as of June 30:		
		<u>2011</u>	<u>2010</u>
	Office equipment	\$ 204,003	\$ 286,298
	Furniture and fixtures	162,015	165,699
	Leasehold improvements	<u>33,654</u>	<u>33,654</u>
		399,672	485,651
	Less accumulated depreciation and amortization	<u>(360,288)</u>	<u>(451,812)</u>
		<u>\$ 39,384</u>	<u>\$ 33,839</u>
5. Accrued Liabilities	Accrued liabilities consist of the following as of June 30:		
		<u>2011</u>	<u>2010</u>
	Payroll and payroll related costs	\$ 65,630	\$ 64,211
	Personal leave	63,329	73,969
	Other	<u>19,702</u>	<u>18,490</u>
		<u>\$ 148,661</u>	<u>\$ 156,670</u>
6. Temporarily Restricted Net Assets	Temporarily restricted net assets are available for the following purposes and events as of June 30:		
		<u>2011</u>	<u>2010</u>
	Chalk Art Festival	\$ 26,870	\$ 21,463
	Wishing Well Fund	13,520	19,551
	Aspen Grove Foster Family Camp	6,931	1,423
	Holiday Fund - Northern	-	8,577
	Other	<u>85,043</u>	<u>80,622</u>
		<u>\$ 132,364</u>	<u>\$ 131,636</u>
7. Retirement Plan	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, 2011 and 2010 was approximately \$70,000 and \$129,000, respectively.		



8. Commitments ***Operating Leases***

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2011, 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>
2012	\$ 187,682
2013	167,280
2014	149,868
2015	142,758
2016	<u>84,070</u>
	<u>\$ 731,658</u>

Rental expense under operating leases was approximately \$170,000 and \$199,000 for the years ended June 30, 2011 and 2010, 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, 2011, and have issued our report thereon dated October 14, 2011. 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

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 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 14, 2011