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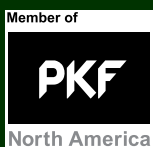
TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE



PROACTIVE INSIGHT



Financial Statements
As of June 30, 2015 and 2014 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, 2015 and 2014, 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 error or fraud.

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 error or fraud. 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, 2015 and 2014, 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 1, 2015



UTAH FOSTER CARE FOUNDATION
Statements of Financial Position

As of June 30,

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 249,145	\$ 241,384
Investments	608,196	614,977
Receivables	252,409	500,461
Prepaid expenses	76,422	73,536
Property and equipment, net	73,171	83,886
Other assets	11,541	11,799
	<u>11,541</u>	<u>11,799</u>
Total assets	<u>\$ 1,270,884</u>	<u>\$ 1,526,043</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 51,022	\$ 55,915
Accrued liabilities	164,455	162,411
	<u>164,455</u>	<u>162,411</u>
Total liabilities	<u>215,477</u>	<u>218,326</u>
Commitments		
Net assets:		
Unrestricted	931,335	1,174,499
Temporarily restricted	124,072	133,218
	<u>124,072</u>	<u>133,218</u>
Total net assets	<u>1,055,407</u>	<u>1,307,717</u>
Total liabilities and net assets	<u>\$ 1,270,884</u>	<u>\$ 1,526,043</u>



UTAH FOSTER CARE FOUNDATION
Statements of Activities

For the Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Change in unrestricted net assets:		
Revenues, support, and net investment income:		
Government contract	\$ 2,734,976	\$ 2,733,977
In-kind contributions	454,759	303,794
Contributions	94,714	121,076
Interest and other income	28,886	36,463
Net realized and unrealized gain (loss) on investments	<u>(10,644)</u>	<u>81,475</u>
Total unrestricted revenues, support, and net investment income	3,302,691	3,276,785
Net assets released from restrictions	<u>118,765</u>	<u>126,700</u>
Total unrestricted revenues, support, investment income and reclassifications	<u>3,421,456</u>	<u>3,403,485</u>
Expenses:		
Program services:		
Recruitment	1,388,848	1,348,492
Education	824,806	810,865
Retention	953,999	923,309
Supporting services:		
Management and general	388,231	411,216
Fundraising	<u>108,736</u>	<u>64,658</u>
Total expenses	<u>3,664,620</u>	<u>3,558,540</u>
Decrease in unrestricted net assets	<u>(243,164)</u>	<u>(155,055)</u>
Change in temporarily restricted net assets:		
Contributions	109,619	127,057
Net assets released from restrictions	<u>(118,765)</u>	<u>(126,700)</u>
Increase (decrease) in temporarily restricted net assets	<u>(9,146)</u>	<u>357</u>
Decrease in net assets	(252,310)	(154,698)
Net assets, beginning of the year	<u>1,307,717</u>	<u>1,462,415</u>
Net assets, end of the year	<u>\$ 1,055,407</u>	<u>\$ 1,307,717</u>

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 832,376	\$ 618,380	\$ 461,783	\$ 1,912,539	\$ 255,026	\$ 72,036	\$ 327,062	\$ 2,239,601
In-kind expenses	268,378	4,138	182,243	454,759	-	-	-	454,759
Professional fees	7,543	4,353	4,405	16,301	5,806	-	5,806	22,107
Insurance	4,814	2,978	2,651	10,443	2,675	-	2,675	13,118
Supplies	7,486	6,650	2,831	16,967	7,165	688	7,853	24,820
Telephone / Internet	15,007	10,496	8,228	33,731	5,149	934	6,083	39,814
Postage / Shipping	1,747	1,062	4,443	7,252	958	394	1,352	8,604
Occupancy	73,647	20,300	40,871	134,818	56,703	5,091	61,794	196,612
Software/Technology	3,597	3,843	3,433	10,873	2,451	7,747	10,198	21,071
Depreciation and amortization	14,791	9,441	7,867	32,099	7,553	-	7,553	39,652
Equipment maintenance and rental	15,918	9,424	8,974	34,316	8,158	-	8,158	42,474
Printing and publications	17,121	4,572	24,723	46,416	587	860	1,447	47,863
Travel	45,539	64,340	23,400	133,279	5,453	2,005	7,458	140,737
Professional development	695	2,204	195	3,094	4,875	1,275	6,150	9,244
Direct service	38,496	62,045	177,122	277,663	10,424	17,306	27,730	305,393
Dues / Memberships	1,736	580	830	3,146	2,628	400	3,028	6,174
Community outreach	39,957	-	-	39,957	-	-	-	39,957
Other	-	-	-	-	12,620	-	12,620	12,620
Total expenses	\$ 1,388,848	\$ 824,806	\$ 953,999	\$ 3,167,653	\$ 388,231	\$ 108,736	\$ 496,967	\$ 3,664,620

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
In-kind expenses	166,431	4,785	129,688	300,904	2,500	390	2,890	303,794
Professional fees	7,671	4,704	4,567	16,942	6,373	-	6,373	23,315
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	69,525	19,662	42,149	131,336	55,169	5,377	60,546	191,882
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	5,274	20,107	42,140	763	2,194	2,957	45,097
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	57,008	74,314	186,227	317,549	6,646	12,110	18,756	336,305
Dues / Memberships	1,329	971	574	2,874	768	100	868	3,742
Community outreach	76,082	-	-	76,082	-	-	-	76,082
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
Statements of Cash Flows

For the Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (252,310)	\$ (154,698)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of assets	631	-
Depreciation and amortization	39,652	43,012
Net realized and unrealized loss (gain) on investments	10,644	(81,475)
(Increase) decrease in:		
Receivables	248,052	48,324
Prepaid expenses and other assets	(2,628)	(5,101)
Increase (decrease) in:		
Accounts payable	(4,893)	24,556
Accrued liabilities	2,044	14,181
	<u>41,192</u>	<u>(111,201)</u>
Net cash provided by (used in) operating activities		
	<u>41,192</u>	<u>(111,201)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(29,568)	(42,051)
Purchases of investments	(3,863)	(16,884)
	<u>(33,431)</u>	<u>(58,935)</u>
Net cash used in investing activities		
	<u>(33,431)</u>	<u>(58,935)</u>
Net increase (decrease) in cash and cash equivalents	7,761	(170,136)
Cash and cash equivalents, beginning of year	<u>241,384</u>	<u>411,520</u>
Cash and cash equivalents, end of year	<u>\$ 249,145</u>	<u>\$ 241,384</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, 2015, the Foundation had approximately \$83,000 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 97% and 98% of the receivables balance as of June 30, 2015 and 2014, respectively. Additionally, for the years ended June 30, 2015 and 2014, this agency represented approximately 80% of revenues, support, and investment income. 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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014, the value of contributed services meeting the requirements for recognition in the financial statements was approximately \$228,000 and \$132,000, 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 \$268,000 and \$206,000 for the years ended June 30, 2015 and 2014, 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, 2015, 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 2012.

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 2014 financial statement presentation to conform to the 2015 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.



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

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

	<u>2015</u>	<u>2014</u>
Cost basis of mutual funds	\$ 611,494	\$ 597,445
Unrealized gain (loss)	<u>(3,298)</u>	<u>17,532</u>
	<u>\$ 608,196</u>	<u>\$ 614,977</u>

- 3. 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, 2015 and 2014.



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

- 3. Fair Value Measurements** Assets and liabilities measured at fair value on a recurring basis are summarized as follows:
Continued

Fair Value Measurements as of June 30, 2015

Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Bond	\$ 294,547	\$ -	\$ -	\$ 294,547
International	109,422	-	-	109,422
Large Cap	91,741	-	-	91,741
Mid Cap	69,955	-	-	69,955
Small Cap	36,053	-	-	36,053
Money Market	6,478	-	-	6,478
	<u>\$ 608,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,196</u>

Fair Value Measurements as of June 30, 2014

Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Bond	\$ 319,865	\$ -	\$ -	\$ 319,865
International	87,997	-	-	87,997
Large Cap	82,974	-	-	82,974
Mid Cap	82,835	-	-	82,835
Small Cap	38,121	-	-	38,121
Money Market	3,185	-	-	3,185
	<u>\$ 614,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,977</u>

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

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 189,405	\$ 254,470
Furniture and fixtures	95,739	89,958
Leasehold improvements	<u>34,854</u>	<u>34,854</u>
	319,998	379,282
Less accumulated depreciation and amortization	<u>(246,827)</u>	<u>(295,396)</u>
	<u>\$ 73,171</u>	<u>\$ 83,886</u>



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

5. Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Payroll and related costs	\$ 73,182	\$ 74,674
Personal leave	77,853	71,381
Other	13,420	16,356
	<u>\$ 164,455</u>	<u>\$ 162,411</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 Foundation assets. The agreement terminated on March 30, 2015. No funds were drawn on the line of credit and no interest paid during the years ended June 30, 2015 and 2014.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and events as of June 30:

	<u>2015</u>	<u>2014</u>
Foster Family Retention	\$ 81,683	\$ 101,643
Northern Region Outreach	27,747	-
Wishing Well Fund	14,029	17,839
Aspen Grove Foster Family Camp	-	7,520
Spanish Mentorship	-	2,252
Other	613	3,964
	<u>\$ 124,072</u>	<u>\$ 133,218</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, 2015 and 2014 was approximately \$135,000 and \$132,000, respectively.



9. Commitments *Operating Leases*

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2015, 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>
2016	\$ 143,884
2017	37,494
2018	7,371
2019	960
	<u>\$ 189,709</u>

Rental expense under operating leases was approximately \$193,000 and \$198,000 for the years ended June 30, 2015 and 2014, respectively.