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Financial Statements
As of June 30, 2017 and 2016 and For the Years Then Ended

Together With Independent Auditors' Report



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TANNER
BUSINESS ADVISORS AND
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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, 2017 and 2016, 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, 2017 and 2016, 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

September 18, 2017



UTAH FOSTER CARE FOUNDATION
Statements of Financial Position

As of June 30,

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 433,335	\$ 189,601
Investments	142,300	446,071
Accounts and grants receivable	343,577	159,241
Promises to give receivable	103,594	8,596
Prepaid expenses	79,768	82,903
Property and equipment, net	91,717	52,442
Other assets	11,541	11,541
	<u>11,541</u>	<u>11,541</u>
Total assets	<u>\$ 1,205,832</u>	<u>\$ 950,395</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 103,029	\$ 15,963
Accrued liabilities	165,961	160,147
	<u>165,961</u>	<u>160,147</u>
Total liabilities	<u>268,990</u>	<u>176,110</u>
Commitments		
Net assets:		
Unrestricted	772,149	727,894
Temporarily restricted	164,693	46,391
	<u>164,693</u>	<u>46,391</u>
Total net assets	<u>936,842</u>	<u>774,285</u>
Total liabilities and net assets	<u>\$ 1,205,832</u>	<u>\$ 950,395</u>



UTAH FOSTER CARE FOUNDATION
Statements of Activities

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Change in unrestricted net assets:		
Revenues, support, and net investment income:		
Government contract	\$ 3,133,977	\$ 2,738,648
In-kind contributions	183,471	283,155
Contributions	128,262	182,921
Interest and other income	9,961	22,119
Net realized and unrealized gain (loss) on investments	26,512	(21,693)
	<u>3,482,183</u>	<u>3,205,150</u>
Total unrestricted revenues, support, and net investment income		
Net assets released from restrictions	60,859	106,318
	<u>3,543,042</u>	<u>3,311,468</u>
Total unrestricted revenues, support, net investment income, and reclassifications		
Expenses:		
Program services:		
Recruitment	1,265,061	1,236,676
Education	847,575	811,817
Retention	885,610	910,655
Supporting services:		
Management and general	392,922	422,060
Fundraising	107,619	133,701
	<u>3,498,787</u>	<u>3,514,909</u>
Total expenses		
Increase (decrease) in unrestricted net assets	44,255	(203,441)
Change in temporarily restricted net assets:		
Contributions	179,161	28,637
Net assets released from restrictions	(60,859)	(106,318)
	<u>118,302</u>	<u>(77,681)</u>
Increase (decrease) in temporarily restricted net assets		
Increase (decrease) in net assets	162,557	(281,122)
Net assets, beginning of the year	<u>774,285</u>	<u>1,055,407</u>
Net assets, end of the year	<u>\$ 936,842</u>	<u>\$ 774,285</u>

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

For the Year Ended June 30, 2017

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 902,267	\$ 643,593	\$ 482,525	\$ 2,028,385	\$ 241,560	\$ 80,935	\$ 322,495	\$ 2,350,880
In-kind expenses	29,220	4,188	150,063	183,471	-	-	-	183,471
Professional fees	7,314	4,180	4,354	15,848	4,180	-	4,180	20,028
Insurance	6,159	3,612	3,011	12,782	3,330	-	3,330	16,112
Supplies	6,908	8,721	3,153	18,782	5,237	843	6,080	24,862
Telephone / Internet	13,310	8,145	7,593	29,048	5,598	566	6,164	35,212
Postage / Shipping	756	463	3,769	4,988	573	55	628	5,616
Occupancy	78,429	21,253	43,306	142,988	61,642	5,416	67,058	210,046
Software/Technology	6,791	4,899	3,787	15,477	3,566	2,952	6,518	21,995
Depreciation and amortization	15,648	9,988	8,324	33,960	7,991	-	7,991	41,951
Equipment maintenance and rental	18,325	11,662	10,162	40,149	10,627	718	11,345	51,494
Printing and publications	12,465	3,690	19,771	35,926	44	849	893	36,819
Travel	52,585	61,536	24,973	139,094	12,775	3,482	16,257	155,351
Professional development	1,424	3,260	436	5,120	4,151	1,790	5,941	11,061
Direct service	48,687	57,638	119,781	226,106	8,934	9,809	18,743	244,849
Dues / Memberships	1,188	447	602	2,237	1,715	204	1,919	4,156
Community outreach	63,585	300	-	63,885	-	-	-	63,885
Lobbying	-	-	-	-	13,332	-	13,332	13,332
Other	-	-	-	-	7,667	-	7,667	7,667
Total expenses	\$ 1,265,061	\$ 847,575	\$ 885,610	\$ 2,998,246	\$ 392,922	\$ 107,619	\$ 500,541	\$ 3,498,787

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

For the Year Ended June 30, 2016

	Program Services				Supporting Services			Total Expenses
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 857,935	\$ 627,096	\$ 464,015	\$ 1,949,046	\$ 274,254	\$ 88,976	\$ 363,230	\$ 2,312,276
In-kind expenses	105,120	4,038	173,409	282,567	588	-	588	283,155
Professional fees	7,189	4,108	4,280	15,577	4,948	-	4,948	20,525
Insurance	5,569	3,554	2,963	12,086	3,060	-	3,060	15,146
Supplies	4,112	5,114	2,064	11,290	1,915	41	1,956	13,246
Telephone / Internet	13,711	9,372	7,681	30,764	5,439	625	6,064	36,828
Postage / Shipping	1,298	583	4,089	5,970	582	68	650	6,620
Occupancy	76,838	21,358	41,760	139,956	56,548	5,745	62,293	202,249
Software/Technology	4,815	3,385	2,484	10,684	2,814	1,109	3,923	14,607
Depreciation and amortization	10,901	6,958	5,798	23,657	5,566	-	5,566	29,223
Equipment maintenance and rental	18,108	11,358	9,993	39,459	11,586	628	12,214	51,673
Printing and publications	12,493	10,621	17,112	40,226	766	544	1,310	41,536
Travel	40,992	57,481	20,530	119,003	7,808	5,665	13,473	132,476
Professional development	379	945	-	1,324	630	567	1,197	2,521
Direct service	32,327	44,864	153,426	230,617	5,835	29,608	35,443	266,060
Dues / Memberships	1,418	612	1,030	3,060	2,303	125	2,428	5,488
Community outreach	43,471	370	21	43,862	-	-	-	43,862
Lobbying	-	-	-	-	30,000	-	30,000	30,000
Other	-	-	-	-	7,418	-	7,418	7,418
Total expenses	\$ 1,236,676	\$ 811,817	\$ 910,655	\$ 2,959,148	\$ 422,060	\$ 133,701	\$ 555,761	\$ 3,514,909



UTAH FOSTER CARE FOUNDATION
Statements of Cash Flows

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 162,557	\$ (281,122)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Loss on disposal of assets	-	947
Depreciation and amortization	41,951	29,223
Interest and dividends reinvested	(3,989)	-
Net realized and unrealized (gain) loss on investments	(26,512)	21,693
(Increase) decrease in:		
Receivables	(279,334)	84,572
Prepaid expenses and other assets	3,135	(6,481)
Increase (decrease) in:		
Accounts payable	87,066	(35,059)
Accrued liabilities	5,814	(4,308)
	<u>(9,312)</u>	<u>(190,535)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(81,226)	(9,441)
Proceeds from sale of investments	335,000	140,432
Purchase of investments	(728)	-
	<u>253,046</u>	<u>130,991</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	243,734	(59,544)
Cash and cash equivalents, beginning of year	<u>189,601</u>	<u>249,145</u>
Cash and cash equivalents, end of year	<u>\$ 433,335</u>	<u>\$ 189,601</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, the allocation of program and supporting service expenses, and the allowance for uncollectible contributions receivable.

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, 2017, the Foundation had approximately \$237,000 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 an agency of the State of Utah. This agency represented 77% and 94% of the accounts, grants, and promises to give receivable balances as of June 30, 2017 and 2016, respectively. Additionally, for the years ended June 30, 2017 and 2016, this agency represented approximately 86% and 85%, respectively, of revenues, support, and net 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 very significant impact on the Foundation's operations.

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, 2017 and 2016, cash equivalents consisted of a money market account.



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

Investments

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

Accounts, Grants and Promises to Give Receivable

Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. As of June 30, 2017, the discount on promises was immaterial. These contributions represent unconditional promises to donate within one to five years. Included in promises to give receivables was \$68,256 due from board members and employees of the Foundation. As of June 30, 2017 and 2016, management determined that no allowance was necessary based on historical collections and other factors specific to each donor.

Accounts and grants receivable 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, 2017 and 2016, 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 three to seven years.



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

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, 2017 and 2016.

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.

Donations of advertising, 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.



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

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.

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 \$69,000 and \$107,000 for the years ended June 30, 2017 and 2016, respectively.

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, 2017, 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.



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

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 2016 financial statement presentation to conform to the 2017 presentation.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through September 18, 2017, which is the date the accompanying financial statements were available to be issued.

2. Investments

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

	<u>2017</u>	<u>2016</u>
Cost basis of mutual funds	\$ 135,945	\$ 465,730
Unrealized gain (loss)	<u>6,355</u>	<u>(19,659)</u>
	<u>\$ 142,300</u>	<u>\$ 446,071</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, including money market funds, is based on the quoted net asset values of shares held at year-end, which are Level 1 inputs. There have been no changes in valuation methodologies used as of June 30, 2017 and 2016.

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

Fair Value Measurements as of June 30, 2017

Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Bond	\$ 65,314	\$ -	\$ -	\$ 65,314
International	24,168	-	-	24,168
Large Cap	18,712	-	-	18,712
Mid Cap	12,808	-	-	12,808
Exchange	11,284	-	-	11,284
Small Cap	8,552	-	-	8,552
Money Market	1,462	-	-	1,462
	<u>\$ 142,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,300</u>



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

3. Fair Value Measurements
Continued

Fair Value Measurements as of June 30, 2016

Description	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Bond	\$ 212,276	\$ -	\$ -	\$ 212,276
Large Cap	83,623	-	-	83,623
International	78,033	-	-	78,033
Mid Cap	41,402	-	-	41,402
Small Cap	27,401	-	-	27,401
Money Market	3,336	-	-	3,336
	<u>\$ 446,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,071</u>

4. Property and Equipment

Property and equipment consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 190,578	\$ 192,994
Furniture and fixtures	110,975	85,594
Leasehold improvements	40,810	34,854
	342,363	313,442
Less accumulated depreciation and amortization	<u>(250,646)</u>	<u>(261,000)</u>
	<u>\$ 91,717</u>	<u>\$ 52,442</u>

5. Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Payroll and related costs	\$ 76,100	\$ 67,912
Personal leave	80,372	80,923
Other	9,489	11,312
	<u>\$ 165,961</u>	<u>\$ 160,147</u>



UTAH FOSTER CARE FOUNDATION
Notes to Financial Statements
Continued

- 6. Temporarily Restricted Net Assets** Temporarily restricted net assets represent donations to the Foundation that are subject to time restrictions or are expendable only for specific purposes, as follows:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 103,594	\$ -
Foster family retention	60,999	46,391
Other	100	-
	<u>\$ 164,693</u>	<u>\$ 46,391</u>

- 7. 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, 2017 and 2016 was approximately \$151,000 and \$152,000, respectively.

- 8. Commitments** ***Operating Leases***
The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2017, 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>
2018	\$ 238,851
2019	239,954
2020	242,017
2021	35,075
2022	1,447
	<u>\$ 757,344</u>

Rental expense under operating leases was approximately \$192,000 and \$212,000 for the years ended June 30, 2017 and 2016, respectively.