

Utah Foster Care Foundation

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

As of and for the Years Ended June 30, 2022 and 2021



UTAH FOSTER CARE FOUNDATION

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Independent Auditor's Report

To the Board of Directors
Utah Foster Care Foundation

Opinion

We have audited the accompanying financial statements of **Utah Foster Care Foundation** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Utah Foster Care Foundation** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Utah Foster Care Foundation's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness **Utah Foster Care Foundation's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Utah Foster Care Foundation's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Larson & Company P.C." in a cursive script.

Salt Lake City, Utah
November 16, 2022

UTAH FOSTER CARE FOUNDATION

Statements of Financial Position

As of June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 728,848	\$ 618,967
Investments	171,920	204,590
Accounts receivable, trade	267,237	266,291
Promises to give, net	10,974	47,134
Prepaid expenses	89,038	114,265
Total current assets	1,268,017	1,251,247
Noncurrent assets:		
Promises to give, less current portion	2,075	13,857
Property and equipment, net	87,133	122,749
Other assets	13,896	18,514
Total noncurrent assets	103,104	155,120
Total assets	\$ 1,371,121	\$ 1,406,367
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 23,134	\$ 33,921
Accrued liabilities	265,597	298,971
Capital lease obligation, current portion	25,207	22,716
Total current liabilities	313,938	355,608
Capital lease obligation, less current portion	25,784	50,991
Total liabilities	339,722	406,599
Net assets:		
Without donor restrictions	940,951	859,290
With donor restrictions	90,448	140,478
Total net assets	1,031,399	999,768
Total liabilities and net assets	\$ 1,371,121	\$ 1,406,367

The accompanying notes to the financial statements are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and net investment income:			
Government grant	\$ 3,064,219	\$ -	\$ 3,064,219
In-kind contributions	882,702	-	882,702
Contributions	296,780	90,403	387,183
Interest and other income	2,107	-	2,107
Net realized and unrealized gain (loss) on investments	(31,209)	-	(31,209)
Total support and net investment income	4,214,599	90,403	4,305,002
Satisfaction of restrictions	140,433	(140,433)	-
Total support, net investment income, and satisfaction of restrictions	4,355,032	(50,030)	4,305,002
Expenses:			
Program services:			
Recruitment	1,232,685	-	1,232,685
Retention	1,674,945	-	1,674,945
Education	839,203	-	839,203
Supporting services:			
Management and general	373,297	-	373,297
Fundraising	153,241	-	153,241
Total expenses	4,273,371	-	4,273,371
Change in net assets	81,661	(50,030)	31,631
Net assets, beginning of year	859,290	140,478	999,768
Net assets, end of year	\$ 940,951	\$ 90,448	\$ 1,031,399

The accompanying notes to the financial statements
are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and net investment income:			
Government grant	\$ 3,037,979	\$ -	\$ 3,037,979
In-kind contributions	476,397	-	476,397
Contributions	198,938	91,667	290,605
Interest and other income (loss)	(378)	-	(378)
Net realized and unrealized gain on investments	38,091	-	38,091
Total support and net investment income	3,751,027	91,667	3,842,694
Satisfaction of restrictions	115,783	(115,783)	-
Total support, net investment income, and satisfaction of restrictions	3,866,810	(24,116)	3,842,694
Expenses:			
Program services:			
Recruitment	1,260,135	-	1,260,135
Retention	1,278,053	-	1,278,053
Education	802,008	-	802,008
Supporting services:			
Management and general	383,881	-	383,881
Fundraising	62,539	-	62,539
Total expenses	3,786,616	-	3,786,616
Change in net assets	80,194	(24,116)	56,078
Net assets, beginning of year	779,096	164,594	943,690
Net assets, end of year	\$ 859,290	\$ 140,478	\$ 999,768

The accompanying notes to the financial statements
are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services				Supporting Services			Total Expenses
	Recruitment	Retention	Education	Total	Management and General	Fundraising	Total	
Expenses:								
Salaries, payroll taxes and benefits	\$ 913,968	\$ 545,987	\$ 671,178	\$ 2,131,133	\$ 258,018	\$ 100,634	\$ 358,652	\$ 2,489,785
In-kind expenses	37,800	849,037	-	886,837	-	-	-	886,837
Direct services	28,781	127,296	32,995	189,072	4,070	10,471	14,541	203,613
Occupancy	101,991	64,518	55,527	222,036	31,143	13,399	44,542	266,578
Travel	22,897	19,904	23,714	66,515	4,711	3,575	8,286	74,801
Equipment maintenance and rental	10,474	6,065	6,279	22,818	2,854	887	3,741	26,559
Community outreach	51,624	-	-	51,624	-	1,595	1,595	53,219
Depreciation and amortization	10,917	7,722	9,883	28,522	7,094	-	7,094	35,616
Telephone/Internet	11,188	6,696	6,940	24,824	4,163	456	4,619	29,443
Printing and publications	1,244	21,664	-	22,908	-	1,825	1,825	24,733
Supplies	7,554	5,027	4,714	17,295	2,755	2,497	5,252	22,547
Professional fees	6,732	4,260	4,009	15,001	1,774	546	2,320	17,321
Lobbying	10,057	6,631	6,149	22,837	2,163	-	2,163	25,000
Software/technology	5,220	3,050	11,167	19,437	4,439	4,919	9,358	28,795
Insurances	6,418	3,670	3,928	14,016	1,479	-	1,479	15,495
Other	2,027	105	268	2,400	43,408	10,240	53,648	56,048
Professional development	527	249	894	1,670	580	1,529	2,109	3,779
Postage/shipping	746	2,814	621	4,181	155	306	461	4,642
Dues/memberships	2,520	250	937	3,707	4,491	362	4,853	8,560
Total expenses	\$ 1,232,685	\$ 1,674,945	\$ 839,203	\$ 3,746,833	\$ 373,297	\$ 153,241	\$ 526,538	\$ 4,273,371

The accompanying notes to the financial statements are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total Expenses
	Recruitment	Retention	Education	Total	Management and General	Fundraising	Total	
Expenses:								
Salaries, payroll taxes and benefits	\$ 949,568	\$ 576,883	\$ 657,203	\$ 2,183,654	\$ 266,956	\$ 43,926	\$ 310,882	\$ 2,494,536
In-kind expenses	28,676	433,912	11,099	473,687	-	-	-	473,687
Direct services	30,454	135,640	23,410	189,504	1,490	100	1,590	191,094
Occupancy	102,974	53,956	34,082	191,012	61,796	9,791	71,587	262,599
Travel	5,032	8,155	5,611	18,798	1,895	382	2,277	21,075
Equipment maintenance and rental	7,762	2,005	7,374	17,141	3,679	747	4,426	21,567
Community outreach	59,122	-	-	59,122	-	1,215	1,215	60,337
Depreciation and amortization	15,319	9,451	8,110	32,880	7,072	-	7,072	39,952
Telephone/internet	11,113	6,345	7,457	24,915	4,470	505	4,975	29,890
Printing and publications	723	22,334	347	23,404	682	876	1,558	24,962
Supplies	9,100	6,702	12,383	28,185	4,829	62	4,891	33,076
Professional fees	12,998	6,955	6,765	26,718	5,495	557	6,052	32,770
Lobbying	9,051	5,968	5,534	20,553	1,947	-	1,947	22,500
Software/technology	5,964	3,274	5,943	15,181	5,112	4,296	9,408	24,589
Insurances	6,796	3,698	3,615	14,109	2,431	-	2,431	16,540
Interest expense	-	-	-	-	8,881	-	8,881	8,881
Other	995	-	-	995	1,583	-	1,583	2,578
Professional development	8	8	11,333	11,349	680	-	680	12,029
Postage/shipping	2,533	2,267	1,036	5,836	354	82	436	6,272
Dues/memberships	1,947	500	706	3,153	4,529	-	4,529	7,682
Total expenses	\$ 1,260,135	\$ 1,278,053	\$ 802,008	\$ 3,340,196	\$ 383,881	\$ 62,539	\$ 446,420	\$ 3,786,616

The accompanying notes to the financial statements are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 31,631	\$ 56,078
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	35,616	39,952
Bad debt expense	41,563	-
Loss (gain) on disposal of property and equipment	(80)	539
Interest and dividends reinvested	(1,232)	(820)
Net realized and unrealized gain on investments	31,209	(38,091)
Change in operating assets and liabilities:		
Accounts receivable, trade	(42,509)	53,813
Prepaid expenses	25,227	2,914
Promises to give	47,942	10,946
Other assets	4,618	(3,210)
Accounts payable	(10,787)	12,317
Accrued liabilities	(33,374)	63,645
Net cash from operating activities	129,824	198,083
Cash flows from investing activities:		
Purchases of property and equipment	-	(8,364)
Proceeds from sale of property and equipment	80	-
Proceeds from sale of investments	35,009	43,628
Purchases of investments	(32,316)	(43,242)
Net cash from investing activities	2,773	(7,978)
Cash flows from financing activities:		
Principal payments on capital lease obligation	(22,716)	(20,471)
Net cash from financing activities	(22,716)	(20,471)
Net change in cash and cash equivalents	109,881	169,634
Cash and cash equivalents, beginning of year	618,967	449,333
Cash and cash equivalents at end of year	\$ 728,848	\$ 618,967
Supplemental Disclosures:		
Cash paid for interest	\$ 6,636	\$ 8,881
Cash paid for taxes	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of these statements

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States for nonprofit organizations and reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based upon the following criteria:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 receivables.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less, and available for expenditure at the discretion of the Foundation’s management, to be cash equivalents.

Investments

Investments consist of marketable securities reported at their readily determinable fair values. Unrealized gains and losses are included in the change in net assets, less external and direct internal investment expenses.

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 support. 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, 2022 and 2021, the discount on promises was immaterial. Management determined that a \$0, and \$8,526 allowance was necessary based on historical collections and other factors specific to each donor as of June 30, 2022 and 2021, respectively.

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, 2022 and 2021, management determined that no allowance for accounts and grants receivable 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.

Capital Leases

The Foundation has elected not to separate non-lease components from lease components and will account for all components as a single lease component.

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, 2022 and 2021.

Contributions

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions (Continued)

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions 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 support with donor restrictions. 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. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions 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.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

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, 2022, 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.

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 based upon the following methods:

<u>Expense</u>	<u>Allocation Method</u>
Salaries, payroll taxes and benefits	Time and effort
Professional fees	Headcount
Insurances	Headcount
Supplies	Headcount
Lobbying	Headcount
Telephone and internet	Headcount
Occupancy	Headcount
Software / technology	Headcount
Depreciation and amortization	Headcount
Equipment maintenance and rental	Headcount

Advertising

Advertising costs are expensed as incurred and were approximately **\$53,000** and \$60,000 for the years ended June 30, 2022 and 2021, respectively.

Recent Developments Related to COVID-19

The World Health Organization has declared the recent COVID-19 outbreak to constitute a "Public Health Emergency of International Concern." This has caused business disruption through mandated and voluntary closings of various industry business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of effect of COVID-19. The related financial impact and duration cannot be reasonably estimated at this time.

Activities

The following is a description of the activities for each of the Foundation's programs:

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

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

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

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2021. The Foundation does not anticipate a significant impact on the Foundation's results of operations, financial position, or cash flows as a result of this new standard.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. The amendments in this update require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. This new guidance is effective for fiscal years beginning after June 15, 2021. The Foundation has adopted this standard in the year ended June 30, 2022 and has applied the guidance retrospectively.

3. LIQUIDITY AND AVAILABILITY

The Foundation is financially supported primarily by a government grant provided by the Utah Division of Child and Family Services ("DCFS"). Funds are dispersed on a monthly basis dependent on total prior month qualified expenses and the grant contract is subject to renewal every five years. In addition, the Foundation receives contributions with or without donor restrictions for recruitment, education, retention, management and general, and fundraising for foster families and foster children in the state of Utah. It also receives in-kind gifts that can be passed on to foster families which helps eliminate additional cash outlay. Event registrations and sponsorships are also awarded to the Foundation throughout each year. Based on recent years' operations, the amount provided by government funding covers approximately 72% of total Foundation expenses. The remaining expenses are covered by monetary support the Foundation receives primarily through contributions.

The Foundation considers investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing and central to its annual operations, to be available to meet cash needs for program and supporting services. Supporting services include administrative, support, general expenses, and fundraising expenses. Program services are defined as activities occurring during the Foundation's fiscal year related to recruitment, education, and retention of Utah foster families.

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available and monitors budgeted expenses through the end of the fiscal year in an effort to ensure there are sufficient funds to cover 90 days of total expenses at any given time.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30:

	2022	2021
Cash and cash equivalents	\$ 728,848	\$ 618,967
Investments	171,920	204,590
Accounts receivable, trade	267,237	266,291
Promises to give, net	10,974	47,134
	1,178,979	1,136,982
Less:		
Investments*	(171,920)	(204,590)
Accounts payable	(23,134)	(33,921)
Accrued liabilities	(265,597)	(298,971)
Capital lease obligation, current portion	(25,207)	(22,716)
Net assets with donor restrictions	(90,448)	(140,478)
	\$ 602,673	\$ 436,306
Financial assets available to meet general expenditures within one year	\$ 602,673	\$ 436,306

**Although investments are generally held for more than one year, the Foundation's management or board could choose to liquidate investments at any time and use the proceeds to fund expenditures.*

4. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30, 2022 and 2021:

	2022	2021
Cost basis of mutual funds	\$ 183,707	\$ 173,388
Unrealized gain (loss)	(11,787)	31,202
	\$ 171,920	\$ 204,590
Total investments	\$ 171,920	\$ 204,590

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumption market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entities own assumptions about those that market participants would use in pricing the asset based on the best information available.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs are as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment assets measured at fair value on a recurring basis as of June 30, 2022 and 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2022				
Mutual Funds	<u>\$ 171,920</u>	<u>\$ 171,920</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 171,920</u></u>	<u><u>\$ 171,920</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
June 30, 2021				
Mutual Funds	<u>\$ 204,590</u>	<u>\$ 204,590</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 204,590</u></u>	<u><u>\$ 204,590</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

UTAH FOSTER CARE FOUNDATION

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For the Years Ended June 30, 2022 and 2021

6. PROMISES TO GIVE

Promises to give represent unconditional promises to donate to the Foundation as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 10,974	\$ 47,134
One to five years	<u>2,075</u>	<u>22,383</u>
	13,049	69,517
Allowance for uncollectible promises to give	<u>-</u>	<u>(8,526)</u>
Total promises to give	<u>\$ 13,049</u>	<u>\$ 60,991</u>

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 198,875	\$ 207,841
Furniture and fixtures	91,086	91,193
Leasehold improvements	<u>92,743</u>	<u>92,743</u>
	382,704	391,777
Accumulated depreciation and amortization	<u>(295,571)</u>	<u>(269,028)</u>
Total property and equipment, net	<u>\$ 87,133</u>	<u>\$ 122,749</u>

The aggregate depreciation and amortization charged to operations for the years ended June 30, 2022 and 2021 was approximately **\$36,000** and \$40,000, respectively.

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Personal leave	\$ 95,068	\$ 135,633
Payroll and related costs	92,701	82,586
Other	<u>77,828</u>	<u>80,752</u>
Total accrued liabilities	<u>\$ 265,597</u>	<u>\$ 298,971</u>

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9. CAPITAL LEASE OBLIGATION

The Foundation entered into a capital lease agreement to obtain equipment that expires in May 2024. As of June 30, 2022 and 2021, the total amount of equipment financed with this capital lease obligation was \$118,361. The accumulated amortization on the leased equipment as of June 30, 2022 and 2021 was **\$75,885** and \$53,724, respectively. Amortization of assets held under capital leases is included in depreciation and amortization expense in the statements of functional expenses. The Foundation is required to make monthly payments of approximately \$2,446 on the capital lease obligation. The lease has an implied interest rate of 10.45%.

Future minimum capital lease payments, excluding taxes, insurance and other costs, are as follows:

Years ended June 30,

2023	\$	29,352
2024		26,906
Thereafter		<u>-</u>
Total payments		56,258
Less amounts representing interest		<u>(5,267)</u>
Present value of net minimum capital lease payments	\$	<u>50,991</u>

10. LINE OF CREDIT

The Foundation maintains a line of credit arrangement with a financial institution with a borrowing capacity of \$50,000. The line of credit bears interest at an annual rate of 11.5% and does not have a maturity date. As of June 30, 2022 and 2021, the Foundation had no outstanding balance on the line of credit.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent donations to the Foundation that are subject to time restrictions or are expendable only for specific purposes, as follows:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 13,049	\$ 60,991
Foster family retention	65,055	70,681
Other	<u>12,344</u>	<u>8,806</u>
Total net assets with donor restrictions	\$ 90,448	\$ 140,478

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12. CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statement of activities consisted of the following:

	2022	2021	Utilization in Programs or Other Activities	Donor Restrictions	Valuation Techniques and Inputs
Goods	\$ 340,149	\$ 426,388	Recruitment, Retention, and Education	None	Goods are valued at the estimated fair value based on current rates for similar products. Contributed services are valued at the estimated fair value based on current rates for similar services. Food is valued at the estimated fair value based on current rates for similar products. Contributed facilities are valued using rent rates for space of similar size and quality.
Services	330,480	22,681	Recruitment, Retention, and Education	None	
Food	212,073	650	Recruitment, Retention, and Education	None	
Facilities rental	-	26,678	Recruitment, Retention, and Education	None	
Total	<u>\$ 882,702</u>	<u>\$ 476,397</u>			

13. OPERATING LEASES

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2022, future minimum lease payments under non-cancelable operating leases, with terms of one year or more, are as follows:

Future minimum lease payments are as follows:

Year ended June 30,

2023	\$ 251,485
2024	256,847
2025	258,764
2026	31,392
Thereafter	-
Total	<u>\$ 798,488</u>

Lease expense for the years ended June 31, 2022 and 2021, were approximately **\$274,000** and \$265,000, respectively.

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
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14. CONCENTRATIONS OF CREDIT AND MARKET RISK

The Foundation maintains its cash and cash equivalent balances in financial institution accounts which may at times exceed their federally insured limits of \$250,000 as established by the Federal Deposit Insurance Corporation. To date, the Foundation has not experienced a loss or lack of access to its cash; however, no assurance can be provided that access to the Foundation's cash will not be impacted by adverse conditions in the financial markets.

A significant portion of the Foundation's support and receivables are from an agency of the state of Utah. This agency represented **94%** and 81% of the total of accounts, grants, and promises to give receivable balances as of June 30, 2022 and 2021, respectively. Additionally, for the years ended June 30, 2022 and 2021, this agency represented approximately **71%** and 79%, respectively, of support and net investment income. The current grant agreement with this agency ends in June 2025, with an expectation the agreement will be renewed for future periods; however, there is no assurance this will occur. A future reduction of the support 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.

15. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan for eligible participants age 21 and older with six 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, 2022 and 2021 was approximately **\$162,000** and \$161,000, respectively.

16. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and employees of the Foundation provided financial support in the form of contributions of **\$5,954** and \$14,329 during the years ended June 30, 2022 and 2021, respectively.

Included in promises to give was **\$5,168** and \$27,576 due from board members and employees of the Foundation as of June 30, 2022 and 2021, respectively.

17. SUBSEQUENT EVENTS

Subsequent events have been considered through the date of the independent auditor's report, which is the date the financial statements were available to be issued.