

UTAH FOSTER CARE FOUNDATION



FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

As of and for the Years Ended June 30, 2023 and 2022



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 statements of financial position as of June 30, 2023 and 2022 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** (the "Foundation") as of June 30, 2023 and 2022 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 audit 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 the 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 the 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, flowing script.

Salt Lake City, Utah
November 20, 2023

UTAH FOSTER CARE FOUNDATION

Statements of Financial Position

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,375,454	\$ 728,848
Investments	170,784	171,920
Accounts receivable, trade	654,330	267,237
Promises to give, net	5,765	10,974
Prepaid expenses	161,168	89,038
Total current assets	<u>2,367,501</u>	<u>1,268,017</u>
Noncurrent assets:		
Promises to give, less current portion	-	2,075
Property and equipment, net	10,626	87,133
Other assets	16,214	13,896
Operating lease right-of-use assets	1,254,286	-
Finance lease right-of-use assets	136,411	-
Total noncurrent assets	<u>1,417,537</u>	<u>103,104</u>
Total assets	<u><u>\$ 3,785,038</u></u>	<u><u>\$ 1,371,121</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 143,209	\$ 23,134
Accrued liabilities	120,576	265,597
Operating lease liabilities, current portion	277,710	-
Finance lease liabilities, current portion	21,982	25,207
Total current liabilities	<u>563,477</u>	<u>313,938</u>
Operating lease liabilities, net of current portion	<u>998,726</u>	<u>-</u>
Finance lease liabilities, net of current portion	<u>114,429</u>	<u>25,784</u>
Total liabilities	<u>1,676,632</u>	<u>339,722</u>
Net assets:		
Without donor restrictions	1,924,619	940,951
With donor restrictions	183,787	90,448
Total net assets	<u>2,108,406</u>	<u>1,031,399</u>
Total liabilities and net assets	<u><u>\$ 3,785,038</u></u>	<u><u>\$ 1,371,121</u></u>

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and net investment income:			
Government grant	\$ 4,104,624	\$ -	\$ 4,104,624
In-kind contributions	490,231	-	490,231
Contributions	783,975	107,091	891,066
Interest and other income (loss)	6,924	-	6,924
Net realized and unrealized gain on investments	9,792	-	9,792
Total support and net investment income	5,395,546	107,091	5,502,637
Satisfaction of restrictions	13,752	(13,752)	-
Total support, net investment income, and satisfaction of restrictions	5,409,298	93,339	5,502,637
Expenses:			
Program services:			
Recruitment	1,423,312	-	1,423,312
Retention	1,417,236	-	1,417,236
Education	915,655	-	915,655
Supporting services:			
Management and general	378,099	-	378,099
Fundraising	291,328	-	291,328
Total expenses	4,425,630	-	4,425,630
Change in net assets	983,668	93,339	1,077,007
Net assets, beginning of year	940,951	90,448	1,031,399
Net assets, end of year	\$ 1,924,619	\$ 183,787	\$ 2,108,406

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
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 (loss)	2,107	-	2,107
Net realized and unrealized gain 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	<u>\$ 940,951</u>	<u>\$ 90,448</u>	<u>\$ 1,031,399</u>

The accompanying notes to the financial statements
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UTAH FOSTER CARE FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services				Supporting Services			Total Expenses
	Recruitment	Retention	Education	Total	Management and General	Fundraising	Total	
Expenses:								
Salaries, payroll taxes and benefits	\$ 1,004,866	\$ 676,761	\$ 704,389	\$ 2,386,016	\$ 270,569	\$ 97,856	\$ 368,425	\$ 2,754,441
In-kind expenses	-	379,187	-	379,187	-	109,144	109,144	488,331
Direct services	23,328	192,344	52,685	268,357	8,000	34,704	42,704	311,061
Occupancy	101,068	66,309	57,987	225,364	22,650	13,710	36,360	261,724
Travel	23,823	14,832	21,228	59,883	787	1,266	2,053	61,936
Equipment maintenance and rental	10,514	6,462	5,711	22,687	2,356	1,218	3,574	26,261
Community outreach	66,065	102	142	66,309	423	1,773	2,196	68,505
Depreciation and amortization	2,714	1,166	2,430	6,310	34,284	-	34,284	40,594
Telephone/internet	10,156	7,797	6,365	24,318	2,156	898	3,054	27,372
Printing and publications	4,616	22,282	924	27,822	317	2,901	3,218	31,040
Supplies	25,182	15,472	10,438	51,092	8,656	1,624	10,280	61,372
Professional fees	7,374	4,817	4,722	16,913	1,615	794	2,409	19,322
Lobbying	9,303	6,475	6,704	22,482	2,519	-	2,519	25,001
Software/technology	115,450	11,438	16,583	143,471	5,879	4,268	10,147	153,618
Insurances	6,513	4,255	4,171	14,939	1,153	-	1,153	16,092
Other	8,107	2,145	93	10,345	9,134	11,368	20,502	30,847
Professional development	1,545	-	20,247	21,792	2,546	9,609	12,155	33,947
Postage/shipping	927	5,145	451	6,523	369	187	556	7,079
Dues/memberships	1,761	247	385	2,393	4,686	8	4,694	7,087
Total expenses	\$ 1,423,312	\$ 1,417,236	\$ 915,655	\$ 3,756,203	\$ 378,099	\$ 291,328	\$ 669,427	\$ 4,425,630

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
Interest expense	-	-	-	-	-	-	-	-
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

Statements of Cash Flows For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,077,007	\$ 31,631
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	40,594	35,616
Bad debt expense	-	41,563
Loss (gain) on disposal of property and equipment	10,129	(80)
Interest and dividends reinvested	(6,899)	(1,232)
Net realized and unrealized gain on investments	(9,792)	31,209
Change in operating assets and liabilities:		
Accounts receivable, trade	(387,093)	(42,509)
Prepaid expenses	(72,130)	25,227
Promises to give	7,284	47,942
Other assets	(2,318)	4,618
Operating lease right-of-use assets	(1,254,286)	-
Accounts payable	120,075	(10,787)
Accrued liabilities	(145,021)	(33,374)
Operating lease liabilities	1,276,436	-
Net cash from operating activities	<u>653,986</u>	<u>129,824</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	80
Proceeds from sale of investments	78,661	35,009
Purchases of investments	(60,834)	(32,316)
Net cash from investing activities	<u>17,827</u>	<u>2,773</u>
Cash flows from financing activities:		
Payments made on finance lease liabilities	(25,207)	(22,716)
Net cash from financing activities	<u>(25,207)</u>	<u>(22,716)</u>
Net change in cash and cash equivalents	646,606	109,881
Cash and cash equivalents, beginning of year	<u>728,848</u>	<u>618,967</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,375,454</u></u>	<u><u>\$ 728,848</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 4,145	\$ 6,636
Cash paid for taxes	\$ -	\$ -
Non-cash investing and financing activities		
Finance lease liabilities recorded	\$ 187,402	\$ -
Finance lease right-of-use assets recorded	\$ 179,622	\$ -
Operating lease liabilities recorded	\$ 1,525,033	\$ -
Operating lease right-of-use assets recorded	\$ 1,484,071	\$ -

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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, the discount on promises was immaterial. Management determined that a \$0, and \$0 allowance was necessary based on historical collections and other factors specific to each donor as of June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022

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, 2023, 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, 2023 and 2022

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 **\$69,000** and \$53,000 for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022

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 has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Foundation accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of this adoption, effective July 1, 2022 the Foundation recognized no cumulative effect adjustment to net assets, an operating lease liability of \$443,991, an operating right-of-use asset of \$403,029, a finance lease liability of \$50,991 and a finance lease right-of-use asset of \$43,221. The adoption of the new standard did not materially impact the Foundation's statements of activities or statements of cash flows. See Note 12 for further disclosure of the Foundation's leases.

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, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,375,454	\$ 728,848
Investments	170,784	171,920
Accounts receivable, trade	654,330	267,237
Promises to give, net	<u>5,765</u>	<u>10,974</u>
Total current financial assets	2,206,333	1,178,979
Less:		
Investments*	(170,784)	(171,920)
Accounts payable	(143,209)	(23,134)
Accrued liabilities	(120,576)	(265,597)
Net assets with donor restrictions	<u>(183,787)</u>	<u>(90,448)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,587,977</u>	<u>\$ 627,880</u>

**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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cost basis of mutual funds	\$ 173,005	\$ 183,707
Unrealized gain (loss)	<u>(2,221)</u>	<u>(11,787)</u>
Total investments	<u>\$ 170,784</u>	<u>\$ 171,920</u>

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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, 2023 and 2022 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2023				
Mutual Funds	<u>\$ 170,784</u>	<u>\$ 170,784</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 170,784</u></u>	<u><u>\$ 170,784</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></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>

UTAH FOSTER CARE FOUNDATION

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For the Years Ended June 30, 2023 and 2022

6. PROMISES TO GIVE

Promises to give represent unconditional promises to donate to the Foundation as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 5,765	\$ 10,974
One to five years	-	2,075
	<u>5,765</u>	<u>13,049</u>
Allowance for uncollectible promises to give	-	-
Total promises to give	<u><u>\$ 5,765</u></u>	<u><u>\$ 13,049</u></u>

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Office equipment	\$ 59,693	\$ 198,875
Furniture and fixtures	84,044	91,086
Leasehold improvements	<u>92,744</u>	<u>92,743</u>
	236,481	382,704
Accumulated depreciation and amortization	<u>(225,855)</u>	<u>(295,571)</u>
Total property and equipment, net	<u><u>\$ 10,626</u></u>	<u><u>\$ 87,133</u></u>

The aggregate depreciation and amortization charged to operations for the years ended June 30, 2023 and 2022 was approximately **\$41,000** and \$36,000, respectively.

8. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Personal leave	\$ 115,407	\$ 95,068
Payroll and related costs	-	92,701
Other	<u>5,169</u>	<u>77,828</u>
Total accrued liabilities	<u><u>\$ 120,576</u></u>	<u><u>\$ 265,597</u></u>

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

9. 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, 2023 and 2022, the Foundation had no outstanding balance on the line of credit.

10. 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>2023</u>	<u>2022</u>
Time restricted	\$ 4,523	\$ 13,049
Foster family retention	80,350	65,055
Other	<u>98,914</u>	<u>12,344</u>
Total net assets with donor restrictions	<u>\$ 183,787</u>	<u>\$ 90,448</u>

11. CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended June 30, 2023 and 2022, in-kind contributions recognized within the statement of activities consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs or Other Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Goods	\$ 411,154	\$ 340,149	Recruitment, Retention, and Education	None	Goods are valued at the estimated fair value based on current rates for similar products.
Services	16,815	330,480	Recruitment, Retention, and Education	None	Contributed services are valued at the estimated fair value based on current rates for similar services.
Food	5,762	212,073	Recruitment, Retention, and Education	None	Food is valued at the estimated fair value based on current rates for similar products.
Facilities rental	56,500	-	Recruitment, Retention, and Education	None	Contributed facilities are valued using rent rates for space of similar size and quality.
Total	<u>\$ 490,231</u>	<u>\$ 882,702</u>			

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Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

12. LEASES

The Foundation has outstanding finance lease obligations that expire in July 2023 and October 2028, respectively. For accounting purposes, the equipment acquired under these finance leases was initially recorded at the present value of the future minimum lease payments as of the lease inception date. The Foundation leases office facilities and equipment under non-cancelable operating leases. The Foundation included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Foundation estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using a risk-free rate. The Foundation determined the implicit rate in its finance lease agreements and used a risk-free rate for its operating lease agreements.

The Foundation has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 270,000	\$ 274,000
Finance lease cost:		
Interest expense	4,103	6,587
Amortization of right-of-use assets	22,545	22,545

The following table summarizes the supplemental cash flow information for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	\$ 270,180	\$ 237,763
Financing cash flows used for finance leases	25,207	22,716
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 1,484,071	\$ -
Finance leases	179,622	-

UTAH FOSTER CARE FOUNDATION

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

12. LEASES (Continued)

The following summarizes the weighted-average remaining lease term and weighted-average discount rate used:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term		
Operating leases	2.19 years	n/a
Finance leases	2.67 years	n/a
Weighted-average discount rate		
Operating leases	2.33%	n/a
Finance leases	7.02%	n/a

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023:

	<u>Operating</u>	<u>Finance</u>
For the years ending December 31,		
2024	\$ 315,547	\$ 28,648
2025	318,682	28,584
2026	272,379	28,584
2027	245,203	28,584
2028	230,935	28,584
Thereafter	-	9,528
Total lease payments	1,382,746	152,512
Less: present value discount	<u>(106,310)</u>	<u>(16,101)</u>
Present value of lease liabilities	<u><u>\$ 1,276,436</u></u>	<u><u>\$ 136,411</u></u>

13. 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, 2023 and 2022 was approximately **\$172,000** and \$162,000, 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 **57%** and 94% of the total of accounts, grants, and promises to give receivable balances as of June 30, 2023 and 2022, respectively. Additionally, for the years ended June 30, 2023 and 2022, this agency represented approximately **75%** and 71%, 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. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and employees of the Foundation provided financial support in the form of contributions of **\$28,607** and \$5,954 during the years ended June 30, 2023 and 2022, respectively.

Included in promises to give was **\$84** and \$5,168 due from board members and employees of the Foundation as of June 30, 2023 and 2022, respectively.

16. 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.