Utah Foster Care
FOUNDATION

Financial Statements and Report Required by Government Auditing Standards

As of June 30, 2010 and 2009 and For the Years Then Ended

Together With Independent Auditors' Report

UTAH FOSTER CARE FOUNDATION
Index

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TANNER
BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Utah Foster Care Foundation

We have audited the accompanying statements of financial position of Utah Foster Care Foundation (the Foundation) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Foster Care Foundation as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2010, on our consideration of Utah Foster Care Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Tanner LLC

October 6, 2010

As of June 30,

	2010	2009
Assets		
Cash and cash equivalents	$ 742,798	$ 664,652
Investments	379,117	336,025
Receivables	263,908	321,574
Prepaid expenses	82,770	63,599
Property and equipment, net	33,839	50,518
Other assets	10,473	10,473
Total assets	$ 1,512,905	$ 1,446,841
Liabilities and Net Assets		
Accounts payable	$ 1,825	$ 5,048
Accrued liabilities	156,670	154,137
Total liabilities	158,495	159,185
Commitments		
Net assets:		
Unrestricted	1,222,774	1,147,259
Temporarily restricted	131,636	140,397
Total net assets	1,354,410	1,287,656
Total liabilities and net assets	$ 1,512,905	$ 1,446,841

	2010	2009
Change in unrestricted net assets:		
Revenues, support, and investment income (losses):		
Government contract	$ 2,799,976	$ 2,901,530
Contributions	321,804	462,149
Interest, dividends, and other income	18,342	37,384
Net realized and unrealized gains (losses) on investments	35,477	(104,130)
Total unrestricted revenues, support, and investment income (losses)	3,175,599	3,296,933
Net assets released from restrictions	63,995	77,180
Total unrestricted revenues, support, investment income (losses) and reclassifications	3,239,594	3,374,113
Expenses:		
Program services:		
Recruitment	1,308,775	1,467,346
Education	655,008	676,354
Retention	820,856	1,024,553
Supporting services:		
Management and general	358,122	312,976
Fundraising	21,318	26,850
Total expenses	3,164,079	3,508,079
Change in unrestricted net assets	75,515	(133,966)
Change in temporarily restricted net assets:		
Contributions	55,234	169,417
Net assets released from restrictions	(63,995)	(77,180)
Change in temporarily restricted net assets	(8,761)	92,237
Change in net assets	66,754	(41,729)
Net assets, beginning of year	1,287,656	1,329,385
Net assets, end of year	$ 1,354,410	$ 1,287,656

Statements of Functional Expenses

For the Year Ended June 30, 2010

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

See accompanying notes to financial statements.

Statements of Functional Expenses

For the Year Ended June 30, 2009

	Program Services				Supporting Services			
	Recruitment	Education	Retention	Total	Management and General	Fundraising	Total	Total Expenses
Salaries, payroll taxes and benefits	$ 970,003	$ 503,999	$ 389,966	$ 1,863,968	$ 215,392	$ 20,995	$ 236,387	$ 2,100,355
Professional fees	12,964	5,459	5,232	23,655	4,991	-	4,991	28,646
Insurances	7,192	3,004	2,668	12,864	2,100	-	2,100	14,964
Supplies	27,381	5,363	4,610	37,354	2,992	292	3,284	40,638
Telephone / Internet	26,373	12,519	8,856	47,748	6,486	632	7,118	54,866
Postage / Shipping	5,383	2,270	5,080	12,733	1,970	192	2,162	14,895
Occupancy	92,915	14,813	34,407	142,135	41,125	4,009	45,134	187,269
Depreciation and amortization	19,664	8,280	7,935	35,879	6,287	613	6,900	42,779
Equipment maintenance and rental	30,160	11,975	12,900	55,035	12,434	-	12,434	67,469
Printing and publications	40,519	16,534	6,721	63,774	1,205	117	1,322	65,096
Travel	62,004	49,692	15,933	127,629	7,594	-	7,594	135,223
Professional development	2,890	2,795	2,450	8,135	5,325	-	5,325	13,460
Direct service	43,331	38,781	526,363	608,475	3,504	-	3,504	611,979
Dues / Memberships	4,163	743	1,432	6,338	1,537	-	1,537	7,875
Community outreach	122,093	-	-	122,093	-	-	-	122,093
Other	311	127	-	438	34	-	34	472
Total expenses	$ 1,467,346	$ 676,354	$ 1,024,553	$ 3,168,253	$ 312,976	$ 26,850	$ 339,826	$ 3,508,079

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 66,754	$ (41,729)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	25,003	42,779
Loss on disposal of property and equipment	1,296	-
Net realized and unrealized losses (gains) on investments	(35,477)	104,130
(Increase) decrease in:		
Receivables	57,666	(24,008)
Prepaid expenses	(19,171)	(5,796)
Increase (decrease) in:		
Accounts payable	(3,223)	(14,340)
Accrued liabilities	2,533	(212)
Net cash provided by operating activities	95,381	60,824
Cash flows from investing activities:		
Purchases of property and equipment	(9,620)	(13,455)
Purchases of investments	(7,615)	(14,229)
Net cash used in investing activities	(17,235)	(27,684)
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	78,146	33,140
Cash and cash equivalents, beginning of year	664,652	631,512
Cash and cash equivalents, end of year	$ 742,798	$ 664,652

1. Description of Organization and Summary of Significant Accounting Policies

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

Financial Statement Presentation
The Foundation reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. The Foundation has no permanently restricted net assets.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include allowances for doubtful accounts, useful lives for property and equipment, and allocation of program and supporting service expenses.

Concentrations of Credit Risk
The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. At June 30, 2010, the Foundation had approximately $574,000 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 invested cash and cash equivalents; however, no assurance can be provided that access to the Foundation’s invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

A significant portion of the Foundation’s revenues and receivables are from a government agency located in the State of Utah. This agency represented 99% and 89% of the receivables balance at June 30, 2010 and 2009, respectively. Additionally, for the years ended June 30, 2010 and 2009, this agency represented approximately 87% and 84% of revenues, support, and investment income (losses), respectively.

Cash and Cash Equivalents
The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2010 and 2009, these cash equivalents consisted of money market funds.

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

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

Receivables
Receivables are carried at the original billed amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of June 30, 2010 and 2009, management estimated that no allowance was necessary.

Property and Equipment
The Foundation capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from 3 – 7 years.

Impairment of Long-Lived Assets
The Foundation reviews its property and equipment, and other long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Foundation's assets to be impaired as of June 30, 2010 and 2009.

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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

Contributions - Continued

Donations of property and equipment and supplies, such as blankets and clothing, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and assignments. Donated services are reflected in the financial statements when services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The expense for these contributed services is allocated between program and supporting services in the statements of activities. For the years ended June 30, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was approximately $93,000 and $119,000, respectively.

Service Revenue

The Foundation's service revenue is generated through performance of services for a government entity on a cost-reimbursement basis. Service revenue is recognized as the services are provided and costs incurred, when a valid contract exists, collection is reasonably assured, and there are no significant obligations remaining.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred and were approximately $155,000 and $165,000 for the years ended June 30, 2010 and 2009, respectively.

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

Income Taxes
The Foundation is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. The Foundation is subject to taxation on unrelated business income.

On July 1, 2009, the Foundation adopted the provisions of Accounting Standards Codification Topic 740-10, as it relates to accounting for uncertainty in income taxes. Using that guidance, as of June 30, 2010, the Foundation has no uncertain tax positions that require either recognition or disclosure in the financial statements.

Activities
The following is a description of the activities for each major program:

Recruitment – Increase community efforts to provide information on the needs of foster children and families; target the types of families who can meet the needs of foster children; provide initial consultation services to persons interested in foster care participation; assess needs of foster children in cooperation with the State Division of Child and Family Services.

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

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

Subsequent Events
Management has evaluated events and transactions for potential recognition or disclosure through October 6, 2010, which is the date the financial statements were available to be issued.

2. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available.

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

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

	Fair Value Measurements as of June 30, 2009			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Money market funds	$ 312,885	$ –	$ –	$ 312,885
Mutual funds	336,025	–	–	336,025
	$ 648,910	$ –	$ –	$ 648,910

3. Investments

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

	2010	**2009**
Cost basis of mutual fund	$ 502,885	$ 495,270
Unrealized loss	(123,768)	(159,245)
	$ 379,117	$ 336,025

4. Property and Equipment

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

	2010	2009
Office equipment	$ 286,298	$ 285,789
Furniture and fixtures	165,699	167,949
Leasehold improvements	33,654	28,719
	485,651	482,457
Less accumulated depreciation and amortization	(451,812)	(431,939)
	$ 33,839	$ 50,518

5. Accrued Liabilities

Accrued liabilities consist of the following as of June 30:

	2010	2009
Payroll and payroll related costs	$ 64,211	$ 70,418
Personal leave	73,969	64,852
Other	18,490	18,867
	$ 156,670	$ 154,137

6. Temporary Restricted Net Assets

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

	2010	2009
Wishing Well Fund	$ 19,551	$ 24,195
Chalk Art Festival	21,463	21,935
Aspen Grove Foster Family Camp	1,423	13,152
Holiday Fund - Northern	8,577	10,817
Other	80,622	70,298
	$ 131,636	$ 140,397

7. Retirement Plan

The Foundation sponsors a defined contribution retirement plan, which covers all employees age 21 and older with 6 months of full-time service. The Foundation contributes, on a discretionary basis, a percent of the annual salary of each eligible employee. The expense for the years ended June 30, 2010 and 2009 was approximately $129,000 and $165,000, respectively.

8. Commitments

Operating Leases

The Foundation leases office facilities and equipment under non-cancelable operating leases. As of June 30, 2010, future minimum lease payments under non-cancelable operating leases with terms of one year or more are as follows:

Years Ending June 30:	Amount
2011	$ 134,000
2012	49,000
2013	31,000
2014	11,000
	$ 225,000

Rental expense under operating leases was approximately $199,000 and $196,000 for the years ended June 30, 2010 and 2009, respectively.

9. Subsequent Event

In September 2010, the Foundation renewed its cost-reimbursement contract with the Division of Child and Family Services. This agreement extended the term of the contract through fiscal year 2015. This renewal entitles the Foundation to a maximum cost-reimbursement amount of approximately $13,580,000 over the term of the contract.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Utah Foster Care Foundation

We have audited the financial statements of Utah Foster Care Foundation (the Foundation) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Foundation, and pass-through entities, and is not intended to be and should not be used by any one other than these specified parties.

Tanner LLC

October 6, 2010