CHILDREN'S SERVICE SOCIETY OF UTAH

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children's Service Society of Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Service Society of Utah (the "Society") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Service Society of Utah as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of Children's Service Society of Utah's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children's Service Society of Utah's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Children's Service Society of Utah as of June 30, 2013 were audited by other auditors whose report dated August 28, 2013 expressed an unmodified opinion on those statements.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 23, 2014

CHILDREN'S SERVICE SOCIETY OF UTAH

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 325,446	$ 193,283
Investments in marketable securities, unrestricted	254,896	208,688
Accounts receivable - net of allowance for uncollectible accounts of $4,000 and $4,000, respectively	231,246	205,516
Grants and other receivables	6,730	6,638
Prepaid expenses	8,152	16,664
TOTAL CURRENT ASSETS	826,470	630,789
Property and equipment - net	6,842	10,364
Investments in marketable securities, permanently restricted	70,556	70,556
TOTAL ASSETS	$ 903,868	$ 711,709
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 25,118	$ 28,318
Accrued expenses	146,313	144,416
TOTAL CURRENT LIABILITIES	171,431	172,734
Deferred rent benefit	11,472	-
TOTAL LIABILITIES	182,903	172,734
NET ASSETS:		
Restricted:		
Temporarily	171,143	55,000
Permanently	70,556	70,556
Unrestricted	479,266	413,419
TOTAL NET ASSETS	720,965	538,975
TOTAL LIABILITIES AND NET ASSETS	$ 903,868	$ 711,709

CHILDREN'S SERVICE SOCIETY OF UTAH

STATEMENTS OF ACTIVITIES

	For the Year Ended June 30, 2014				For the Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:								
Government contracts	$ 1,420,807	$ -	$ -	$ 1,420,807	$ 1,348,816	$ -	$ -	$ 1,348,816
Grants and other contracts	59,034	327,473	-	386,507	59,468	280,900	-	340,368
Contributions, cash	47,801	-	-	47,801	37,038	-	-	37,038
Contributions, in kind	158,547	-	-	158,547	84,177	-	-	84,177
Investment return	-	-	44,625	44,625	-	-	32,050	32,050
Other income	2,009	-	-	2,009	1,368	-	-	1,368
Program service fees	79,122	-	-	79,122	69,539	-	-	69,539
Net assets released from restrictions	255,955	(211,330)	(44,625)	-	322,950	(290,900)	(32,050)	-
TOTAL REVENUES AND SUPPORT	2,023,275	116,143	-	2,139,418	1,923,356	(10,000)	-	1,913,356
EXPENSES:								
Program services								
Care About Childcare	891,548	-	-	891,548	868,787	-	-	868,787
Family support services	955,845	-	-	955,845	866,898	-	-	866,898
Supporting services								
Fundraising activities	28,891	-	-	28,891	24,300	-	-	24,300
Management and general	81,144	-	-	81,144	73,198	-	-	73,198
TOTAL EXPENSES	1,957,428	-	-	1,957,428	1,833,183	-	-	1,833,183
CHANGE IN NET ASSETS	65,847	116,143	-	181,990	90,173	(10,000)	-	80,173
NET ASSETS, BEGINNING OF YEAR	413,419	55,000	70,556	538,975	323,246	65,000	70,556	458,802
NET ASSETS, END OF YEAR	$ 479,266	$ 171,143	$ 70,556	$ 720,965	$ 413,419	$ 55,000	$ 70,556	$ 538,975

See accompanying notes to the financial statements

CHILDREN'S SERVICE SOCIETY OF UTAH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Program Services		Supporting Services		
	Care About Childcare	Family Support Services	Fund Raising	Management and General	Total Expenses
EXPENSES:					
Salaries and wages	$ 454,554	$ 541,697	$ 11,109	$ 27,890	$ 1,035,250
Employee benefits	117,220	121,402	1,873	5,064	245,559
Advertising	23,872	1,530	-	100	25,502
Bad debt	-	375	-	13	388
Depreciation and amortization	1,934	1,513	-	75	3,522
Dues and subscriptions	1,692	3,923	-	687	6,302
Insurance	6,626	5,867	-	367	12,860
Interest expense	-	-	-	104	104
Miscellaneous	(60)	64	124	1,398	1,526
Occupancy	103,213	63,145	-	3,834	170,192
Office supplies and postage	41,833	7,278	14,953	18,128	82,192
Printing and publications	12,591	3,497	-	1,100	17,188
Professional fees	6,442	7,109	-	902	14,453
Program costs	70,933	136,811	832	16,762	225,338
Repairs and maintenance	12,912	11,167	-	2,246	26,325
Staff support	285	257	-	215	757
Telephone	13,578	14,233	-	1,806	29,617
Training and education	18,547	14,480	-	404	33,431
Travel	5,376	21,497	-	49	26,922
	$ 891,548	$ 955,845	$ 28,891	$ 81,144	$ 1,957,428

See accompanying notes to the financial statements

CHILDREN'S SERVICE SOCIETY OF UTAH

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Services		Supporting Services		
	Care About Childcare	Family Support Services	Fund Raising	Management and General	Total Expenses
EXPENSES:					
Salaries and wages	$ 464,474	$ 506,400	$ 7,944	$ 35,985	$ 1,014,803
Employee benefits	108,651	102,107	1,320	7,949	220,027
Advertising	22,942	-	-	-	22,942
Bad debt	-	831	-	-	831
Depreciation and amortization	2,707	2,332	-	218	5,257
Dues and subscriptions	2,816	4,931	-	2,277	10,024
Insurance	6,610	5,771	-	452	12,833
Interest expense	-	-	-	214	214
Miscellaneous	120	428	288	1,434	2,270
Occupancy	104,450	78,635	-	10,261	193,346
Office supplies and postage	20,653	11,145	14,238	3,262	49,298
Printing and publications	17,464	7,317	350	1,326	26,457
Professional fees	6,129	7,441	-	496	14,066
Program costs	64,641	72,171	160	1,557	138,529
Repairs and maintenance	14,179	12,477	-	1,776	28,432
Staff support	573	947	-	1,215	2,735
Telephone	14,521	14,665	-	3,383	32,569
Training and education	11,977	19,672	-	1,235	32,884
Travel	5,880	19,628	-	158	25,666
	$ 868,787	$ 866,898	$ 24,300	$ 73,198	$ 1,833,183

CHILDREN'S SERVICE SOCIETY OF UTAH

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 181,990	$ 80,173
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,522	5,257
Net unrealized investment (gains)	(44,625)	(32,050)
Non-cash donation of stock	(1,583)	-
Changes in assets and liabilities:		
Accounts receivable	(25,730)	(76,296)
Grants and other receivable	(92)	11,373
Prepaid expenses	8,512	(5,644)
Accounts payable	(3,200)	10,096
Accrued expenses	1,897	19,217
Deferred rent benefit	11,472	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	132,163	12,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of equipment	-	(2,134)
NET CASH (USED IN) INVESTING ACTIVITIES	-	(2,134)
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,163	9,992
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	193,283	183,291
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 325,446	$ 193,283
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 104	$ 214

See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. History of Organization and Activity

Children's Service Society of Utah (the Society), founded in 1884, is organized as a nonprofit corporation under the laws of the State of Utah. The mission of the Society is to provide services which meet the developmental needs of children, foster quality childcare, and promote positive relationships in biological, adoptive and kinship families. The Society has two major programs. The first, Care About Childcare, provides referrals for families needing childcare and training for childcare providers to improve their quality of care. The remaining services are part of the family support services program and include various activities. Adoption provides traditional infant adoption and special needs adoption services. Grandfamilies Kinship Care provides crisis intervention, support, information, and advocacy for kinship caregivers and the children of relatives they parent. Home Visitation services uses the Parents as Teachers curriculum for families with children prenatal to kindergarten entry and the Welcome Baby curriculum for families with newborn infants to three years old, offering personalized home visits and parent-child playgroups that teach parenting skills and early childhood development. All services are provided primarily to residents along the Wasatch Front of Northern Utah, with the exception of adoption services which are statewide. The Society is supported primarily through government contracts, grants, contributions, program fees, and by the United Way. Government contracts comprised approximately 67 percent of total support in 2014.

b. Recognition of Revenue and Support

Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

c. Financial Statement Presentation

The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets as of June 30, 2014 and 2013 were $171,143 and $55,000, respectively. See Note 5 for discussion of permanently restricted net assets.

d. Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

e. Concentrations of Credit Risk

Financial instruments which potentially subject the Society to concentrations of credit risk consist principally of cash and investments. Risks associated with cash and cash equivalents are mitigated by banking with federally insured, creditworthy institutions; however, deposits may at times exceed federally insured limits.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

g. Investments

Investments in marketable securities are reported at fair value in the statements of financial position. Net realized and unrealized gains and losses are included in the statement of activities as a change in net assets. Investments consist entirely of mutual funds and other equity securities having a total fair value of $325,452 and $279,244 as of June 30, 2014 and 2013, respectively.

h. Property and Equipment

It is the Society's policy to capitalize property and equipment over $1,000. Lesser amounts are typically expensed.

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded at their estimated fair value; such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to 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 restricted contributions. Normal maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts and the resulting gain or loss is recognized.

i. Advertising and Promotion

Advertising costs, except for costs associated with direct-response advertising, are expensed in the year incurred. Advertising charged to expense totaled $25,502 and $22,942 for the years ended June 30, 2014 and 2013, respectively. The costs of direct-response advertising, when they occur, are capitalized and amortized over the period during which future benefits are expected to be received. At June 30, 2014 and 2013, there were no costs capitalized for direct-response advertising.

j. Donated Supplies and Services

Donated supplies and services are recorded at fair value when received. See Note 8 for details regarding donated supplies and services for the years ended June 30, 2014 and 2013.

k. Functional Allocation of Expense

The costs of operating programs and providing supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Direct expenses are charged to their respective programs or services. Indirect expenses have been allocated among the programs and supporting services benefited, based on management policy which is consistently applied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

l. Income Taxes

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code with regard to its exempt activities. Accordingly, no provision for federal or state income taxes has been made. Continued tax exempt status is contingent on future operations being in compliance with the Internal Revenue Code exempt regulations.

The Society applies the measurement and disclosure provisions for uncertain tax positions as required by *FASB Accounting Standards Codification 740-10*. This subtopic requires that computations and deferred income tax provisions only consider tax positions that are more likely than not to be sustained if the tax authority examines the positions. Management believes that all tax positions considered for this purpose meet this “more likely than not” threshold.

Penalties on late filing or no-filing of tax returns are classified in the financial statements as operating expenses. No tax-related penalties were incurred during the year ended June 30, 2014.

The Society is no longer subject to Federal or state income tax examinations for years before 2011.

m. 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 certain reported amounts. Accordingly, actual results could differ from those estimates.

2. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

2. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value.

Investments in marketable securities: The fair value of mutual funds and other equity securities held is based on quoted market prices at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2014.

	Level 1	Level 2	Level 3	Total
Marketable securities, unrestricted	$ 254,896	$ -	$ -	$ 254,896
Marketable securities, permanently restricted	70,556	-	-	70,556
TOTAL	$ 325,452	$ -	$ -	$ 325,452

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of June 30, 2013.

	Level 1	Level 2	Level 3	Total
Marketable securities, unrestricted	$ 208,688	$ -	$ -	$ 208,688
Marketable securities, permanently restricted	70,556	-	-	70,556
TOTAL	$ 279,244	$ -	$ -	$ 279,244

3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2014 and 2013 are detailed as follows:

	2014	2013
Furniture and fixtures	$ 11,947	$ 101,704
Equipment	110,630	209,523
Leasehold improvements	-	37,065
Lending library	25,220	25,220
Total	147,797	373,512
Less accumulated depreciation	(140,955)	(363,148)
Net property and equipment	$ 6,842	$ 10,364

3. PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment are being depreciated over their estimated useful lives using the straight-line method. Useful lives of property and equipment range between 3 and 15 years. For the years ended June 30, 2014 and 2013, depreciation expense totaled $3,522 and $5,257, respectively. During the year ended June 30, 2014, the Society disposed of fully depreciated property and equipment with an historical cost of $225,715.

4. OPERATING LEASE

The Society leases office space under an operating lease. The lease was effective on December 1, 2013 and will terminate on July 31, 2021.

Total lease expense associated with the Society's operating leases was $170,192, which included $45,255 of contributed rent, for the year ended June 30, 2014. Total lease expense associated with the Society's operating leases was $171,279, which included $50,118 of contributed rent, for the year ended June 30, 2013.

Future minimum non-cancellable lease payments under operating leases are as follows:

Years ended June 30,	
2015	$ 112,895
2016	116,284
2017	119,772
2018	123,364
2019	127,066
Thereafter	290,589
	$ 889,970

5. ENDOWMENT FUNDS AND OTHER PERMANENTLY RESTRICTED NET ASSETS

The Society has received funds from donors that have required the principal to be maintained in perpetuity. Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity. Income from the assets that are donor restricted is classified as temporarily restricted until spent in accordance with restrictions. Income from funds without these restrictions permit the Society to expend all or part of the income derived from the donated assets.

5. ENDOWMENT FUNDS AND OTHER PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The principal balances of permanently restricted net assets as of June 30, 2014 and 2013 are as follows:

	2014	2013
Geneva - Kimball	$ 36,236	$ 36,236
Memorial Fund	6,133	6,133
Bamberger Fund	10,925	10,925
Rosenbaum Fund	15,139	15,139
Kappa Kappa Gamma	2,123	2,123
	$ 70,556	$ 70,556

Permanently restricted assets represent the principal amount of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity with only the income to be utilized. The Society has control over the investing of the principal as designated by the donor; however, the investment income can be spent at the discretion of the Board of Directors. Permanently restricted net assets of $70,556 consist of donations made for purposes described above.

The Society’s endowment consists of funds established for a specific purpose. As required by generally accepted accounting principles (“GAAP”), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law – The Society has interpreted the State of Utah Uniform Management of Institutional Funds Act (“UMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is characterized as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard for expenditure prescribed by UMIFA. In accordance with UMIFA, the Society considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The general purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

5. ENDOWMENT FUNDS AND OTHER PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters – The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for donor specified periods. Under this policy, as provided by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The endowment is considered a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable, and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives.

Changes in permanently restricted net assets for the years ended June 30, 2014 and 2013 were:

	2014	2013
Permanently Restricted Net Assets, beginning of year	$ 70,556	$ 70,556
Investment return:		
Dividend income	4,349	6,236
Unrealized gains	40,276	25,814
Total Investment Return	44,625	32,050
Appropriation/restoration of endowment assets for expenditure	(44,625)	(32,050)
Permanently Restricted Net Assets, end of year	$ 70,556	$ 70,556

6. INVESTMENT INCOME

The Society's investment income for the years ended June 30, 2014 and 2013 consisted of the following:

	2014	2013
Dividends	$ 4,349	$ 6,236
Net unrealized gain	40,276	25,814
Total	$ 44,625	$ 32,050

7. RETIREMENT PLAN

Effective July 1, 2004, the Society established a 403(b) Thrift Plan (the Plan). Employees who complete 1,000 hours of service during any 12 months of employment are eligible to participate in the Plan. The Plan has no minimum age or service requirements. Participants could contribute any percentage of their salary up to $17,500 in both the 2014 and 2013 calendar years.

7. RETIREMENT PLAN (CONTINUED)

All participants are eligible to receive employer base contributions, except for certain exclusions as outlined under the Plan. Employer base contributions are 2 percent to 6 percent of employee compensation, based upon years of service. Total employer contribution expense for the years ended June 30, 2014 and 2013, was $41,532 and $39,995, respectively.

Participants are 100 percent vested in their personal contributions with vesting periods for employer contributions to participant accounts as follows:

Less than one year of service	0%
One year	40%
Two years	60%
Three years	80%
Four or more years	100%

8. DONATED SUPPLIES AND SERVICES

The Society recorded donated supplies and services in the amount of $158,547 and $84,177 for the years ended June 30, 2014 and 2013, respectively. Included in these amounts are the usage of various facilities valued at $45,255 and $50,118 for the 2014 and 2013 fiscal years, respectively. The Society has been granted the use of these facilities free of charge for child care provider training in connection with its Care About Childcare and Kinship and Parenting programs.

9. CONCENTRATIONS

During the years ended June 30, 2014 and 2013, the Society derived approximately 39% and 43% of its revenues and support from a single federally funded contract, respectively. Accounts receivable under this contract accounts for 67% and 62% of gross accounts receivable at June 30, 2014 and 2013, respectively. This contract is renewed annually. Loss of this source of revenue would have a severe impact on the Society’s operations.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified.

PINNOCK, ROBBINS, POSEY & RICHINS
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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
Children's Service Society of Utah

We have audited, in accordance with the 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, the financial statements of Children's Service Society of Utah (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children's Service Society of Utah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Service Society of Utah's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Service Society of Utah's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children's Service Society of Utah's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 23, 2014

PINNOCK, ROBBINS, POSEY & RICHINS
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Children's Service Society of Utah

Report on Compliance for Each Major Federal Program

We have audited Children's Service Society of Utah's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Children's Service Society of Utah's major federal programs for the year ended June 30, 2014. Children's Service Society of Utah's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Children's Service Society of Utah's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children's Service Society of Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children's Service Society of Utah's compliance.

Opinion on Each Major Federal Program

In our opinion, Children's Service Society of Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

215 South State Street, Suite 850, Salt Lake City, UT 84111-2319 801-533-0409 Fax 801-533-0414

Report on Internal Control Over Compliance

Management of Children's Service Society of Utah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children's Service Society of Utah's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children's Service Society of Utah's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pinnock, Robbins, Posey & Richins

Salt Lake City, Utah
September 23, 2014

CHILDREN'S SERVICE SOCIETY OF UTAH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Children's Service Society of Utah.

2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Children's Service Society of Utah, which would be required to be reported in accordance with *Government Auditing Standards*, are disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs are reported in INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133.

5. The auditors' report on compliance for the major federal award programs for Children's Service Society of Utah expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.

7. The programs tested as a major program were:

   - Affordable Care Act – Maternal, Infant, and Early Childhood Home Visiting Program, CFDA number 93.505
   - Child Care and Development Block Grant, CFDA number 93.575

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. Children's Service Society of Utah did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or questioned costs were noted related to our audit of the major federal award programs.

CHILDREN'S SERVICE SOCIETY OF UTAH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor Agency Pass-Through Entity Federal Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed Through the Utah Department of Health:			
Affordable Care Act - Maternal, Infant, and Early Childhood Home Visiting Program	93.505	136131	$ 323,468
Passed Through the Utah Department of Workforce Services:			
Temporary Assistance for Needy Families	93.558	116021	6,482
Passed Through the Utah Department of Workforce Services:			
Child Care and Development Block Grant	93.575	106071	873,429
Passed Through the Utah Department of Health:			
Community-Based Child Abuse Prevention Grants	93.590	121680	96,438
Passed Through Salt Lake County:			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	AL-07515C	32,610
Total Expenditures of Federal Awards			$ 1,332,427

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Service Society of Utah (the Society) under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the Society, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Society.

Note B – Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.