

**Davis Family Support Center, Inc.
d.b.a. Family Connection Center**

Year Ended June 30, 2006

Financial Statements

And

Independent Auditor's Report

With Supplementary Information

And

Compliance Reports



**Davis Family Support Center, Inc.
d.b.a. Family Connection Center**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Clearfield, UT

We have audited the accompanying statement of financial position of Davis Family Support Center, Inc. d.b.a. Family Connection Center (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2005 financial statements and, in our report dated August 16, 2005, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. 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 audit provides 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 Davis Family Support Center, Inc. d.b.a. Family Connection Center as of June 30, 2006, and the changes in its net assets and its cash flows for the year 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 our report dated August 30, 2006 on our consideration of Davis Family Support Center, Inc. d.b.a. Family Connection Center'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 audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Davis Family Support Center, Inc. d.b.a. Family Connection Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shaw Mumford & Co., P.C.

Bountiful, Utah
August 30, 2006

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Statement of Financial Position
June 30, 2006
With Comparative Totals For June 30, 2005

	<u>6/30/2006</u>	<u>6/30/2005</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 27,844	\$ 32,983
Accounts and grants receivable	71,087	114,409
Food Bank Inventory	34,307	-
Investments	354	354
Prepaid expenses	<u>9,036</u>	<u>7,777</u>
Total current assets	<u>142,628</u>	<u>155,523</u>
Fixed assets, at cost		
Land	55,736	55,736
Buildings	1,396,653	1,393,553
Furniture and equipment	83,222	77,102
Vehicles	<u>28,030</u>	<u>28,030</u>
Total fixed assets	1,563,641	1,554,421
Less accumulated depreciation	<u>(437,413)</u>	<u>(375,280)</u>
Net fixed assets	<u>1,126,228</u>	<u>1,179,141</u>
Total assets	<u>\$ 1,268,856</u>	<u>\$ 1,334,664</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 650	\$ 75
Accrued liabilities	18,657	6,520
Current portion of long-term debt	<u>9,698</u>	<u>179,757</u>
Total current liabilities	<u>29,005</u>	<u>186,352</u>
Long-term debt, net of current portion	<u>247,275</u>	<u>254,863</u>
Total liabilities	<u>276,280</u>	<u>441,215</u>
Net assets		
Unrestricted	985,672	867,114
Temporarily restricted	6,904	26,336
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>992,576</u>	<u>893,450</u>
Total liabilities and net assets	<u>\$ 1,268,856</u>	<u>\$ 1,334,665</u>

See accompanying notes to financial statements.

Davis Family Support Center, Inc.

d.b.a. Family Connection Center

Statement of Activities

Year Ended June 30, 2006

With Comparative Totals For The Year Ended June 30, 2005

	6/30/2006			6/30/2006 Total	6/30/2005 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES AND SUPPORT					
In-kind donations - food	\$ 446,432	\$ -	\$ -	\$ 446,432	\$ 393,444
HUD grant	268,000	-	-	268,000	279,063
CDBG grants	237,918	-	-	237,918	256,253
Utah DCFS grants	228,586	-	-	228,586	207,779
CSBG grants	185,171	-	-	185,171	175,067
Sales tax reimbursements	128,632	-	-	128,632	95,545
Public donations	101,557	6,904	-	108,461	82,760
United Way donations	95,753	-	-	95,753	129,544
FEMA	74,314	-	-	74,314	76,773
Volunteer services	58,872	-	-	58,872	34,209
DWS Outreach	34,824	-	-	34,824	48,801
Other state grants	32,089	-	-	32,089	42,064
VOCA grant	28,748	-	-	28,748	32,562
Emergency Food Network	16,700	-	-	16,700	16,614
Counseling fees	16,205	-	-	16,205	6,990
Client fees and other income	10,721	-	-	10,721	6,802
United Way Title XX	6,662	-	-	6,662	8,328
CMA Food program	4,245	-	-	4,245	5,601
Interest income	239	-	-	239	255
Unrealized gain	-	-	-	-	54
Net assets released from restrictions	26,336	(26,336)	-	-	-
	<u>2,002,004</u>	<u>(19,432)</u>	<u>-</u>	<u>1,982,572</u>	<u>1,898,508</u>
EXPENSES					
Program services	1,712,106	-	-	1,712,106	1,653,937
Management and general	107,641	-	-	107,641	101,164
Fundraising	63,699	-	-	63,699	59,925
	<u>1,883,446</u>	<u>-</u>	<u>-</u>	<u>1,883,446</u>	<u>1,815,026</u>
Change in net assets	118,558	(19,432)	-	99,126	83,482
Net assets, beginning of year	<u>867,114</u>	<u>26,336</u>	<u>-</u>	<u>893,450</u>	<u>809,968</u>
Net assets, end of year	<u>\$ 985,672</u>	<u>\$ 6,904</u>	<u>\$ -</u>	<u>\$ 992,576</u>	<u>\$ 893,450</u>

See accompanying notes to financial statements.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Statement of Functional Expenses
Year Ended June 30, 2006
With Comparative Totals For The Year Ended June 30, 2005

	6/30/2006			6/30/2006 Total	6/30/2005 Total
	Program Services	Management and General	Fundraising		
Salaries and wages	\$ 601,606	\$ 63,105	\$ 36,461	\$ 701,172	\$ 651,564
Payroll taxes	61,058	6,405	3,701	71,164	71,793
Employee benefits	55,516	5,823	3,365	64,704	66,682
Total salaries and related expenses	718,180	75,333	43,527	837,040	790,039
In-kind donations - food	412,125	-	-	412,125	393,444
Community assistance	246,331	-	-	246,331	272,769
Volunteer services	50,513	5,298	3,061	58,872	34,209
Utilities	37,874	3,973	2,295	44,142	34,699
Supplies	31,655	3,321	1,919	36,895	17,326
Maintenance	18,893	1,982	1,145	22,020	20,223
Conferences and workshops	17,612	1,847	1,067	20,526	12,298
Miscellaneous	17,284	1,813	1,047	20,144	19,381
Insurance	17,176	1,802	1,041	20,019	14,762
Travel	15,545	1,631	942	18,118	18,087
Copying and publications	12,814	1,344	777	14,935	18,054
Professional fees	11,591	1,216	702	13,509	18,364
Housing/rent assistance	11,509	1,207	698	13,414	27,715
Telephone	8,329	874	505	9,708	11,572
Retirement	8,042	844	487	9,373	8,487
Mortgage interest	5,843	613	354	6,810	21,319
Sub for Santa	3,408	358	207	3,973	4,535
Membership dues and fees	2,855	300	173	3,328	5,701
Food	2,839	298	172	3,309	4,031
Postage	2,776	291	168	3,235	2,738
Advertising	1,355	142	82	1,579	993
Licenses and permits	1,250	131	76	1,457	1,630
Subcontract and work-study	387	41	23	451	1,911
Total expenses before depreciation	1,656,186	104,659	60,468	1,821,313	1,754,287
Depreciation	55,920	2,982	3,231	62,133	60,739
Total expenses	\$ 1,712,106	\$ 107,641	\$ 63,699	\$ 1,883,446	\$ 1,815,026

See accompanying notes to financial statements.

Davis Family Support Center, Inc.

d.b.a. Family Connection Center

Statement of Cash Flows

Year Ended June 30, 2006

With Comparative Totals For The Year Ended June 30, 2005

	<u>6/30/2006</u>	<u>6/30/2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 99,126	\$ 83,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,133	60,739
Unrealized gain on investments	-	(54)
Gain on disposal of assets	-	(4,055)
Changes in current assets and liabilities:		
Accounts receivable	43,322	45,260
Food bank inventory	(34,307)	-
Prepaid expenses	(1,259)	(7,777)
Other assets	-	638
Accounts payable	575	75
Accrued liabilities	<u>12,138</u>	<u>5,337</u>
Net cash provided by operating activities	<u>181,728</u>	<u>183,645</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received on the disposal of fixed assets	-	9,447
Cash paid for the purchase of fixed assets	<u>(9,220)</u>	<u>(9,867)</u>
Net cash (used in) investing activities	<u>(9,220)</u>	<u>(420)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	6,180	-
Principal payments on long-term debt	<u>(183,827)</u>	<u>(175,173)</u>
Net cash (used in) financing activities	<u>(177,647)</u>	<u>(175,173)</u>
 Net change in cash	(5,139)	8,052
Cash and cash equivalents, beginning of year	<u>32,983</u>	<u>24,931</u>
Cash and cash equivalents, end of year	<u>\$ 27,844</u>	<u>\$ 32,983</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 6,810</u>	<u>\$ 21,319</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Notes to Financial Statements
June 30, 2006

1. ORGANIZATION BASIS OF PRESENTATION

Davis Family Support Center, Inc. d.b.a. Family Connection Center (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on September 24, 1985. The Organization's purpose is to protect children, strengthen and shelter families and individuals, foster self-sufficiency, and facilitate a caring community. The organization does this by providing emergency assistance, food bank operations, parenting education, home-based support, neuro-feedback therapy, child care in times of crisis or stress, support of victims of domestic violence, counseling for marital discord, transitioning out of homelessness, and teaching communication and language skills. The Vision statement of the organization is "When your life has you feeling abandoned, angry, depressed, hopeless, and stressed, the Family Connection Center Team can help put you back on the road to fulfillment-One step at a time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Food Bank Inventory

Food bank inventory is valued at the estimated fair market value of the food donated.

Fixed Assets

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$1,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to twenty-five years. Depreciation expense for the year ended June 30, 2006 was \$62,133.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 Statement of Activities as net assets released from restrictions.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2006.

Donated services

Volunteers and advisors have donated substantial time in assisting the Organization in achieving the goals of its programs. Amounts applicable to donated services that meet the requirements of SFAS No. 116 have been included in the accompanying financial statements.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2006, there were no uninsured balances.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Functional Allocation of Expenses

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

Investment Securities

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2006, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from June 30, 2005 have been reclassified to conform to the June 30, 2006 presentation.

3. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2006:

Mortgage note payable to a bank in monthly installments of \$392 including interest at 6.5%; due in October 2015; secured by land and building with a cost of \$301,916	\$ 30,164
Mortgage note payable to a governmental agency in monthly installments of \$990 including interest at 3.0%; a 30-year note beginning November 1, 2001; secured by land and buildings with a cost of \$240,938	221,146
Note payable to an bank in monthly installments of \$191 including interest at 6.95% is due and payable by February 10, 2009; secured by equipment with a cost of \$6,120	<u>5,663</u>
Total long-term debt	256,973
Less amounts due within one year	<u>(9,698)</u>
Long-term debt, net of current portion	<u>\$ 247,275</u>

Future maturities of long-term debt are as follows:

<u>Year ended June 30.</u>	
2007	\$ 9,698
2008	10,162
2009	9,978
2010	8,746
2011	9,119
Thereafter	<u>209,270</u>
	<u>\$ 256,973</u>

Interest expense for the year ended June 30, 2006 was \$6,810.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2006:

Sub for Santa	<u>\$ 6,904</u>
	<u>\$ 6,904</u>

5. UTAH DIVISION OF CHILD AND FAMILY SERVICES

The individual contracts and grants received from the Utah Division of Child and Family Services for the year ended June 30, 2006 were as follows:

Crisis/Respite Nursery	\$ 107,773
Family Preservation	75,000
Outreach	25,345
Children's Trust Fund	<u>20,468</u>
	<u>\$ 228,586</u>

6. PROGRAM SERVICES

Program services expenses are broken down into the following programs for the year ended June 30, 2006:

Community Action	\$ 493,373
Food Bank	412,125
Housing	257,527
Nursery	234,705
Outreach	136,948
Counseling	120,180
More Project	41,890
Uniting Neighbors	<u>15,358</u>
	<u>\$ 1,712,106</u>

7. RETIREMENT PLAN

The Organization has established a tax-deferred annuity program pursuant to Section 403(b) of the Internal Revenue Code for its employees who work over 1,000 hours per year. Employees who elect to defer a portion of their own salary are eligible to receive a matching contribution of up to 4% of the employee's wages. The Organization's contribution to the 403(b) plan for the year ended June 30, 2006 was \$9,373.

8. PRIOR YEAR INFORMATION

The financial statements for the year ended June 30, 2005 are presented for comparative purposes only. The notes presented herein contain information relating to June 30, 2006 only. Please refer to the June 30, 2005 audited financial statements for information relating to the notes for the prior year.

SUPPLEMENTARY INFORMATION
AND
COMPLIANCE REPORTS

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Utah Department of Community and Economic Development			
Community Service Block Grant		93.569	\$ 184,167
Passed through the United Way of Davis County			
Social Services Block Grant - Title XX		93.667	<u>8,432</u>
Total U.S. Department of Health and Human Services			<u>192,599</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Planning and Development			
Passed through the Utah Department of Community and Economic Development - Community Development Block Grant			
Homeless Prevention Grant		14.228	269,000
Homeless Prevention Grant		14.231	168,916
Homeless Prevention Grant		14.231	10,500
Passed through Clearfield City - Community Development Block Grant			
Homeless Prevention Grant		14.228	24,000
Passed through Layton City - Community Development Block Grant			
Homeless Prevention Grant		14.228	<u>45,000</u>
Total U.S. Department of Housing and Urban Development			<u>517,416</u>
<u>U.S. Department of Justice</u>			
Passed through the State of Utah Office of Crime Victim Reparations			
VOCA		16.575	<u>28,748</u>
Total U.S. Department of Justice			<u>28,748</u>
<u>Federal Emergency Management Agency</u>			
Passed through the Emergency Food and Shelter National Board Program			
FEMA		83.523	<u>74,313</u>
Total Federal Emergency Management Agency			<u>74,313</u>
Total expenditures of federal awards			<u>\$ 813,076</u>

Note 1 - Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Pass-Through Awards

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Summary of Auditors' Results

1. We issued an unqualified opinion in our report on the financial statements of Davis Family Support Center, Inc. d.b.a. Family Connection Center for the year ended June 30, 2006.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended June 30, 2006.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Davis Family Support Center, Inc. d.b.a. Family Connection Center for the year ended June 30, 2006 is as follows:
 - a. Community Service Block Grant CFDA Number 93.569
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Davis Family Support Center, Inc. d.b.a. Family Connection Center did qualify as a low-risk auditee.

Findings Related To The Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

Findings of Prior Audit - Year Ended June 30, 2005

There were no findings reported for the year ended June 30, 2005. Therefore, there are no outstanding resolution matters relating to major federal programs.

