



Consolidated Financial Statements
June 30, 2019 and 2018

The Road Home

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Independent Auditor's Report

The Board of Trustees
The Road Home
Salt Lake City, Utah

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Road Home, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Road Home as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, The Road Home has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018 consolidated financial statements have been presented with the adoption of this standard. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated 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 November 5, 2019 on our consideration of The Road Home'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 solely 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 effectiveness of The Road Home's 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 The Road Home's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP".

Salt Lake City, Utah
November 5, 2019

The Road Home
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018*
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,498,314	\$ 3,030,073
Grants and contracts receivable	2,496,529	901,675
Due from related parties	101,270	88,437
Promises to give - current	161,792	86,965
Prepaid expenses and other assets	257,988	110,305
Total current assets	4,515,893	4,217,455
Cash Restricted for Midvale Shelter	167,042	124,329
Cash Restricted for Wendell	38,057	37,986
Promises to Give - Long Term	13,120	21,772
Property and Equipment, Net	1,470,809	1,833,097
Note Receivable - Palmer Court	400,000	400,000
Endowment Investments	650,399	627,469
Beneficial Interest in Assets Held by Affiliated Organization	10,792,718	9,164,078
Total assets	\$ 18,048,038	\$ 16,426,186
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 274,065	\$ 192,934
Accrued expenses	542,655	492,378
Total current liabilities	816,720	685,312
Notes Payable	252,401	255,051
Total liabilities	1,069,121	940,363
Net Assets		
Without donor restrictions		
Undesignated	3,000,136	1,833,351
Designated by board for Midvale Shelter	167,042	-
Designated by board for investment in property and equipment, net of related debt	1,218,408	1,578,046
Designated by board for operating reserves	355,588	1,274,312
Total	4,741,174	4,685,709
With donor restrictions	12,237,743	10,800,114
Total net assets	16,978,917	15,485,823
Total liabilities and net assets	\$ 18,048,038	\$ 16,426,186

*Presentation of the 2018 consolidated statement of financial position has changed from previously reported consolidated financial statements commensurate with the implementation of the new accounting pronouncement described in Note 1 to the consolidated financial statements.

The Road Home
Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Government grants and contracts	\$ 11,312,337	\$ -	\$ 11,312,337
Private donors	4,227,661	199,983	4,427,644
Management fees - related party			
Palmer Court	137,290	-	137,290
United Way	56,007	85,000	141,007
In-kind contributions	846,868	-	846,868
Net investment return	9,928	22,930	32,858
Special events	330,745	-	330,745
less costs of direct benefits to donors	(119,838)	-	(119,838)
Distributions from and change in value of beneficial interest in assets held by affiliated organization	800,450	1,628,640	2,429,090
Other income	265,871	-	265,871
Net assets released from restrictions	498,924	(498,924)	-
	<u>18,366,243</u>	<u>1,437,629</u>	<u>19,803,872</u>
Expenses			
Program services expense			
Emergency assistance	251,515	-	251,515
Shelter	4,911,833	-	4,911,833
Supportive Services	5,837,059	-	5,837,059
Housing	5,680,614	-	5,680,614
	<u>16,681,021</u>	<u>-</u>	<u>16,681,021</u>
Supporting services expense			
Management and general	1,019,122	-	1,019,122
Fundraising	610,635	-	610,635
	<u>1,629,757</u>	<u>-</u>	<u>1,629,757</u>
	<u>18,310,778</u>	<u>-</u>	<u>18,310,778</u>
Change in Net Assets	55,465	1,437,629	1,493,094
Net Assets, Beginning of Year	4,685,709	10,800,114	15,485,823
Net Assets, End of Year	<u>\$ 4,741,174</u>	<u>\$ 12,237,743</u>	<u>\$ 16,978,917</u>

The Road Home
Consolidated Statement of Activities
Year Ended June 30, 2018*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Government grants and contracts	\$ 10,481,390	\$ -	\$ 10,481,390
Private donors	3,712,106	537,805	4,249,911
Management fees - related party			
Palmer Court	135,947	-	135,947
United Way	52,796	35,000	87,796
In-kind contributions	881,232	-	881,232
Net investment return	5,206	52,032	57,238
Special events	354,434	-	354,434
less costs of direct benefits to donors	(154,441)	-	(154,441)
Distributions from and change in value of beneficial interest in assets held by affiliated organization	368,476	1,339,455	1,707,931
Other income	129,185	-	129,185
Net assets released from restrictions	2,726,721	(2,726,721)	-
Total revenue, support, and gains	18,693,052	(762,429)	17,930,623
Expenses			
Program services expense			
Emergency assistance	269,263	-	269,263
Shelter	4,749,348	-	4,749,348
Supportive Services	5,608,003	-	5,608,003
Housing	6,831,405	-	6,831,405
Total program services expense	17,458,019	-	17,458,019
Supporting services expense			
Management and general	933,243	-	933,243
Fundraising	574,304	-	574,304
Total supporting services expense	1,507,547	-	1,507,547
Total expense	18,965,566	-	18,965,566
Change in Net Assets	(272,514)	(762,429)	(1,034,943)
Net Assets, Beginning of Year	4,958,223	11,562,543	16,520,766
Net Assets, End of Year	\$ 4,685,709	\$ 10,800,114	\$ 15,485,823

*Presentation of the 2018 consolidated statement of activities has changed from previously reported consolidated financial statements commensurate with the implementation of the new accounting pronouncement described in Note 1 to the consolidated financial statements.

The Road Home
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services Expense				Total Program Services	Management and General	Fundraising	Cost of Goods Sold	Total
	Emergency Assistance	Shelter	Supportive Services	Housing					
Personnel expenses	\$ 116,566	\$ 2,963,100	\$ 4,162,694	\$ 1,161,832	\$ 8,404,192	\$ 823,256	\$ 492,029	\$ -	\$ 9,719,477
Contract labor	11,697	325,077	423,527	88,702	849,003	77,492	48,250	-	974,745
Conferences and meetings	458	12,739	16,597	3,476	33,270	3,037	1,891	-	38,198
Depreciation	881	235,524	35,427	16,431	288,263	1,707	915	-	290,885
Dues and subscriptions	371	10,307	13,428	2,812	26,918	2,457	1,530	-	30,905
Events	-	-	-	-	-	-	-	121,275	121,275
Insurance	825	22,936	29,882	6,258	59,901	5,467	3,404	-	68,772
Miscellaneous	918	29,429	36,902	21,432	88,681	1,778	953	-	91,412
Assistance	72,662	46,898	58,849	3,595,863	3,774,272	2,836	1,520	-	3,778,628
Professional fees	3,240	86,880	114,290	29,287	233,697	25,007	15,697	-	274,401
Rent	9,184	461,256	369,341	17,315	857,096	17,798	9,540	-	884,434
Repairs and maintenance	14,982	224,804	169,559	120,725	530,070	7,750	4,154	-	541,974
Supplies	5,857	162,778	212,076	44,416	425,127	38,803	24,161	-	488,091
Telephone	10,130	62,675	44,077	42,083	158,965	2,001	1,073	-	162,039
Training	529	14,695	19,145	4,010	38,379	3,503	2,179	-	44,061
Transportation	203	12,486	10,145	69,143	91,977	393	211	-	92,581
Utilities	3,012	190,672	121,120	58,398	373,202	5,837	3,128	-	382,167
Grants to other nonprofits	-	49,577	-	398,431	448,008	-	-	-	448,008
	251,515	4,911,833	5,837,059	5,680,614	16,681,021	1,019,122	610,635	121,275	18,432,053
Less expenses included with revenues on the consolidated statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	-	(121,275)	(121,275)
Total functional expenses	\$ 251,515	\$ 4,911,833	\$ 5,837,059	\$ 5,680,614	\$ 16,681,021	\$ 1,019,122	\$ 610,635	\$ -	\$ 18,310,778

The Road Home
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services Expense				Total Program Services	Management and General	Fundraising	Cost of Goods Sold	Total
	Emergency Assistance	Shelter	Supportive Services	Housing					
Personnel expenses	\$107,149	\$2,723,640	\$3,841,389	\$1,067,971	\$ 7,740,149	\$730,699	\$451,685	\$ -	\$ 8,922,533
Contract labor	14,253	396,102	516,062	108,082	1,034,499	94,423	58,792	-	1,187,714
Conferences and meetings	516	14,364	18,714	3,919	37,513	3,424	2,132	-	43,069
Depreciation	1,234	329,826	49,612	23,010	403,682	2,390	1,281	-	407,353
Dues and subscriptions	56	1,569	2,045	428	4,098	374	233	-	4,705
Events	-	-	-	-	-	-	-	154,441	154,441
Insurance	2,264	62,946	82,009	17,175	164,394	15,004	9,342	-	188,740
Miscellaneous	1,242	39,713	49,797	28,921	119,673	2,399	1,286	-	123,358
Assistance	98,529	63,593	79,799	4,875,968	5,117,889	3,846	2,061	-	5,123,796
Professional fees	1,898	52,733	68,703	14,389	137,723	12,571	7,827	-	158,121
Rent	7,977	370,776	350,636	15,040	744,429	15,458	8,286	-	768,173
Repairs and maintenance	15,005	225,143	169,815	120,907	530,870	7,762	4,160	-	542,792
Supplies	5,032	139,842	182,193	38,158	365,225	33,335	20,757	-	419,317
Telephone	10,323	63,869	44,917	42,885	161,994	2,039	1,093	-	165,126
Training	466	12,949	16,871	3,534	33,820	3,087	1,922	-	38,829
Transportation	202	12,417	10,089	68,762	91,470	391	210	-	92,071
Utilities	3,117	197,333	125,352	60,439	386,241	6,041	3,237	-	395,519
Grants to other nonprofits	-	42,533	-	341,817	384,350	-	-	-	384,350
	<u>269,263</u>	<u>4,749,348</u>	<u>5,608,003</u>	<u>6,831,405</u>	<u>17,458,019</u>	<u>933,243</u>	<u>574,304</u>	<u>154,441</u>	<u>19,120,007</u>
Less expenses included with revenues on the statement of activities									
Costs of direct benefits to donors	-	-	-	-	-	-	-	(154,441)	(154,441)
Total functional expenses	<u>\$ 269,263</u>	<u>\$ 4,749,348</u>	<u>\$ 5,608,003</u>	<u>\$ 6,831,405</u>	<u>\$ 17,458,019</u>	<u>\$ 933,243</u>	<u>\$ 574,304</u>	<u>\$ -</u>	<u>\$ 18,965,566</u>

The Road Home
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 1,493,094	\$ (1,034,943)
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Depreciation	290,885	407,354
Donated property and equipment	-	(9,662)
Gain on sale of property and equipment	(152,824)	-
Change in beneficial interest in assets held by affiliated organization	(1,628,640)	(1,339,455)
Endowment net investment return	(22,930)	(52,032)
Change in assets and liabilities		
Grants and contracts receivable	(1,594,854)	(38,318)
Due from related parties	(12,833)	199,619
Promises to give	(66,175)	1,851,475
Prepaid expenses and other assets	(147,683)	89,146
Accounts payable and accrued expenses	131,408	93,083
Net Cash (used for) from Operating Activities	(1,710,552)	166,267
Investing Activities		
Purchase of property and equipment	(60,673)	(74,194)
Proceeds from sale of property and equipment	284,900	-
Change in cash restricted for Midvale Shelter	(42,713)	204,145
Change in cash restricted for Wendell	(71)	-
Change in cash restricted for property and equipment	-	10,044
Net Cash from Investing Activities	181,443	139,995
Financing Activities		
Principal payments on long term debt	(2,650)	-
Net Cash used for Financing Activities	(2,650)	-
Net Change in Cash and Cash Equivalents	(1,531,759)	306,262
Cash and Cash Equivalents, Beginning of Year	3,030,073	2,723,811
Cash and Cash Equivalents, End of Year	\$ 1,498,314	\$ 3,030,073

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Road Home (TRH) is a nonprofit corporation organized under the laws of the State of Utah. TRH's mission is to help individuals and families step out of homelessness and back into the community through emergency services, personalized case management and collaboration with other community service providers.

The principal programs of TRH are as follows:

- **Emergency Assistance:** Emergency Assistance provides emergency and employment related assistance.
- **Shelter:** Shelter services provides basic short-term shelter services to those in need.
- **Supportive Services:** Self Reliance provides case management and resources for shelter residents.
- **Housing:** Housing provides case management, resources and rental assistance for permanent and transitional housing clients.

Principles of Consolidation

The consolidated financial statements include the accounts of TRH and its wholly-owned single member limited liability companies, Housing Now LLC and Family Housing Solutions LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as TRH or the Organization.

Cash and Cash Equivalents

TRH considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, endowments that are perpetual in nature, or other long-term purposes of TRH are excluded from this definition.

Grants and Contracts Receivable

TRH receives substantial funding through federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, grants and contracts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred. Certain grants require that TRH match the funds received with other funds in varying percentages. Management determines the allowance for uncollectible grants and contracts receivable based on historical experience, an assessment of economic conditions and a review of subsequent collections. At June 30, 2019 and 2018, the allowance was \$0.

Promises to Give

TRH records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue (private donors) in the consolidated statements of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2019 and 2018, the allowance was \$0.

Property and Equipment

TRH records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

TRH reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

Beneficial Interest in Assets Held by Affiliated Organization

TRH and donors have transferred funds to an affiliated organization, the Jon M. Huntsman Family Community Shelter Trust (the Huntsman Trust), for the benefit of TRH. TRH has evaluated the terms of the agreements governing the funds held by the Huntsman Trust for the benefit of TRH and recognizes its rights to the assets (financial or nonfinancial) held by the Huntsman Trust as an asset unless the Huntsman Trust is explicitly granted variance power, that is, the unilateral power to redirect the use of the transferred assets to another beneficiary. Because TRH and the Huntsman Trust are financially interrelated organizations and variance power is not granted to the Huntsman Trust, TRH recognizes its interest in the net assets of the Huntsman Trust and adjusts that interest for its share of the change in net assets of the Huntsman Trust related to the transferred assets.

Investments

TRH records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for use at the Midvale Shelter, investment in property and equipment, net of related debt, and operating reserves.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Special event revenues received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to TRH's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. TRH records donated goods at the respective fair values of the goods received (Note 13).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel expenses, contract labor, conferences and meetings, depreciation, dues and subscriptions, fundraising, insurance, assistance, professional fees, rent, repairs and maintenance, supplies, telephone, training, transportation, utilities, grants, and other, which are allocated on the basis of estimates of time and effort.

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities.

Income Taxes

TRH is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under Section 509(a)(1). TRH is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Housing Now LLC and Family Housing Solutions LLC are limited liability companies. As such, the tax effects accrue directly to its member, The Road Home, and no tax provision is recorded in the accompanying consolidated financial statements.

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. TRH would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with grants and contracts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of TRH's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of TRH.

Adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14

As of July 1, 2018, TRH adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit-Entities*. ASU 2016-14 became effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The intent of the updated standard is to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's (NFP) liquidity, financial performance, and cash flows. TRH believes the standard improves the usefulness and understandability of TRH's consolidated financial statement reporting. The primary area's addressed by the standard are as follows:

- Simplification in presentation of restricted assets from three classifications to two, those with donor restrictions and those without. See the consolidated statements of financial position.
- Aligning the presentation of the consolidated statement of activities with the classification of net asset with donor restrictions and net assets without donor restrictions. See the consolidated statements of activities.
- Simplifying the statement of cash flows to allow NFPs that use the direct method of reporting cash flows from operating activities to elect whether to report a reconciliation to the indirect method. TRH has elected to use the indirect method of reporting cash flows from operating activities.
- Providing enhanced disclosures for:
 - Amounts and purposes of self-imposed limits on the use of resources without donor-imposed limits.
 - Composition of net assets with donor restrictions at the end of the period and how restrictions affect the use of such resources. See Note 12.
 - Qualitative information communicating how the NFP manages liquid resources needs for general expenditures within one year of the consolidated statement of financial position date. See Note 2.
 - Quantitative information communicating the nature of financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. See Note 2.
 - Amounts of expenses by both nature and function classification either on the face of the consolidated financial statement or in the notes. See the consolidated statements of functional expenses.
 - Method(s) used to allocate costs amount program and support functions.

- Reporting investment return net of external and internal direct investment expenses. See consolidated statements of activities and Note 10 and 11.
- Use 'placed in service' approach where donor stipulations are absent.

The amendments in ASU 2016-14 should be initially adopted only for an annual fiscal period. The adoption should be applied on a retrospective basis in the year that ASU 2016-14 is first applied. For certain disclosures affected by the update, certain prior period amounts have been reclassified to conform to current period presentation. However, in presenting comparative financial statements, the NFP has the option to omit the following for any periods presented prior to adoption:

- Analysis of expenses by nature and functional classification
- Disclosure about liquidity and availability of resources

The Organization has elected not to present comparative information on liquidity and availability of resources.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

Subsequent Events

TRH has evaluated subsequent events through November 5, 2019, the date on which the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,498,314
Grants and contract receivable	2,496,529
Due from related parties	101,270
Promise to give	161,792
	\$ 4,257,905

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds and other investments deemed to be prudent and conservative by the Board. The Road Home has an endowment which totals \$650,399 at June 30, 2019 (Note 11) – of this amount, \$505,720 is required to be maintained in perpetuity and \$144,679 is available for unrestricted purposes. At June 30, 2019, TRH also has beneficial interest in assets held by affiliated organization of \$10,792,718 (Note 10) - of this amount \$9,736,137 is required to be maintained in perpetuity and \$1,056,581 is

available to support the shelter operated by TRH. If the need arose, management could make the accumulated investment gains in the endowment assets and the beneficial interest in assets held by affiliated organization for unrestricted purposes available for general use. TRH is also entitled to make distributions from the endowment (Note 11) and beneficial interest in assets held by affiliated organization (Note 10). However, the use of the earnings from the beneficial interest in assets held by affiliated organization is restricted to be used to benefit the shelter operated by TRH and accordingly, any expected distributions TRH receives are not considered in the table above. The board of trustees has designated \$355,588 as an operating reserve. This amount is included in the cash and cash equivalents total of \$1,498,314 in the table above.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to TRH's assessment of the quality, risk or liquidity profile of the asset or liability.

All of TRH's endowment investment assets are classified within Level 1 because they are comprised of open-ended fixed income securities and equities, money market funds, and mutual funds with readily determinable fair values based on daily redemption values.

The fair value of TRH's beneficial interest in assets held by an affiliated organization is based on the fair value of fund investments as reported by the affiliated organization. They are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2019:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Cash and money market funds (at cost)	\$ 8,661	\$ -	\$ -	\$ -
Mutual funds	641,738	641,738	-	-
	<u>\$ 650,399</u>	<u>\$ 641,738</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by affiliated organization	<u>\$ 10,792,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,792,718</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2018:

Assets	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Cash and money market funds (at cost)	\$ 7,221	\$ -	\$ -	\$ -
Mutual funds	620,248	620,248	-	-
	<u>\$ 627,469</u>	<u>\$ 620,248</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by affiliated organization	<u>\$ 9,164,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,164,078</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests in Assets Held by Affiliated Organization	
<u>Year Ended June 30, 2019</u>		
Balance at June 30, 2018	\$	9,164,078
Contributions of investments		1,695,000
Investment return, net		734,090
Distributions		(800,450)
		\$ 10,792,718
<u>Year Ended June 30, 2018</u>		
Balance at June 30, 2017	\$	7,824,623
Contributions of investments		1,200,000
Investment return, net		507,931
Distributions		(368,476)
		\$ 9,164,078

Note 4 - Grants and Contracts Receivable

Grants and contracts receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
U.S. Department of Housing and Urban Development	\$ 880,375	\$ 318,823
Salt Lake County	17,975	86,868
Temporary Assistance for Needy Families	200,122	81,274
State of Utah	696,913	103,272
Supportive Services for Verteran Families	20,023	188,630
Tenant-Based Rental Assistance	263,277	16,145
Salt Lake City	42,414	73,458
U.S. Department of Homeland Security	270,352	-
Substance Abuse and Mental Health Services Administration	32,261	-
Other	72,817	33,205
	\$ 2,496,529	\$ 901,675

Note 5 - Promises to Give

Unconditional promises to give consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
United Way	\$ 25,000	\$ 35,000
Education Foundation of America	40,000	-
Ray and Tye Noorda Foundation	60,000	-
Other	49,912	73,737
	<u>\$ 174,912</u>	<u>\$ 108,737</u>

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 161,792	\$ 86,965
In one to five years	13,120	21,772
	<u>\$ 174,912</u>	<u>\$ 108,737</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building leasehold improvements	\$ 3,227,078	\$ 3,240,681
Land	665,100	712,700
Buildings	1,106,994	1,247,094
Vehicles	514,400	466,434
Furniture and fixtures	581,270	626,342
	6,094,842	6,293,251
Less accumulated depreciation	<u>(4,624,033)</u>	<u>(4,460,154)</u>
	<u>\$ 1,470,809</u>	<u>\$ 1,833,097</u>

Building leasehold improvements located in the downtown shelter have been fully depreciate by June 30, 2019. See Note 17.

Note 7 - Note Receivable - Palmer Court

TRH has loaned the Palmer Court project \$400,000 in connection with a grant received from the Federal Home Loan Bank of Seattle (FHLB). The loan is non-interest bearing, due in April 2039 and payment is subject to available cash flow. The grant from FHLB requires that the Palmer Court project commit to leasing 141 units to tenants who earn up to 30% of the area median income and 60 units to tenants who earn up to 60% of the area median income as defined by HUD. If Palmer Court fails to comply with these terms through June 2024, the grant could be required to be repaid to the FHLB.

Note 8 - Notes Payable

Notes payable totaling \$252,401 and \$255,051 at June 30, 2019 and 2018, respectively, consist of various loans due to the Olene Walker Housing Loan Fund that were assumed by TRH upon receiving related in-kind real estate donations. The notes are non-interest bearing and repayment is deferred indefinitely until TRH sells the properties or converts the properties to a use other than transitional or permanent housing solutions. TRH sold one of these properties during the year ended June 30, 2019 and repaid the related loan balance of \$2,650.

Note 9 - Leases

TRH leases equipment under various operating leases expiring at various dates through 2020. For the years ended June 30, 2019 and 2018, lease expense under these operating leases totaled \$171,764 and \$170,721, respectively. Future minimum lease payments for the year ending June 30, 2020 is \$66,606.

Note 10 - Beneficial Interest in Assets Held by Affiliated Organization

In 1992, a donor made a permanently restricted contribution to TRH and stipulated that the earnings be used to benefit the shelter operated by TRH. In 1995, the original donor, TRH, and the Jon M. Huntsman Family Community Shelter Trust (the Huntsman Trust) entered into an agreement whereby the Huntsman Trust was made responsible for the investment and administration of these permanently restricted contributions.

The Huntsman Trust stipulates the trust was created to establish a perpetual fund for the Salt Lake Shelter (as defined in the trust) and that the assets designated to be held in perpetuity may only be distributed to TRH with the consent of a two thirds majority of the Board of Trustees and some additional restrictive stipulations. The earnings on the fund administered by the Huntsman Trust are to be used to benefit TRH and the operations of the Salt Lake Shelter. TRH records net assets to be held in perpetuity as (a) the original value of gifts donated to the fund administered by the Huntsman Trust, and (b) the original value of subsequent gifts donated to the fund administered by the Huntsman Trust. The remaining portion of the donor-restricted funds is classified as net assets with donor restrictions until those amounts are appropriated for distribution.

At June 30, 2019 and 2018, TRH has recorded \$10,792,718 and \$9,164,078, respectively, as the value of the beneficial interest in the assets held in the fund administered by the Huntsman Trust relating to these donor restricted contributions. During the years ended June 30, 2019 and 2018, TRH recorded gains of \$734,090 and \$507,931, respectively, as a change in beneficial interest in the assets held by the Huntsman Trust. During the years ended June 30, 2019 and 2018, \$800,450 and \$368,476 respectively, was distributed to and received in cash by TRH.

Note 11 - Endowments

TRH's endowment consists of a fund established by donors to provide annual funding for general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of TRH has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, there were no such donor stipulations, respectively. As a result of this interpretation, TRH retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2019 and 2018, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
<u>June 30, 2019</u>			
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 505,720	\$ 505,720
Accumulated investment gains	-	144,679	144,679
	\$ -	\$ 650,399	\$ 650,399

June 30, 2018

Donor-restricted endowment

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 505,720	\$ 505,720
Accumulated investment gains	-	121,749	121,749
	\$ -	\$ 627,469	\$ 627,469

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2019 and 2018, there were no such deficiencies.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. A significant portion of the funds are invested to seek growth of principal over time.

Changes in Endowment net assets for the years ending June 30, 2019 and 2018 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
<u>Year Ended June 30, 2019</u>			
Endowment net assets, beginning of year	\$ -	\$ 627,469	\$ 627,469
Investment return, net			
Investment income, net of fees	-	7,066	7,066
Net realized and unrealized gain	-	15,864	15,864
	-	22,930	22,930
Endowment net assets, end of year	\$ -	\$ 650,399	\$ 650,399
<u>Year Ended June 30, 2018</u>			
Endowment net assets, beginning of year	\$ -	\$ 575,437	\$ 575,437
Investment return			
Investment income, net of fees	-	7,898	7,898
Net realized and unrealized gain	-	44,134	44,134
	-	52,032	52,032
Endowment net assets, end of year	\$ -	\$ 627,469	\$ 627,469

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to Expenditure for Specified Purpose		
Palmer Court	\$ -	\$ 12,760
Note receivable - Palmer Court	400,000	400,000
House 20 - housing	177,758	185,841
LDS - travel	-	41,010
LDS - identification documentation	3,899	25,000
Wendell	38,057	37,986
Midvale Shelter - operations	-	197,232
	619,714	899,829
Subject to the Passage of Time		
United Way	25,000	35,000
Individual pledges	149,912	73,738
	174,912	108,738
Endowments and Beneficial Interest in Assets		
Subject to endowment spending policy and appropriation		
Available for general use		
Huntsman Trust	1,056,581	1,122,941
St. Benedict and Gallivan	144,679	121,749
	1,201,260	1,244,690
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Huntsman Trust	9,736,137	8,041,137
St. Benedict and Gallivan	505,720	505,720
	10,241,857	8,546,857
Total endowments and beneficial interest in assets	\$ 12,237,743	\$ 10,800,114

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Expiration of time restrictions	\$ 168,738	\$ 1,925,591
Satification of purpose restrictions		
Palmer Court	12,760	87,115
Housing Services	8,083	61,131
Travel	41,010	73,327
Identification documentation	21,101	-
STH Midvale	247,232	579,557
	330,186	801,130
	\$ 498,924	\$ 2,726,721

Note 13 - Donated Rent and Materials

Donated rent and materials received during the years ended June 30, 2019 and 2018 are as follows:

	Program Services	Management and General	Fundraising	Total
<u>Year Ending June 30, 2019</u>				
Rent	\$ 757,976	\$ 19,698	\$ 10,243	\$ 787,917
Blankets	58,901	-	-	58,901
Inventory	50	-	-	50
	\$ 816,927	\$ 19,698	\$ 10,243	\$ 846,868
	Program Services	Management and General	Fundraising	Total
<u>Year Ending June 30, 2018</u>				
Rent	\$ 640,346	\$ 16,648	\$ 8,923	\$ 665,917
Blankets	205,653	-	-	205,653
Property and equipment	9,662	-	-	9,662
	\$ 855,661	\$ 16,648	\$ 8,923	\$ 881,232

No property and equipment was donated during the year ended June 30, 2019. Property and equipment donated during the year ended June 30, 2018 was capitalized.

Note 14 - Employee Benefits

TRH sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all employees. The plan provides that employees who have attained the age 21 and completed one year of service may voluntarily contribute to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Trustees each plan year. During the years ended June 30, 2019 and 2018, TRH provided matching and discretionary contributions to participants. Total expense related to the plan for the years ending June 30, 2019 and 2018 was \$218,777 and \$303,350, respectively.

Note 15 - Related Party Transactions

TRH leases the downtown shelter from Shelter the Homeless Committee, a related nonprofit organization through related resources and mission, for \$300 per year. For the years ended June 30, 2019 and 2018, TRH estimates the fair value of the shelter space to be \$632,397 and \$585,553, respectively, and has recorded contributed in-kind revenue and a corresponding expense totaling \$632,397 and \$585,253 for the years ended June 30, 2019 and 2018, respectively, to reflect the estimated fair value of this lease transaction.

TRH leases the Midvale shelter from STH Midvale LLC, which is 100% owned by Shelter the Homeless Committee. The agreement between STH Midvale LLC and TRH is for TRH to make the monthly loan payments on the Midvale shelter until STH Midvale LLC pays off the loan, which occurred in fiscal year 2018. TRH paid \$0 and \$63,636 in rent for the years ended June 30, 2019 and 2018, respectively. TRH estimates the fair value of the Midvale shelter space to be \$155,520 and \$144,000, respectively, and has recorded contributed in-kind revenue and a corresponding expense totaling \$155,520 and \$80,364 for the years ended June 30, 2019 and 2018, respectively, to reflect the estimated fair value of this lease transaction. For the years ended June 30, 2019 and 2018, TRH contributed \$0 and \$204,415, respectively, to STH Midvale, LLC.

For the years ended June 30, 2019 and 2018, TRH contributed \$119,036 and \$76,667, respectively, to Shelter the Homeless Committee to support operations at Palmer Court, a consolidated entity in Shelter the Homeless Committee. For the years ended June 30, 2019 and 2018, TRH recorded management and administration fee revenue in the amounts of \$137,290 and \$135,947, respectively, from Palmer Court.

As more fully described in Note 7, TRH has a long-term note receivable from Palmer Court totaling \$400,000 at June 30, 2019 and 2018.

Due from related parties totaled \$101,270 and \$88,437 at June 30, 2019 and 2018, respectively, representing amounts due from Shelter the Homeless Committee, Palmer Court and the Wendell Apartments. Amounts are non-interest bearing.

At June 30, 2019 and 2018, TRH has a payable to Shelter the Homeless Committee of \$25,832 and \$0, respectively, for security services provided to the downtown shelter.

Note 16 - Concentrations

A significant portion of TRH's support is provided through government grants and contracts. A loss of this support would have a materially adverse effect on TRH.

Note 17 - Contingencies and Commitments

TRH has received various in-kind contributions of residential real estate from housing authorities to be used for the purpose of providing housing solutions to those served by TRH. The agreements require TRH to use the real estate for low-income housing purposes. If TRH sells the property, it will have to pay \$252,401 to The Olene Walker Housing Loan Fund.

As more fully described in Note 7, TRH received a grant from FHLB which was then loaned to Palmer Court. Palmer Court must comply with the leasing commitments through June 2024 or the grant could be required to be repaid.

The Board of Shelter the Homeless Committee, the owner of the downtown shelter, has been asked to work with city, county, and state leaders and all other stakeholders to work towards closing the downtown shelter on or before June 30, 2019. This will require significant additional fundraising and system planning to achieve the necessary efficiencies in the homeless service system to reduce demand for emergency shelter. Shelter the Homeless Committee will work with all stakeholders towards achieving this goal. TRH will continue to operate the Midvale Shelter, the new Men's Shelter in South Salt Lake and the other housing resources it currently operates. TRH believes it will continue to have an integral role in continuing to provide homeless solutions in the community.

Note 18 - Subsequent Event

Related to the request to close the downtown shelter and administrative office building, on August 23, 2019, Family Housing Solutions, LLC obtained a promissory note from the Jon M. Huntsman Family Community Shelter Trust for \$1,250,000 and may receive additional funding up to \$1,800,000 on or before December 31, 2019. The funds are required to be used to purchase and rehabilitate a building that will be used by TRH's administrative staff including case managers. The promissory note is non-interest bearing and will be repaid once Family Housing Solutions, LLC is able to obtain a loan through a financial institution.

Note 19 - Adoption of Change in Accounting Principle

As disclosed in Note 1, the Trust adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the consolidated financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in The Road Home's June 30, 2018 net assets.

The effect on TRH's consolidated statement of financial position as of June 30, 2018 is as follows:

	As Previously Reported	Change in Accounting Principle	Adopted Change in Accounting Principle
Unrestricted net assets	\$ 4,685,709	\$ (4,685,709)	\$ -
Temporarily restricted net assets	2,253,257	(2,253,257)	-
Permanently restricted net assets	8,546,857	(8,546,857)	-
Net assets without donor restrictions	-	4,685,709	4,685,709
Net assets with donor restrictions	-	10,800,114	10,800,114

The effect on TRH's consolidated statement of activities as of June 30, 2018 is as follows:

	As Previously Reported	Change in Accounting Principle	Adopted Change in Accounting Principle
Net Assets, Beginning of Year			
Unrestricted net assets	\$ 4,958,223	\$ (4,958,223)	\$ -
Temporarily restricted	4,215,686	(4,215,686)	-
Permanently restricted	7,346,857	(7,346,857)	-
Net assets without donor restrictions	-	4,958,223	4,958,223
Net assets with donor restrictions	-	11,562,543	11,562,543
Net Assets, End of Year			
Unrestricted net assets	\$ 4,685,709	\$ (4,685,709)	\$ -
Temporarily restricted	2,253,257	(2,253,257)	-
Permanently restricted	8,546,857	(8,546,857)	-
Net assets without donor restrictions	-	4,685,709	4,685,709
Net assets with donor restrictions	-	10,800,114	10,800,114



Federal Awards Reports in Accordance
With the Uniform Guidance
June 30, 2019

The Road Home



Independent Auditor’s 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 Trustees and Management of
The Road Home
Salt Lake City, Utah

We have audited, 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, the consolidated financial statements of The Road Home, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Road Home'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Road Home’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Road Home’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a material weakness (2019-001).

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2019-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Road Home's consolidated 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 consolidated 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity's Response to Findings

The Road Home's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Road Home's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Salt Lake City, Utah
November 5, 2019



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
The Road Home
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

We have audited The Road Home’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Road Home’s major federal programs for the year ended June 30, 2019. The Road Home’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of The Road Home’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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 The Road Home’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 The Road Home’s compliance.

Opinion on Each Major Federal Program

In our opinion, The Road Home’s 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, 2019.

Report on Internal Control over Compliance

Management of The Road Home 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 The Road Home'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 the Uniform Guidance, 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 The Road Home'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 a 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Salt Lake City, Utah
November 5, 2019

The Road Home
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Homeland Security:				
Direct Award:				
Emergency Food and Shelter Program	97.024	LRO 851000-001	\$ 197,195	\$ -
U.S. Department of Housing and Urban Development				
Passed through from:				
Rapid Rehousing - City	14.231	2018-19 ESG	85,382	-
Rapid Rehousing - County	14.231	ES.09CNTY18	85,000	-
Salt Lake City	14.231	2018-19 ESG	66,384	-
State of Utah	14.231	19-0022	196,000	-
Salt Lake County	14.231	ES.01CNTY18	49,182	-
Total Emergency Solutions Expenditures			<u>481,948</u>	<u>-</u>
Direct Award:				
CoC - PSH Rental Assistance	14.267	UT0075L8T001605	526,031	-
CoC - PSH Rental Assistance	14.267	UT0075L8T001706	832,818	-
CoC - Leasing - CHSH	14.267	UT0076L8T001605	202,790	-
CoC - Leasing - CHSH	14.267	UT0076L8T001706	315,187	-
CoC - RRH for Families	14.267	UT0089L8T001704	103,340	-
CoC - RRH for Families	14.267	UT0089L8T001805	13,271	-
CoC - PSH Expansion	14.267	UT0104L8T001703	149,208	-
CoC - RRH Expansion	14.267	UT0105L8T001703	109,648	-
CoC - Scattered Site Properties	14.267	UT0032L8T001708	11,968	-
CoC - Scattered Site Properties	14.267	UT0032L8T001809	6,425	-
Total Continuum of Care Expenditures			<u>2,270,686</u>	<u>-</u>
Passed through from:				
Salt Lake County	14.239	HM.05ROAD18	280,455	-
Salt Lake City	14.239	2018-2019 HOME	200,000	-
Total Tenant Based Rental Assistance Expenditures			<u>480,455</u>	<u>-</u>

See Notes to Consolidated Schedule of Expenditures of Federal Awards

The Road Home
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Passed through from:				
Salt Lake City	14.218	FY17-18	\$ 104,518	\$ -
Sandy City - Homeless Shelter Operations	14.218	FY18-19	11,100	-
Sandy City - Transitional Housing	14.218	FY18-19	8,000	-
West Jordan City	14.218	4801-473413	8,000	-
West Valley City	14.218	FY 18-19	8,400	-
Davis County	14.218	2019-130	12,000	-
Davis County	14.218	FY17-18	10,000	-
South Jordan City	14.218	FY18-19	5,000	-
Taylorsville City	14.218	FY18-19	5,450	-
Total Community Development Block Grants - Entitlement Grants Cluster			<u>172,468</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>3,405,557</u>	<u>-</u>
U.S. Department of Veteran Affairs				
Direct Award:				
Supportive Services for Veteran Families	64.033	15-UT-336	<u>915,880</u>	<u>-</u>
U.S. Department of Health and Human Services				
Direct Award:				
Chronic Homeless Services & Housing	93.243	1H79TI080402-01	<u>164,629</u>	<u>60,000</u>
Passed through from the State of Utah -				
Department of Workforce Services - TANF Cluster:				
Temporary Assistance for Needy Families	93.558	#18DWS0137	510,505	-
TANF - State of Utah	93.558	19-0027	<u>227,522</u>	<u>89,014</u>
Total TANF Cluster			<u>738,027</u>	<u>89,014</u>
Total Department of Health and Human Services			<u>902,656</u>	<u>149,014</u>
Total Federal Assistance			<u>\$ 5,421,288</u>	<u>\$ 149,014</u>

See Notes to Consolidated Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of The Road Home under programs of the federal government for the year ended June 30, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of The Road Home, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Road Home.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Supportive Services for Veteran Families Program	64.033
Continuum of Care Program	14.267
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2019-001 Material Audit Adjustments Material Weakness

Criteria:

The Organization should have procedures in place to ensure account balances are materially correct at the end of the reporting period.

Condition:

During the course of our engagement, we proposed audit adjustments to several of the Organization's recorded account balances, which if not recorded would have resulted in a material misstatement of the Organization's financial statements.

Cause:

The Organization's procedures in place during the year ended June 30, 2019 did not provide for sufficient reconciliation processes to ensure that grants and contracts receivable, promises to give, prepaid expenses, consolidation of Housing Now and Family Housing Solutions, LLC, and other amounts are properly recorded at year end.

Effect:

Various account balances were significantly misstated in the Organization's consolidated financial statements, which may affect management decisions.

Recommendation:

The Organization should analyze its procedures for reconciling accounts to ensure all transactions have been properly recorded. Management should review its process for the final review of the consolidated financial statements and make necessary changes to these procedures to ensure that all transactions are properly recorded by the Organization.

Views of Responsible Officials:

Management agrees with the finding.

2019-002 Cash Deposits Approval Significant Deficiency

Criteria:

The Organization should have an individual, other than the individual preparing the cash deposits log, review and approve the cash deposits log

Condition:

During the course of our engagement, we identified an instance where the same individual prepared the cash deposits log and approved the log.

Cause:

The Organization's policies and procedures state that the preparation and review of the cash deposits log will be performed by separate individuals, however, we noted an instance where the stated policies and procedures were not followed.

Effect:

If the same individual is preparing and approving the log, the risk of misstatement due to error or misappropriation of assets is increased.

Recommendation:

The Organization should analyze its policies and procedures for recording cash deposits and ensure that all staff are trained on the policies and procedures.

Views of Responsible Officials:

Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None