

THE ROAD HOME
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

THE ROAD HOME

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► Lake, Hill & Myers

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INDEPENDENT AUDITOR'S REPORT

October 3, 2011

To the Board of Directors and Management of
The Road Home

We have audited the accompanying consolidated statement of financial position of The Road Home (a nonprofit organization) as of June 30, 2011 and 2010 and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Road Home as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011 on our consideration of The Road Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 18-19 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lake, Hill & Myers

THE ROAD HOME
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	June 30,	
	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 3,395,588	\$ 2,209,152
Grants and contracts receivable	464,889	389,783
Promises to give - current	312,773	428,434
Due from related party - Palmer Court	-	1,267,000
Prepaid expenses and other assets	<u>194,361</u>	<u>219,687</u>
Total current assets	<u>4,367,611</u>	<u>4,514,056</u>
Promises to give - long term	12,350	215,097
Property and equipment, net	2,021,790	2,060,495
Note receivable - Palmer Court	400,000	400,000
Interest in the net assets of affiliated organization	<u>5,004,180</u>	<u>4,439,503</u>
	<u>\$11,805,931</u>	<u>\$11,629,151</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 94,333	\$ 125,460
Accrued expenses	<u>258,103</u>	<u>303,405</u>
Total current liabilities	<u>352,436</u>	<u>428,865</u>
Net assets:		
Unrestricted	2,426,012	2,109,199
Unrestricted - property and equipment	2,021,790	2,060,495
Unrestricted - board designated	<u>1,323,663</u>	<u>1,219,223</u>
Total unrestricted net assets	5,771,465	5,388,917
Temporarily restricted	1,411,078	1,540,417
Permanently restricted	<u>4,270,952</u>	<u>4,270,952</u>
Total net assets	<u>11,453,495</u>	<u>11,200,286</u>
	<u>\$11,805,931</u>	<u>\$11,629,151</u>

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and public support:				
Government grants and contracts	\$5,451,997	\$ -	\$ -	\$ 5,451,997
Private donors	2,870,611	151,786	-	3,022,397
Management fees - related party - Palmer Court	135,577	-	-	135,577
United Way	86,997	100,000	-	186,997
In-kind	600,553	-	-	600,553
Investment and interest income	46,748	-	-	46,748
Special events	317,905	-	-	317,905
less direct costs	(75,666)	-	-	(75,666)
Other income	224,537	-	-	224,537
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>381,125</u>	<u>(381,125)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>10,040,384</u>	<u>(129,339)</u>	<u>-</u>	<u>9,911,045</u>
Expenses:				
Emergency assistance	482,377	-	-	482,377
Shelter	3,682,877	-	-	3,682,877
Self reliance	413,553	-	-	413,553
Housing	<u>5,139,317</u>	<u>-</u>	<u>-</u>	<u>5,139,317</u>
Total program services	<u>9,718,124</u>	<u>-</u>	<u>-</u>	<u>9,718,124</u>
Management and general	393,666	-	-	393,666
Fundraising	<u>345,755</u>	<u>-</u>	<u>-</u>	<u>345,755</u>
Total supporting services	<u>739,421</u>	<u>-</u>	<u>-</u>	<u>739,421</u>
Total expenses	<u>10,457,545</u>	<u>-</u>	<u>-</u>	<u>10,457,545</u>
Change in net assets from operations	(417,161)	(129,339)	-	(546,500)
Change in interest in net assets of affiliated organization	<u>799,709</u>	<u>-</u>	<u>-</u>	<u>799,709</u>
Change in net assets	382,548	(129,339)	-	253,209
Net assets, June 30, 2010	<u>5,388,917</u>	<u>1,540,417</u>	<u>4,270,952</u>	<u>11,200,286</u>
Net assets, June 30, 2011	<u>\$5,771,465</u>	<u>\$1,411,078</u>	<u>\$4,270,952</u>	<u>\$11,453,495</u>

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and public support:				
Government grants and contracts	\$4,410,710	\$ 55,600	\$ -	\$4,466,310
Other grants	-	400,000	-	400,000
Private donors	3,123,000	44,080	-	3,167,080
Development fee - related party - Palmer Court	1,000,000	-	-	1,000,000
Management fees - related party - Palmer Court	133,031	-	-	133,031
United Way	71,719	-	-	71,719
In-kind	677,914	-	-	677,914
Investment and interest income	65,269	-	-	65,269
Special events	396,387	-	-	396,387
less direct costs	(69,073)	-	-	(69,073)
Other income	132,663	-	-	132,663
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>2,470,069</u>	<u>(2,470,069)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>12,411,689</u>	<u>(1,970,389)</u>	<u>-</u>	<u>10,441,300</u>
Expenses:				
Emergency assistance	525,455	-	-	525,455
Shelter	3,408,988	-	-	3,408,988
Self reliance	412,405	-	-	412,405
Housing	<u>6,170,538</u>	<u>-</u>	<u>-</u>	<u>6,170,538</u>
Total program services	<u>10,517,386</u>	<u>-</u>	<u>-</u>	<u>10,517,386</u>
Management and general	364,694	-	-	364,694
Fundraising	<u>405,938</u>	<u>-</u>	<u>-</u>	<u>405,938</u>
Total supporting services	<u>770,632</u>	<u>-</u>	<u>-</u>	<u>770,632</u>
Total expenses	<u>11,288,018</u>	<u>-</u>	<u>-</u>	<u>11,288,018</u>
Change in net assets from operations	1,123,671	(1,970,389)	-	(846,718)
Change in interest in net assets of affiliated organization	<u>494,052</u>	<u>-</u>	<u>-</u>	<u>494,052</u>
Change in net assets	1,617,723	(1,970,389)	-	(352,666)
Net assets, June 30, 2009	<u>3,771,194</u>	<u>3,510,806</u>	<u>4,270,952</u>	<u>11,552,952</u>
Net assets, June 30, 2010	<u>\$5,388,917</u>	<u>\$1,540,417</u>	<u>\$4,270,952</u>	<u>\$11,200,286</u>

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Services Expense				Total program services	Supporting Services Expense			Total supporting services	Total
	Emergency Assistance	Shelter	Self-Reliance	Housing		Management and general	Fundraising			
Salaries, benefits and taxes	\$ 266,334	\$ 1,963,697	\$ 288,609	\$ 1,896,600	\$ 4,415,240	\$ 290,530	\$ 264,527	\$ 555,057	\$ 4,970,297	
Contract services	4,579	61,198	4,811	112,295	182,883	8,023	4,920	12,943	195,826	
Conferences and meetings	715	3,864	758	7,955	13,292	802	771	1,573	14,865	
Depreciation and amortization	4,495	318,807	4,241	6,849	334,392	8,689	4,665	13,354	347,746	
Dues and subscriptions	175	946	186	1,661	2,968	196	189	385	3,353	
Insurance	1,515	142,140	1,429	2,308	147,392	7,777	1,573	9,350	156,742	
Miscellaneous	5,219	33,200	5,797	104,324	148,540	5,944	5,571	11,515	160,055	
Participant assistance	164,786	56,000	70,220	2,539,877	2,830,883	-	-	-	2,830,883	
Professional fees	2,650	18,344	2,811	31,740	55,545	2,974	3,239	6,213	61,758	
Rent	7,660	554,763	7,227	30,371	600,021	39,963	30,447	70,410	670,431	
Repairs and maintenance	6,204	225,633	6,342	151,357	389,536	8,617	6,606	15,223	404,759	
Supplies	9,129	68,984	9,684	86,656	174,453	10,244	15,084	25,328	199,781	
Telephone	3,808	30,259	5,907	41,659	81,633	4,273	4,358	8,631	90,264	
Training	1,007	5,831	1,069	10,146	18,053	1,131	1,086	2,217	20,270	
Transportation	1,807	11,459	2,298	32,830	48,394	68	338	406	48,800	
Utilities	2,294	187,752	2,164	37,819	230,029	4,435	2,381	6,816	236,845	
Sub-Recipients	-	-	-	44,870	44,870	-	-	-	44,870	
Total	\$ 482,377	\$ 3,682,877	\$ 413,553	\$ 5,139,317	\$ 9,718,124	\$ 393,666	\$ 345,755	\$ 739,421	\$ 10,457,545	

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	Program Services Expense				Total program services	Supporting Services Expense			Total supporting services	Total
	Emergency Assistance	Shelter	Self-Reliance	Housing		Management and general	Fundraising			
Salaries, benefits and taxes	\$ 304,217	\$ 1,743,294	\$ 293,462	\$ 1,805,516	\$ 4,146,489	\$ 277,102	\$ 245,308	\$ 522,410	\$ 4,668,899	
Contract services	20,035	136,225	13,676	147,707	317,643	13,974	12,338	26,312	343,955	
Conferences and meetings	316	1,895	309	1,982	4,502	299	275	574	5,076	
Depreciation and amortization	3,259	231,096	3,074	4,965	242,394	6,299	3,381	9,680	252,074	
Dues and subscriptions	158	948	154	992	2,252	149	138	287	2,539	
Insurance	2,159	153,078	2,037	3,289	160,563	8,186	2,240	10,426	170,989	
Miscellaneous	10,296	48,799	10,046	64,259	133,400	9,722	8,936	18,658	152,058	
Participant assistance	142,241	54,000	46,630	1,328,387	1,571,258	-	-	-	1,571,258	
Professional fees	3,070	20,913	2,999	26,782	53,764	12,403	2,675	15,078	68,842	
Rent	6,536	463,676	6,169	109,919	586,300	12,637	66,957	79,594	665,894	
Repairs and maintenance	16,946	158,560	16,523	149,914	341,943	4,393	3,396	7,789	349,732	
Supplies	7,124	125,400	6,917	38,648	178,089	7,993	52,283	60,276	238,365	
Telephone	3,502	20,127	5,027	34,489	63,145	3,164	3,544	6,708	69,853	
Training	1,500	8,998	1,466	10,780	22,744	1,418	1,307	2,725	25,469	
Transportation	1,549	9,285	1,513	24,898	37,245	2,031	517	2,548	39,793	
Utilities	2,547	180,660	2,403	45,233	230,843	4,924	2,643	7,567	238,410	
Grants to other non-profits	-	52,034	-	2,347,337	2,399,371	-	-	-	2,399,371	
Sub-Recipients	-	-	-	25,441	25,441	-	-	-	25,441	
Total	\$ 525,455	\$ 3,408,988	\$ 412,405	\$ 6,170,538	\$ 10,517,386	\$ 364,694	\$ 405,938	\$ 770,632	\$ 11,288,018	

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 253,209	\$ (352,666)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	347,746	252,074
Contributions restricted for purchasing equipment	(178,000)	(10,000)
Non-cash grant to related non-profit organization	-	1,743,769
Increase in interest in net assets of affiliated organization	(799,709)	(494,052)
Change in assets and liabilities:		
Increase in grants and contracts receivable	(75,106)	(220,614)
Decrease in promises to give	318,408	427,416
Decrease (increase) in prepaid expenses and other assets	25,326	(8,499)
Decrease (increase) in due from related party-Palmer Court	1,267,000	(1,000,000)
(Decrease) increase in accounts payable and accrued expenses	<u>(76,429)</u>	<u>55,154</u>
Net cash provided by operating activities	<u>1,082,445</u>	<u>392,582</u>
Cash flows from investing activities:		
Purchase of property and equipment	(309,041)	(314,581)
Increase in due from related party - Palmer Court	-	(400,000)
Proceeds from interest in net assets of affiliated organization	<u>235,032</u>	<u>185,592</u>
Net cash used in investing activities	<u>(74,009)</u>	<u>(528,989)</u>
Cash flows from financing activities:		
Contributions restricted for purchasing equipment	<u>178,000</u>	<u>10,000</u>
Net cash provided by financing activities	<u>178,000</u>	<u>10,000</u>
Net increase (decrease) in cash	1,186,436	(126,407)
Cash at beginning of year	<u>2,209,152</u>	<u>2,335,559</u>
Cash at end of year	<u>\$ 3,395,588</u>	<u>\$ 2,209,152</u>

Schedule of non-cash investing and financing activities:

None.

See notes to consolidated financial statements.

THE ROAD HOME
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational Purpose

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.

TRH principal programs comprise the following:

- Emergency Assistance: Emergency Assistance provides emergency and employment related assistance.
- Shelter: Shelter Services provides basic short-term shelter services to those in need.
- Self Reliance: 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.

Financial Statement Presentation

The accompanying consolidated financial statements of TRH have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

TRH reports its net assets according to the following three classes of net assets:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the organization's operations. Assets designated by the Board of Directors for a specific purpose also are accounted for in this fund.

Temporarily Restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently Restricted - accounts for gifts requiring in perpetuity that the principal be invested and the income only be used.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of TRH and its wholly-owned single member limited liability company, Housing Now LLC, collectively referred to in these consolidated financial statements as TRH, or the Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and highly liquid investments with original maturities of three months or less. Restricted cash is not considered a cash equivalent.

Contracts and Grants

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, accounts 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.

Promises to Give

Promises to give that are unconditional in nature are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. TRH estimates an appropriate allowance for doubtful accounts based on historical collection experience and knowledge and experience with the donors.

Property and Equipment

Property and equipment are recorded at acquisition cost or, where donated, at estimated market value at the date of the donation. Depreciation is computed using the straight-line method based on estimated useful lives ranging from 3 to 20 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recorded as revenue when cash is received or TRH receives an unconditional promise to give from the donor.

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

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, TRH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TRH reclassifies temporarily restricted net assets to unrestricted net assets at that time. During the years ended June 30, 2011 and 2010, donated property and equipment totaling \$9,000 and \$93,664 is reflected in the consolidated statement of activities and change in net assets. The \$9,000 in 2011 represents vehicles donated to TRH and the \$93,664 in 2010 represents furniture received by TRH, which was subsequently donated to Shelter the Homeless Committee, a related non-profit organization, for use at Palmer Court.

Donated Services, Materials and Facilities

Volunteers and donors contribute substantial amounts of services, materials and facilities toward the fulfillment of TRH programs. To the extent these contributions satisfy the criteria for recognition under generally accepted accounting principles (GAAP), they are recognized as contributions and expenses in the consolidated statement of activities and change in net assets or are capitalized in the consolidated statement of financial position. The donated amounts recognized are generally recorded at the fair market value represented on the vendor invoice, or an estimated fair value as can best be approximated by sales of similar items.

The donated services, materials and facilities reflected in the consolidated statement of activities total \$591,553 and \$584,250 during the years ended June 30, 2011 and 2010, respectively, and primarily represent the donation of blankets provided to shelter participants, with an estimated fair value of \$56,000 and \$54,000 for 2011 and 2010, respectively, and the rental of the downtown shelter for \$300 per year, where the fair value of such rent is estimated at \$535,553 and \$530,250 for 2011 and 2010, respectively. These amounts are recorded as contributions and as expense in the consolidated statement of activities and change in net assets.

Amounts for donated services are reflected in the consolidated financial statements if the services create or enhance nonfinancial assets or if TRH would be required to pay for the services if not donated. No amounts have been reflected in the consolidated financial statements for donated volunteer services, which do not satisfy the criteria for recognition under GAAP; however, a substantial number of volunteers have donated significant amounts of time to TRH programs.

Functional Expenses

TRH allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are directly classified to that program or service. Other expenses that are common to several functions are allocated on a reasonable and systematic basis.

Nonprofit Status

TRH was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code. TRH believes it does not have, and has not recorded a liability for any uncertain tax positions.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others

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

Subsequent events

Management has made an evaluation of subsequent events through October 3, 2011, the date on which the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the June 30, 2010 financial statements to be consistent with the classifications used in the June 30, 2011 financial statements.

NOTE 2 - CASH CONCENTRATIONS:

Cash balances exceed the federally insured limit by approximately \$2,352,537 and \$1,159,214 at June 30, 2011 and 2010, respectively. These uninsured cash balances represent a concentration risk to TRH. Management does not believe this represents a material credit risk.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consist of the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
HPRP contract	\$ 301,086	\$ 197,890
TBRA contract	55,882	46,589
U.S. Department of H.U.D.	35,501	40,700
State of Utah	-	40,778
Salt Lake City	2,261	16,383
Salt Lake County	17,216	24,933
Department of Workforce Services	32,000	-
Sales tax refund receivable	2,174	2,174
Other	<u>18,769</u>	<u>20,336</u>
	<u>\$ 464,889</u>	<u>\$ 389,783</u>

NOTE 4 - PROMISES TO GIVE:

Promises to give consist of the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Crusade for the Homeless	\$ 200,000	\$ 400,000
United Way	100,000	243,000
Others	<u>36,444</u>	<u>47,608</u>
	336,444	690,608
Discount	<u>(11,321)</u>	<u>(47,077)</u>
Net present value	325,123	643,531
Less current portion	<u>(312,773)</u>	<u>(428,434)</u>
	<u>\$ 12,350</u>	<u>\$ 215,097</u>

Future collections of promises to give are estimated as follows:

<u>Year ending June 30,</u>	
2012	\$ 324,094
2013	8,194
2014	<u>4,156</u>
	<u>\$ 336,444</u>

Promises to give due in more than one year are reflected at the present value of the estimated future cash flows using a discount rate of six percent.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	June 30,	
	2011	2010
Building leasehold improvements	\$ 2,701,590	\$ 2,486,159
Land	69,000	69,000
Buildings	132,451	132,451
Vehicles	269,142	244,548
Furniture and fixtures	557,010	506,945
	3,729,193	3,439,103
Less accumulated depreciation	(1,707,403)	(1,378,608)
	<u>\$ 2,021,790</u>	<u>\$ 2,060,495</u>

NOTE 6 - DUE FROM RELATED PARTY - PALMER COURT:

TRH incurred development costs or advanced funds totaling \$2,520,637 at June 30, 2010 to Shelter the Homeless II, LLC, the owner of the Palmer Court housing development. Upon completion of Palmer Court, it was determined that \$267,000 would be repaid to TRH, with the remaining \$2,253,637 recorded as a grant to Shelter the Homeless Committee, a related non-profit owner of Palmer Court. This grant to Shelter the Homeless Committee has been included in the TRH's consolidated statement of activities and changes in net assets for the year ended June 30, 2010 and the \$267,000 was repaid during the year ended June 30, 2011.

In connection with the Palmer Court project, TRH received a development fee of \$1,000,000. This amount was paid during the year ended June 30, 2011. TRH recorded the amount as development fee revenue - related party - Palmer Court in the consolidated statement of activities and changes in net assets for the year ended June 30, 2010.

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 percent of the area median income and 60 units to tenants who earn up to 60 percent 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 - INTEREST IN NET ASSETS OF AFFILIATED ORGANIZATION:

In 1992, a donor made a permanently restricted contribution of \$1,000,000 and stipulated that the earnings be used to benefit the homeless shelter operated by TRH. In 1995, TRH, the original donor, and the Shelter Trust entered into an agreement whereby the Shelter Trust was made responsible for the administration of this initial \$1,000,000 permanently restricted contribution and other permanently restricted donations. TRH does not believe that the agreement gives the Shelter Trust variance power as defined by GAAP, and therefore records its interest in and changes in the net assets of the Shelter Trust related to these permanently restricted contributions.

At June 30, 2011 and 2010, TRH has recorded \$5,004,180 and \$4,439,503, respectively, as its interest in the net assets of the Shelter Trust. During the years ended June 30, 2011 and 2010, TRH recorded \$799,709 and \$494,052, respectively, as an increase in its interest in the net assets of the Shelter Trust. During the years ended June 30, 2011 and 2010, \$235,032 and \$185,592, respectively, was transferred to and received in cash by TRH.

NOTE 9 - LEASE COMMITMENTS:

TRH currently leases office equipment, the winter shelter building and land under long-term operating leases. Rent expense for the years ended June 30, 2011 and 2010 totaled \$237,625 and \$219,638, respectively. Future minimum lease commitments under these long-term operating lease agreements are as follows:

<u>Year ending June 30,</u>	
2012	\$ 42,880
2013	42,880
2014	<u>35,431</u>
	<u>\$121,191</u>

Additionally, as more fully described in Note 12, TRH leases its primary downtown shelter from a related party for \$300 per year. This lease agreement is currently under a one-year renewable term with the related party.

NOTE 10 - 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 11 - RETIREMENT PLAN:

TRH has established a defined contribution retirement plan (the Plan) for the benefit of its employees. To qualify as a participant, an employee must be at least age 21 and have completed one year of service. Under the Plan, TRH makes a discretionary matching contribution based upon an annual determination of the Board of Directors. For the years ended June 30, 2011 and 2010, TRH contributed \$146,285 and \$144,445 to the Plan, respectively. Participant contributions are fully vested at the time of contribution and TRH contributions vest over five years.

NOTE 12 - RELATED PARTY TRANSACTIONS:

TRH leases the downtown shelter from Shelter the Homeless Committee, a related non-profit organization for \$300 per year. For the years ended June 30, 2011 and 2010, TRH estimates that the fair value of the shelter space is \$535,552 and \$530,250, respectively, and has recorded contributed revenue and a corresponding expense totaling \$535,552 and \$530,250 to reflect the estimated fair value of this lease transaction.

During the year ended June 30, 2010, TRH made grants to Shelter the Homeless Committee totaling \$2,347,337 reflecting development costs and furniture in connection with the Palmer Court project.

At June 30, 2011 and 2010, TRH has recorded its interest in the net assets of the Shelter Trust totaling \$5,004,180 and \$4,439,503, respectively, relating to funds transferred/donated to the Shelter Trust for the benefit of TRH, over which the Shelter Trust has not been granted variance power, as more fully described in Note 8.

At June 30, 2010, TRH had a receivable from related party - Palmer Court totaling \$1,267,000, as more fully described in Note 6. This amount was paid during the year ended June 30, 2011. Additionally, as more fully described in Note 7, TRH has a long-term note receivable from a related party - Palmer Court totaling \$400,000 at June 30, 2011 and 2010.

NOTE 13 - CONTINGENCIES AND COMMITMENTS:

TRH received residential real estate from the Olene Walker Housing agency in a prior period. The agreement with the donor was to use the home for low-income housing purposes. If TRH sells the property, it will have to pay \$53,000 to The Olene Walker Housing Loan Fund.

As more fully described in Note 6, 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.

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets represent resources currently available for use, but expendable only for the specific purposes and time restricted donations, as follows:

	June 30,	
	2011	2010
Palmer Court	\$ 816,444	\$ 816,444
Note receivable - Palmer Court	400,000	400,000
United Way (time restriction)	100,000	229,245
Individual pledges (time restriction)	36,444	43,911
Smoke alarms	-	1,083
HVAC	-	799
Shelter doors	-	15
Socks for Emergency Assistance	240	-
Generator	-	11,957
Butler employment pilot program	36,301	33,928
Healing garden	4,675	-
IT upgrade	16,974	-
Children and Teens Arts program	-	2,035
Melina children's program	-	1,000
	<u>\$1,411,078</u>	<u>\$1,540,417</u>

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets totaling \$4,270,952 at June 30, 2011 and 2010, represent permanently restricted donations held by the Shelter Trust and represent permanently restricted donations received from various donors to establish an endowment for the benefit of TRH. As further discussed in Note 8, an agreement was entered into between TRH and the Shelter Trust, whereby the responsibility for the investment and administration of this endowment was transferred to the Shelter Trust. Earnings on the assets of the Shelter Trust are available for the support of the TRH homeless shelter, provided, however, that for so long as TRH continues to provide shelter to homeless persons in the State of Utah, that income derived from the endowment shall be directed to TRH for such purposes.

ADDITIONAL INFORMATION

THE ROAD HOME
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal grantor/Pass-through grantor/Program title	Federal CFDA number	Pass-through entity identifying number	Total awards for programs involving pass-through entities	Expenditures
U.S. Department of Housing and Urban Development				
Passed through from Emergency Shelter Grants:				
Salt Lake County	14.231			\$ 50,000
Salt Lake City	14.231			68,998
State of Utah	14.231			294,027
Passed through from Supportive Housing Grants:				
Successful Transitions	14.235			25,510
Green Street Partners - 2nd West	14.235			16,296
Supportive Housing Frontier	14.235		132,255	87,385
12 Units Housing Project	14.235			11,312
Passed through from Tenant Based Rental Assistance Grants:				
Salt Lake City	14.239			109,522
Passed through from ARRA - Homeless Prevention and Rapid Rehousing Grants:				
ARRA - Salt Lake County*	14.257			298,717
ARRA - Salt Lake City*	14.257			525,943
ARRA - State of Utah*	14.257			1,028,634
Passed through from Community Development Block Grants:				
Bluffdale City	14.218	BV03522		551
Cottonwood Heights City	14.218	BV03522		5,000
Draper City	14.218	BV03522		2,400
Herriman City	14.218	BV03522		1,300
Holladay City	14.218	BV03522		3,291
Layton City	14.218	BV03522		4,500
Midvale City	14.218	BV03522		14,000
Murray City	14.218	BV03522		2,000
Riverton City	14.218	BV03522		1,000
Salt Lake City	14.218	BV03522		112,000
Sandy City	14.218	BV03522		19,134
South Salt Lake City	14.218	BV03522		5,000
Taylorsville City	14.218	BV03522		3,500
West Jordan City	14.218	BV03522		10,000
West Valley City	14.218	BV03522		10,000
Total Department of Housing and Urban Development				2,710,020
U.S. Department of Health and Human Services				
Passed through from the State of Utah and Salt Lake County:				
Social Services Block Grant	93.667			22,756
Passed through from the State of Utah - Department of Workforce Services:				
Temporary Assistance for Needy Families*	93.558			200,000
Rapid Re-Housing*	93.558			1,182,622
Passed through from Salt Lake Community Action Program:				
Community Services Block Grants	93.569			9,106
Total Department of Health and Human Services				1,414,484
Total Federal Assistance				\$ 4,124,504

* - Denotes a major program.

THE ROAD HOME
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE A - GENERAL:

The schedule of expenditures of federal awards presents the activity of all federal award programs of The Road Home (TRH). The TRH reporting entity is defined in Note 1 to TRH's consolidated financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE B - BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards is presented using grant accounting principles. Certain government and other grants require that an other comprehensive basis of accounting be followed. The differences from accounting principles generally accepted in the United States of America are as follows: acquisition of capital assets are recorded as expenses rather than being capitalized and depreciated and supporting services are reflected with program expenses rather than reflected separately.

NOTE C - SUB-RECIPIENTS:

TRH provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through identifying number</u>	<u>Amount provided</u>
Supportive Housing Frontier	14.235	-	<u>\$ 44,870</u>

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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

October 3, 2011

To the Board of Directors and Management of
The Road Home

We have audited the consolidated financial statements of The Road Home as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of The Road Home in a separate letter dated October 3, 2011.

This report is intended solely for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake, Hill & Myers

► Lake, Hill & Myers

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 3, 2011

To the Board of Directors and Management of
The Road Home

Compliance

We have audited The Road Home's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Road Home's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Road Home's management. Our responsibility is to express an opinion on The Road Home's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of The Road Home's compliance with those requirements.

In our opinion, The Road Home complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of The Road Home is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Road Home's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. 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.

The Road Home's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The Road Home's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake, Hill & Myers

THE ROAD HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results

- i. The auditor's report expresses an unqualified opinion on the consolidated financial statements of The Road Home.
- ii. No significant deficiencies relating to the audit of the financial statements are reported in the *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*.
- iii. No instances of noncompliance material to the financial statements of The Road Home, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- iv. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the *Report On Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133*. The deficiency is not reported as a material weakness.
- v. The auditor's report on compliance for the major federal award programs for The Road Home expresses an unqualified opinion on all major federal award programs.
- vi. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- vii. Major programs consist of:

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
United States Department of Housing and Urban Development:		
Passed through from ARRA - Homeless Prevention and Rapid		
Rehousing Grants:		
ARRA - State of Utah	14.257	\$1,028,634
ARRA - Salt Lake City	14.257	525,943
ARRA - Salt Lake County	14.257	<u>298,717</u>
		<u>1,853,294</u>

(continued)

THE ROAD HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011
(continued)

United States Department of Health and Human Services:

Administered by Utah State Department of Workforce Services:

State of Utah – DWS – TANF	93.558	200,000
State of Utah – DWS – Rapid Re-Housing	93.558	<u>1,182,622</u>
		<u>1,382,622</u>
		<u>\$3,235,916</u>

viii. The dollar threshold to distinguish Type A and Type B programs was \$300,000.

ix. The Organization qualified as a low-risk auditee.

Findings - Financial Statement Audit - Internal Controls

None

Findings and Questioned Costs - Major Federal Awards Program Audit

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

2011-1 Administered by Utah State Department of Workforce Services (DWS), Rapid Rehousing - CFDA 93.558

Statement of Condition: Assistance in excess of the \$5,000 maximum per family was paid for two families served under this grant. The total excess amount was \$1,188.

Criteria: The DWS Contract stipulates that the maximum funding to be used for any family is \$5,000.

Cause of Condition: The Road Home tracks the amount of assistance provided to each family and employees are trained to alter the funding source once a family approaches the \$5,000 maximum. However, due to employee turnover and the training of new staff, there were two families who received support in excess of \$5,000 before the funding source was changed.

Effect of Condition: The Organization was reimbursed for costs paid for the two families in excess of the maximum allowed by the grant.

Recommendation: The Road Home should review its procedures to ensure that families served under this grant do not receive more than \$5,000 in support. Additionally, The Road Home should contact the granting agency to discuss any potential remediation.

THE ROAD HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011
(continued)

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

2011-2 ARRA - Homeless Prevention and Rapid Rehousing (HPRP) - CFDA 14.257

Statement of Condition: Billings and reconciliations of expenses to be reimbursed did not properly account for voided or cancelled checks. Accordingly, The Road Home had over-billed the granting agencies \$12,677 at June 30, 2011.

Criteria: The HPRP is a cost reimbursement program which reimburses the Organization for all eligible and allowable costs under the program.

Cause of Condition: On a monthly basis, The Road Home bills the granting agencies (State, County and City) for the eligible and allowable expenses related to this grant. It was determined that voided or cancelled checks, related to prior months' activity, had not been netted out of the current month's billing, causing the Organization's billings to be over-reimbursed.

Effect of Condition: The Organization received reimbursements in excess of eligible and allowable expenses.

Recommendation: The Road Home should alter its billing procedures to account for any checks that are voided or cancelled, and reduce the current month's billing for those amounts. Additionally, the Organization should perform a retrospective review of all voided or cancelled checks throughout the term of the contract to determine that the appropriate amount of eligible and allowable costs are billed to granting agencies.

THE ROAD HOME
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

Ref Finding

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

2010-1 Administered by Utah State Department of Workforce Services – CFDA 93.558

Condition: Documentation of income verification could not be located for 2 of the 25 participants selected for testing.

Recommendation: The Road Home should implement procedures to ensure that income has been verified for all persons receiving assistance.

Current Status: The Road Home performed a review of all Rapid Rehousing files to ensure all files contained the required income verifications. Our testing of current year files found no instances where income had not been verified.

THE ROAD HOME
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

<u>Ref</u>	<u>Corrective Action</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES	
2011-1	Administered by Utah State Department of Workforce Services (DWS), Rapid Rehousing - CFDA 93.558
	<u>Internal Control Over Compliance - \$5,000 Maximum Funding per Family</u>
	<u>Recommendation</u> The Road Home should review its procedures to ensure that families served under this grant do not receive more than \$5,000 in support. Additionally, The Road Home should contact the granting agency to discuss any potential remediation.
	<u>Action Taken</u> We have examined our internal processes to ensure fiscal soundness and accountability. We now have controls in place to help us monitor the \$5,000 spending limit and to ensure that we don't exceed this limit. Additionally, we have contacted the Utah Department of Workforce Services to explain the finding and to provide them with our new internal control procedures.
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	
2011-2	ARRA - Homeless Prevention and Rapid Rehousing (HPRP) - CFDA 14.257
	<u>Internal Control Over Compliance - Accounting for Voided or Cancelled Checks</u>
	<u>Recommendation</u> The Road Home should alter its billing procedures to account for any checks that were voided or cancelled, and reduce the current month's billing for those amounts. Additionally, the Organization should perform a retrospective review of all voided or cancelled checks throughout the term of the contract to determine that the appropriate amount of eligible and allowable costs are billed to granting agencies.
	<u>Action Taken</u> We examined the entire fiscal year, comparing the original general ledger attached to each month's billing with the general ledger as it appears at the end of the year. We compared every check billed and identified \$12,677 in voided checks that were not deducted from a subsequent billing. This overcharge was corrected in our August 2011 billing. We have changed our procedure for handling voided checks, from voiding them through the cash disbursement system, to voiding them through the preparation of journal entries to assure that all voided checks are properly captured in the general ledger billing detail and properly deleted from billings.