



Consolidated Financial Statements  
June 30, 2015 and 2014

# The Road Home

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## Independent Auditor's Report

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

### Report on the 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, 2015 and 2014, 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 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 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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, 2015 and 2014, 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.

## **Other Matters**

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Road Home's internal control over financial reporting and compliance.

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

Salt Lake City, Utah  
September 30, 2015

The Road Home  
Consolidated Statements of Financial Position  
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,703,059	\$ 2,649,460
Cash restricted for winter shelter	3,754,617	-
Cash restricted for Wendell	40,754	-
Grants and contracts receivable	979,463	1,229,537
Due from related parties	218,518	173,026
Promises to give - current	2,036,978	123,941
Prepaid expenses and other assets	102,477	70,061
Total current assets	9,835,866	4,246,025
Cash restricted for acquisition of property and equipment	10,044	143,592
Promises to give - long term	13,958	9,730
Property and equipment, net	2,729,826	3,047,860
Note receivable - Palmer Court	400,000	400,000
Endowment - investments	453,735	285,892
Beneficial interest in assets held by affiliated organization	6,391,456	5,428,044
Total assets	\$ 19,834,885	\$ 13,561,143
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 172,895	\$ 157,179
Accrued expenses	338,437	283,576
Due to related party	638,252	-
Total current liabilities	1,149,584	440,755
Notes Payable	255,051	255,051
Total liabilities	1,404,635	695,806
Net Assets		
Unrestricted	1,639,269	1,904,613
Unrestricted - property and equipment	2,474,775	2,792,809
Unrestricted - board designated	1,269,978	1,267,419
Total unrestricted net assets	5,384,022	5,964,841
Temporarily restricted	7,269,618	2,360,322
Permanently restricted	5,776,610	4,540,174
Total net assets	18,430,250	12,865,337
Total liabilities and net assets	\$ 19,834,885	\$ 13,561,143

The Road Home  
Consolidated Statement of Activities  
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>				
Government grants and contracts	\$ 7,974,546	\$ -	\$ -	\$ 7,974,546
Private donors	3,904,801	5,607,529	166,250	9,678,580
Management fees - related party				
Palmer Court	134,426	-	-	134,426
United Way	85,047	100,000	-	185,047
In-kind	622,855	-	-	622,855
Net investment return	4,035	1,592	-	5,627
Special events	326,414	-	-	326,414
less direct costs	(147,736)	-	-	(147,736)
Distribution from and change in value of beneficial interest in assets held by others	263,767	(106,774)	1,070,186	1,227,179
Other income	184,980	-	-	184,980
Net assets released from restrictions	693,051	(693,051)	-	-
Total public support and revenue	<u>14,046,186</u>	<u>4,909,296</u>	<u>1,236,436</u>	<u>20,191,918</u>
<b>Expenses</b>				
Program services expenses				
Emergency assistance	346,804	-	-	346,804
Shelter	4,806,381	-	-	4,806,381
Self reliance	817,458	-	-	817,458
Housing	7,847,945	-	-	7,847,945
Total program services expenses	<u>13,818,588</u>	<u>-</u>	<u>-</u>	<u>13,818,588</u>
Supporting services expenses				
Management and general	444,597	-	-	444,597
Fundraising	363,820	-	-	363,820
Total supporting services expenses	<u>808,417</u>	<u>-</u>	<u>-</u>	<u>808,417</u>
Total expenses	<u>14,627,005</u>	<u>-</u>	<u>-</u>	<u>14,627,005</u>
Change in Net Assets	(580,819)	4,909,296	1,236,436	5,564,913
Net Assets, Beginning of Year	<u>5,964,841</u>	<u>2,360,322</u>	<u>4,540,174</u>	<u>12,865,337</u>
Net Assets, End of Year	<u>\$ 5,384,022</u>	<u>\$ 7,269,618</u>	<u>\$ 5,776,610</u>	<u>\$ 18,430,250</u>

The Road Home  
Consolidated Statement of Activities  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>				
Government grants and contracts	\$ 6,949,236	\$ -	\$ -	\$ 6,949,236
Private donors	4,024,239	222,382	70,684	4,317,305
Management fees - related party				
Palmer Court	130,485	-	-	130,485
United Way	81,753	100,000	-	181,753
In-kind	1,116,126	-	-	1,116,126
Net investment return	277	16,670	-	16,947
Special events	254,830	-	-	254,830
less direct costs	(112,271)	-	-	(112,271)
Distribution from and change in value of beneficial interest in assets held by others	251,000	407,445	-	658,445
Other income	153,450	-	-	153,450
Net assets released from restrictions	524,244	(524,244)	-	-
Total public support and revenue	<u>13,373,369</u>	<u>222,253</u>	<u>70,684</u>	<u>13,666,306</u>
<b>Expenses</b>				
Program services expenses				
Emergency assistance	309,511	-	-	309,511
Shelter	5,156,254	-	-	5,156,254
Self reliance	666,244	-	-	666,244
Housing	6,072,916	-	-	6,072,916
Total program services expenses	<u>12,204,925</u>	<u>-</u>	<u>-</u>	<u>12,204,925</u>
Supporting services expenses				
Management and general	397,754	-	-	397,754
Fundraising	303,226	-	-	303,226
Total supporting services expenses	<u>700,980</u>	<u>-</u>	<u>-</u>	<u>700,980</u>
Total expenses	<u>12,905,905</u>	<u>-</u>	<u>-</u>	<u>12,905,905</u>
Change in Net Assets	467,464	222,253	70,684	760,401
Net Assets, Beginning of Year	<u>5,497,377</u>	<u>2,138,069</u>	<u>4,469,490</u>	<u>12,104,936</u>
Net Assets, End of Year	<u>\$ 5,964,841</u>	<u>\$ 2,360,322</u>	<u>\$ 4,540,174</u>	<u>\$ 12,865,337</u>

The Road Home  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2015

	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	\$ 166,315	\$ 2,580,598	\$ 636,496	\$ 3,222,986	\$ 6,606,395	\$ 353,991	\$ 293,316	\$ 647,307	\$ 7,253,702
Contract services	4,412	255,649	12,451	494,457	766,969	12,240	7,048	19,288	786,257
Conferences and meetings	246	3,928	976	20,020	25,170	387	477	864	26,034
Depreciation	5,211	369,620	4,917	7,940	387,688	9,873	5,609	15,482	403,170
Dues and subscriptions	306	15,505	618	2,926	19,355	547	413	960	20,315
Events	-	-	-	-	-	-	147,736	147,736	147,736
Insurance	1,570	111,339	1,481	2,392	116,782	14,035	1,629	15,664	132,446
Miscellaneous	2,149	32,553	8,329	48,492	91,523	3,295	4,034	7,329	98,852
Participant assistance	120,245	67,573	78,082	3,081,325	3,347,225	-	-	-	3,347,225
Professional fees	3,516	62,092	13,934	88,089	167,631	6,262	11,020	17,282	184,913
Rent	8,010	557,195	7,557	81,659	654,421	15,483	8,312	23,795	678,216
Repairs and maintenance	12,850	376,232	8,953	132,488	530,523	9,479	6,258	15,737	546,260
Supplies	7,096	111,991	28,272	166,209	313,568	11,194	19,013	30,207	343,775
Telephone	11,158	36,415	9,577	78,226	135,376	2,169	2,671	4,840	140,216
Training	391	6,448	1,616	19,842	28,297	378	834	1,212	29,509
Transportation	671	7,403	1,691	136,041	145,806	125	427	552	146,358
Utilities	2,658	211,840	2,508	86,850	303,856	5,139	2,759	7,898	311,754
Grants to other nonprofits	-	-	-	134,620	134,620	-	-	-	134,620
Sub-Recipients	-	-	-	43,383	43,383	-	-	-	43,383
	<u>346,804</u>	<u>4,806,381</u>	<u>817,458</u>	<u>7,847,945</u>	<u>13,818,588</u>	<u>444,597</u>	<u>511,556</u>	<u>956,153</u>	<u>14,774,741</u>
Less expenses included with revenues on the statement of activities									
Direct costs of special events	-	-	-	-	-	-	147,736	147,736	147,736
Total functional expenses	<u>\$ 346,804</u>	<u>\$ 4,806,381</u>	<u>\$ 817,458</u>	<u>\$ 7,847,945</u>	<u>\$ 13,818,588</u>	<u>\$ 444,597</u>	<u>\$ 363,820</u>	<u>\$ 808,417</u>	<u>\$ 14,627,005</u>



The Road Home  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2014

	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	\$ 178,142	\$ 2,959,141	\$ 538,609	\$ 2,002,577	\$ 5,678,469	\$ 322,581	\$ 246,772	\$ 569,353	\$ 6,247,822
Contract services	1,748	133,846	3,120	429,822	568,536	3,131	2,691	5,822	574,358
Conferences and meetings	74	1,662	293	22,849	24,878	117	144	261	25,139
Depreciation	5,607	397,708	5,291	8,544	417,150	10,378	6,281	16,659	433,809
Dues and subscriptions	123	2,454	438	2,011	5,026	183	210	393	5,419
Events	-	-	-	-	-	-	112,271	112,271	112,271
Insurance	1,280	90,786	1,208	1,950	95,224	12,455	1,328	13,783	109,007
Miscellaneous	2,129	44,984	8,201	69,206	124,520	3,375	3,981	7,356	131,876
Participant assistance	74,909	75,695	41,774	2,822,580	3,014,958	-	-	-	3,014,958
Professional fees	2,826	43,587	7,685	37,639	91,737	3,064	3,964	7,028	98,765
Rent	8,115	547,827	7,656	38,381	601,979	15,687	8,421	24,108	626,087
Repairs and maintenance	11,661	388,372	10,093	75,432	485,558	7,790	5,475	13,265	498,823
Supplies	6,116	115,694	22,140	102,091	246,041	9,183	15,675	24,858	270,899
Telephone	12,639	59,633	12,178	77,023	161,473	2,825	3,272	6,097	167,570
Training	1,263	39,404	3,891	25,323	69,881	2,023	2,034	4,057	73,938
Transportation	347	15,499	1,278	157,899	175,023	67	350	417	175,440
Utilities	2,532	239,962	2,389	52,875	297,758	4,895	2,628	7,523	305,281
Grants to other nonprofits	-	-	-	105,000	105,000	-	-	-	105,000
Sub-Recipients	-	-	-	41,714	41,714	-	-	-	41,714
	309,511	5,156,254	666,244	6,072,916	12,204,925	397,754	415,497	813,251	13,018,176
Less expenses included with revenues on the statement of activities									
Direct costs of special events	-	-	-	-	-	-	112,271	112,271	112,271
Total functional expenses	\$ 309,511	\$ 5,156,254	\$ 666,244	\$ 6,072,916	\$ 12,204,925	\$ 397,754	\$ 303,226	\$ 700,980	\$ 12,905,905

The Road Home  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ 5,564,913	\$ 760,401
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	403,170	433,809
Donated property and equipment, net	(3,502)	(488,650)
Contributions restricted for purchasing property and equipment	-	(100,000)
Contributions restricted for endowment	(166,251)	(70,684)
Change in beneficial interest in assets held by affiliated organization	(963,412)	(407,445)
Endowment net investment return	(1,592)	(16,670)
Change in assets and liabilities		
Grants and contracts receivable	250,074	(342,428)
Due from related parties	(45,492)	(79,660)
Promises to give	(1,917,265)	670
Restricted cash	-	43,408
Prepaid expenses and other assets	(32,416)	153,522
Accounts payable and accrued expenses	708,829	46,569
Net Cash from (used for) Operating Activities	3,797,056	(67,158)
Investing Activities		
Purchase of property and equipment	(81,634)	(64,821)
Cash restricted for winter shelter	(3,754,617)	-
Cash restricted for Wendell	(40,754)	-
Cash restricted for property and equipment	133,548	(143,408)
Addition to endowment	(166,250)	(70,684)
Net Cash used for Investing Activities	(3,909,707)	(278,913)
Financing Activities		
Collection of contributions restricted for purchasing property and equipment	-	100,000
Collection of contributions restricted for endowment	166,250	70,684
Net Cash from Financing Activities	166,250	170,684
Net Change in Cash	53,599	(175,387)
Cash, Beginning of Year	2,649,460	2,824,847
Cash, End of Year	\$ 2,703,059	\$ 2,649,460

Schedule of non-cash investing and financing activities:

During the years ended June 30, 2015 and 2014, The Road Home recorded \$3,502 and 645,900 (and related notes payable of \$157,250) in donated property and equipment, respectively.

## **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.

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.

### **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, permanent endowment, 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, 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**

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 in the 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, 2015 and 2014, 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 depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the 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, 2015 and 2014.

### **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**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **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:

*Unrestricted Net Assets* – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and board-designated endowment.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors.

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

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. 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 professional services at the respective fair values of the services received (Note 13).

### **Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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.

### **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 Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. 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.

TRH 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 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. The entity's Form 990 and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2012.

### **Estimates**

The preparation of 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 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**

TRH manages deposit concentration risk 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, TRH has not experienced losses in any of these accounts. Credit risk associated with accounts 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 Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of TRH.

### **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.

### **Subsequent events**

TRH has evaluated subsequent events through September 30, 2015, the date on which the financial statements were available to be issued.

## **Note 2 - Fair Value Measurements and Disclosures**

Certain assets and liabilities 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 that we can access 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, we develop inputs 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 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 are classified within Level 1 because the fair value of fund investments are comprised of open-ended fixed income securities and equities and money market funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2015:

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)	\$ 10,176	\$ 10,176	\$ -	\$ -
Mutual Funds	443,559	443,559		
	<u>\$ 453,735</u>	<u>\$ 453,735</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by affiliated organization	\$ 6,391,456	\$ 6,391,456	\$ -	\$ -

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2014:

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)	\$ 22,690	\$ 22,690	\$ -	\$ -
Mutual Funds	263,202	263,202		
	<u>\$ 285,892</u>	<u>\$ 285,892</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in assets held by affiliated organization	\$ 5,428,044	\$ 5,428,044	\$ -	\$ -

#### Fair Value of Financial Instruments Not Required to Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, restricted cash, grants and contracts receivable, promises to give, accounts payable, accrued expenses and other liabilities, and deferred revenue approximate fair value due to the short-term nature of the items, and are considered to fall within Level 1 of the fair value hierarchy.

#### Note 3 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Operating investments		
Interest and dividends	\$ 3,585	\$ 3,486
Net realized and unrealized gain (loss)	450	(3,209)
	<u>4,035</u>	<u>277</u>
Endowment investments		
Interest and dividends	\$ 4,030	\$ 5,643
Net realized and unrealized gain (loss)	(1,136)	12,355
Less investment management and custodial fees	(1,302)	(1,328)
	<u>1,592</u>	<u>16,670</u>
	<u>\$ 5,627</u>	<u>\$ 16,947</u>



**Note 4 - Grants and Contracts Receivable**

Grants and contracts receivable consist of the following at June 30, 2015 and 2014:

	2015	2014
U.S. Department of H.U.D.	\$ 299,730	\$ 343,060
Rapid Rehousing	1,577	260,559
TBRA	4,957	146,183
State of Utah	212,082	126,593
TANF	254,123	107,657
SSVF	53,783	80,658
Salt Lake County	25,598	42,655
Other	62,373	25,610
Salt Lake City	5,557	1,375
SAMHSA	59,683	95,187
	\$ 979,463	\$ 1,229,537

**Note 5 - Promises to Give**

Unconditional promises to give consist of the following at June 30, 2015 and 2014:

	2015	2014
United Way	\$ 100,000	\$ 100,000
Larry H. and Gail Miller Family Foundation	1,000,000	-
Eccles Foundation	850,000	-
Other	100,936	33,671
	\$ 2,050,936	\$ 133,671

Unconditional promises to give are estimated to be collected as follows:

	2015	2014
Within one year	\$ 2,036,978	\$ 123,941
In one to five years	13,958	9,730
	\$ 2,050,936	\$ 133,671

**Note 6 - Property and Equipment**

Property and equipment consists of the following at June 30, 2015 and 2014:

	2015	2014
Building leasehold improvements	\$ 2,985,209	\$ 2,979,817
Land	712,700	712,700
Buildings	1,247,094	1,247,094
Vehicles	432,236	359,431
Furniture and fixtures	608,816	614,455
	5,986,055	5,913,497
Less accumulated depreciation	(3,256,229)	(2,865,637)
	\$ 2,729,826	\$ 3,047,860

**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 - Notes Payable**

Notes payable totaling \$255,051 at June 30, 2015 and 2014, 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. As of June 30, 2015, TRH does not intend to sell or convert the use of the properties in the near future.

**Note 9 - Leases**

TRH leases equipment under various operating leases expiring at various dates through 2020. Future minimum lease payments are as follows:

Years Ending June 30,	Operating Leases
2016	\$ 137,550
2017	137,550
2018	137,550
2019	137,013
2020	63,038
	\$ 612,701

**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. Subsequent donations were made and 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 the permanently restricted contributions.

TRH's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. The Huntsman Trust stipulates the trust was created to establish a perpetual fund for the endowment of the Salt Lake Shelter and that the original endowment principal 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 endowment are to be used to benefit TRH and the operations of the Salt Lake Shelter. As a result of this interpretation, TRH classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, and (b) the original value of subsequent gifts donated to the endowment. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for distribution in a manner consistent with the standard of prudence prescribed by UPMIFA.

At June 30, 2015 and 2014, TRH has recorded \$6,391,456 and \$5,428,044, respectively, as the value of the interest in the net assets fund administered by the Huntsman Trust relating to these permanently restricted contributions. During the years ended June 30, 2015 and 2014, TRH recorded gains of \$156,993 and \$658,445, respectively, as a change in interest in the net assets of the Huntsman Trust. During the years ended June 30, 2015 and 2014, \$263,767 and \$251,000 respectively, was transferred to and received in cash by TRH.

Changes in the interest in net assets of affiliated organization for the year ending June 30, 2015, are as follows:

Beneficial interest in assets held by the Huntsman Trust, beginning of year	\$ 5,428,044
Investment return	
Investment gain	156,993
Contributions	1,070,186
Distributions	
Appropriation of endowment assets pursuant to spending-rate policy	(263,767)
Beneficial interest in assets held by the Huntsman Trust, end of year	6,391,456
Allocations	
Allocation to temporarily restricted net assets	(1,050,319)
Permanently restricted net assets at June 30, 2015	\$ 5,341,137

Changes in the interest in net assets of affiliated organization for the year ending June 30, 2014, are as follows:

Beneficial interest in assets held by the Huntsman Trust, beginning of year	\$ 5,020,599
Investment return	
Investment gain	658,445
Distributions	
Appropriation of endowment assets pursuant to spending-rate policy	(251,000)
Beneficial interest in assets held by the Huntsman Trust, end of year	5,428,044
Allocations	
Allocation to temporarily restricted net assets	(1,157,092)
Permanently restricted net assets at June 30, 2014	\$ 4,270,952

### Note 11 - Endowments

TRH holds restricted contributions totaling \$453,735 and \$285,892 at June 30, 2015 and 2014. The amounts are reflected as endowment investments in the consolidated statements of financial position. During the years ended June 30, 2015 and 2014, TRH received permanently restricted donations totaling \$166,251 and \$0 from various donors, respectively.

TRH's Board of Directors has interpreted the 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, 2015 and 2014, there were no such donor stipulations, respectively. As a result of this interpretation, TRH classifies as permanently

restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by TRH in a manner consistent with the standard of prudence prescribed by UPMIFA. TRH considers the following factors 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, 2015 and 2014, TRH had the following endowment net asset composition by type of fund:

	Temporarily Restricted	Permanently Restricted	Total
<u>June 30, 2015</u>			
Donor-restricted endowment	\$ 18,262	\$ 435,473	\$ 453,735
<u>June 30, 2014</u>			
Donor-restricted endowment	\$ 16,670	\$ 269,222	\$ 285,892

#### *Investment and Spending Policies*

TRH has adopted investment and spending policies for the endowment 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, 2015 and 2014 are as follows:

The Road Home  
Notes to Consolidated Financial Statements  
June 30, 2015 and 2014

	Temporarily Restricted	Permanently Restricted	Total
<u>Year ended June 30, 2015</u>			
Endowment net assets, beginning of year	\$ 16,670	\$ 269,222	\$ 285,892
Investment return			
Investment income, net of fees	2,728	-	2,728
Net realized and unrealized gain (loss)	(1,136)	-	(1,136)
	<u>1,592</u>	<u>-</u>	<u>1,592</u>
Contributions	<u>-</u>	<u>166,251</u>	<u>166,251</u>
Endowment net assets, end of year	<u>\$ 18,262</u>	<u>\$ 435,473</u>	<u>\$ 453,735</u>
<u>Year ended June 30, 2014</u>			
Endowment net assets, beginning of year	\$ -	\$ 198,538	\$ 198,538
Investment return			
Investment income, net of fees	4,315	-	4,315
Net realized and unrealized gain (loss)	12,355	-	12,355
	<u>16,670</u>	<u>-</u>	<u>16,670</u>
Contributions	<u>-</u>	<u>70,684</u>	<u>70,684</u>
Endowment net assets, end of year	<u>\$ 16,670</u>	<u>\$ 269,222</u>	<u>\$ 285,892</u>

**Note 12 - Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30, 2015 and 2014:

	2015	2014
Huntsman Trust - Shelter	\$ 1,050,319	\$ 1,157,092
Palmer Court	457,372	457,372
Note Receivable - Palmer Court	400,000	400,000
House 20 - Housing	300,000	-
Wasatch Advantage - Housing	130,437	-
United Way (time restriction)	100,000	100,000
Individual Pledges (time restriction)	50,935	33,671
LDS Travel	45,134	51,925
Endowment Appreciation - Shelter	18,262	16,670
Cots for Midvale	10,044	-
Wendell	40,754	-
Midvale Winter Shelter	4,666,361	143,592
	<u>\$ 7,269,618</u>	<u>\$ 2,360,322</u>

Permanently restricted net assets totaling \$5,341,137 and \$4,270,952 at both June 30, 2015 and 2014, respectively, represent permanently restricted donations held by the Huntsman Trust. The permanently restricted net assets are donations received from various donors to establish an endowment for the benefit of TRH. As further discussed in Note 10, an agreement was entered into between TRH and the Huntsman Trust, whereby the responsibility for the investment and administration of this endowment was transferred to the Huntsman Trust. Earnings on the assets of the Huntsman 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.

Additionally, TRH holds permanently restricted net assets totaling \$435,473 and \$269,222 at June 30, 2015 and 2014 as more fully described in Note 11.

### Note 13 - Donated Professional Services and Materials

TRH received donated professional services and materials as follows during the years ended June 30, 2015 and 2014:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>June 30, 2015</u>				
Rent	\$ 530,591	\$ 7,394	\$ 13,795	\$ 551,780
Blankets	67,573	-	-	67,573
Property and equipment, net	3,502	-	-	3,502
	<u>\$ 601,666</u>	<u>\$ 7,394</u>	<u>\$ 13,795</u>	<u>\$ 622,855</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>June 30, 2014</u>				
Rent	\$ 530,592	\$ 7,393	\$ 13,795	\$ 551,780
Blankets	75,696	-	-	75,696
Property and equipment	488,650	-	-	488,650
	<u>\$ 1,094,938</u>	<u>\$ 7,393</u>	<u>\$ 13,795</u>	<u>\$ 1,116,126</u>

Property and equipment contributed during the year ended June 30, 2015 was capitalized. Net property and equipment contributed during the year ended June 30, 2014 included \$645,900 of capitalized assets less \$157,250 of notes payable.

#### **Note 14 - Employee Benefits**

TRH has a defined contribution plan (the Plan) covering substantially all employees. The Plan provides that employees who have attained the age 21 and completed one year of service can voluntarily contribute to the Plan. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. Total expense related to the Plan for the years ended June 30, 2015 and 2014 was \$296,470 and \$177,372, respectively.

#### **Note 15 - Related Party Transactions**

TRH leases the downtown shelter from Shelter the Homeless Committee, a related nonprofit organization for \$300 per year. For the years ended June 30, 2015 and 2014, TRH estimates that the fair value of the shelter space is \$552,080, and has recorded contributed revenue and a corresponding expense totaling \$551,780 for both years ended June 30, 2015 and 2014 to reflect the estimated fair value of this lease transaction.

For the years ended June 30, 2015 and 2014, TRH contributed \$0 and \$105,000, respectively, to Shelter the Homeless Committee to support operations at Palmer Court.

At June 30, 2015 and 2014, TRH has recorded its interest in the net assets of the Huntsman Trust totaling \$6,391,456 and \$5,428,044 respectively, relating to funds transferred/donated to the Huntsman Trust for the benefit of TRH, over which the Huntsman Trust has not been granted variance power, as more fully described in Note 10.

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, 2015 and 2014.

Due from related parties total \$218,518 and \$173,026 at June 30, 2015 and 2014, representing amounts due from Shelter the Homeless Committee, Palmer Court and the Wendell Apartments. Amounts are non-interest bearing.

Due to related party totaling \$638,252 at June 30, 2015 represents amounts, held by TRH and included in restricted cash that were raised by Shelter the Homeless Committee for the construction of the Midvale winter 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 the Olene Walker Housing Agency, to be used for the purpose of providing housing solutions to those served by TRH. The agreements with the donor require TRH to use the real estate for low-income housing purposes. If TRH sells the property, it will have to pay \$255,051 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.



Single Audit Section  
June 30, 2015

# The Road Home

The Road Home  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security direct programs: Emergency Food and Shelter Program	97.024		\$ 255,750
U.S. Department of Housing and Urban Development Passed through from Emergency Solutions Grants:			
Salt Lake City	14.231		76,265
State of Utah	14.231	15-1073	54,421
State of Utah - KRH	14.231	15-1073	100,000
Rapid Rehousing - State	14.231	15-1073	181,900
Rapid Rehousing - City	14.231		93,014
Total passed through from Emergency Solutions Grants			<u>505,600</u>
Passed through from Supportive Housing Grants:			
Green Street Partners - 2nd West	14.235	UT0032L8T001304	15,916
Supportive Housing Frontier	14.235	UT0052L8T001304	74,703
Supportive Housing Frontier / Wendell	14.235	UT0052L8T001304	43,383
Total passed through from Supportive Housing Grants			<u>134,002</u>
Passed through from Continuum of Care Grants:			
CoC - Leasing - Fams	14.235	UT0077L8T001302	640,259
CoC - Leasing - Pathways	14.235	UT0077L8T001302	750,724
CoC - Leasing - CHSH	14.235	UT0077L8T001302	438,789
CoC - New Family RRH	14.235	UT0089L8T001401	79,827
Total passed through from Continuum of Care			<u>1,909,599</u>
Total Supportive Housing and Continuum of Care			<u>2,043,601</u>
Passed through from Tenant Based Rental Assistance Grants:			
Salt Lake City	14.239		79,024
Salt Lake County	14.239	BV1410	205,404
Total passed through from Tenant Based Rental Assistance Grants			<u>284,428</u>
Passed through from Community Development Block Grants:			
Davis County	14.218		15,000
Layton City	14.218		3,100
Salt Lake City	14.218		98,120
Sandy City	14.218		23,000
South Jordan City	14.218		5,000
Taylorsville City	14.218		5,000
West Jordan City	14.218		12,000
West Valley City	14.218		10,200
Total passed through from Community Development Block Grants			<u>171,420</u>
Total Department of Housing and Urban Development			<u>3,005,049</u>

The Road Home  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Veteran Affairs Supportive Services for Veteran Families	64.003		<u>879,530</u>
U.S. Department of Health and Human Services Direct Award:			
Chronic Homeless Services & Housing	93.243		<u>371,698</u>
Passed through from the State of Utah and Salt Lake County:			
Social Services Block Grant	93.667		<u>23,500</u>
Passed through from the State of Utah -			
Department of Workforce Services:			
Temporary Assistance for Needy Families	93.558	15DWS0172	<u>936,415</u>
Total Department of Health and Human Services			<u>1,331,613</u>
Total Federal Assistance			<u><u>\$ 5,471,942</u></u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Road Home (the Organization), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The Road Home received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Road Home's summary of significant accounting policies is presented in Note 1 in The Road Home's basic consolidated financial statements.

**Note 3 - Sub-Recipients of Grant Awards**

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, The Road Home provided federal awards to subrecipients as follows:

Frontier	
Supportive Housing (CFDA No. 14.235)	\$ 32,624
Wendell	
Supportive Housing (CFDA No. 14.235)	10,759
	<hr/>
Total	<u><u>\$ 43,383</u></u>



CPAs & BUSINESS ADVISORS

**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 Directors 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, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the 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 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.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah  
September 30, 2015



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

The Board of Directors  
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 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, 2015. 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 the requirements of laws, regulations, contracts and grants 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 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 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 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major federal programs for the year ended June 30, 2015.



## **Report on Internal Control over Compliance**

Management of The Road Home is responsible for establishing and maintaining effective internal control over compliance with the 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 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 compliance requirement 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

The Road Home's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Road Home's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Salt Lake City, Utah  
September 30, 2015

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
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 OMB Circular A-133 §.510(a)	No

**Identification of major programs**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Continuum of Care	14.235
Supportive Services for Veteran Families	64.003
Temporary Assistance for Needy Families	93.558
Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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None

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**Section III – Federal Award Findings and Questioned Costs**

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**2015-001 Passed-through U.S. Department of Housing and Urban Development and Department of Workforce Services  
CFDA #'s: 14.235 and 93.558  
Continuum of Care and Temporary Assistance for Needy Families**

**Eligibility**

**Material Weakness in Internal Control over Compliance**

*Criteria:*

The Organization should maintain participant documentation and related control checklists as required by grant and Organization policies.

*Condition:*

The Organization could not locate several requested participant files containing original documentation required for control testing.

*Cause:*

The Organization does not have an effective system of document retention.

*Effect:*

The control checklists were not properly maintained and therefore the control procedure could not be verified.

*Recommendation:*

The Organization should implement a document retention system to maintain participant files in accordance with grant and Organization policies.

*Management Response and Corrective Action Plan:*

The Road Home staff members have manually reviewed every archived file, purged more than 2,000 files which were dated from 2007 and previous and alphabetized all remaining files.

We were able to provide documentation to the auditor which verified participants' eligibility and proper use of funds for all the missing files.

We implemented a new formal file procedure on August 14, 2015 which includes the procedures for creation, movement, security, and archival of housing administration, shelter case management, and housing case management files. Our internal quality assurance team members will monitor that the procedures are followed by tracking file transfer emails and reviewing periodically with program staff. Every housing funding source will have a monthly file review.

In addition, our accounting staff will randomly pull five checks per month and request corresponding files to audit for proper procedures.

By September 30, 2015, we will have completed scanning and storing electronic copies of housing administration files for all clients who received a payment since July 1, 2015. This procedure will be ongoing for all Continuum of Care and Temporary Assistance for Needy Families housing programs.

**2014 – A      Restatement due to a Correction of an Error  
Material Weakness**

*Finding:*

The Organization received non-cash, in-kind donations of certain real estate assets totaling \$1,108,700 with related debt of \$97,801 during the year ended June 30, 2011 but did not record the transaction in its general ledger and the financial statement reporting process in place at that time did not identify the error. Upon receiving additional in-kind real estate in the current year, the Organization recognized it had overlooked the previously donated real estate and corrected the error.

*Status:*

TRH implemented procedures to assure that all in-kind donations of fixed assets are recorded in the general ledger at the time of donation. Also, the Organization improved its processes since 2010 to ensure that the financial statements are reviewed during preparation and prior to submission for audit. This finding was not repeated in the current year.