



Consolidated Financial Statements  
June 30, 2020 and 2019

# The Road Home

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Road Home, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Road Home as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle and Correction of Error**

As discussed in Note 1 to the financial statements, The Road Home has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the June 30, 2019, consolidated financial statements have been presented with the adoption of this standard. Additionally as discussed in Note 20 to the financial statements, certain errors resulting in misstatements of amounts previously reported for the capital lease of the Midvale shelter and net assets with donor restrictions as of June 30, 2019, were discovered by management of The Road Home during the current year. Accordingly, amounts reported for in-kind contributions, property and equipment, depreciation expense, rent expense and net assets have been restated in the 2019 financial statements now presented as of June 30, 2019, to correct the error. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 on our consideration of The Road Home's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Road Home's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Road Home's internal control over financial reporting and compliance.



Salt Lake City, Utah  
December 15, 2020

The Road Home  
Consolidated Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019*
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,680,510	\$ 1,498,314
Grants and contracts receivable	2,177,627	2,496,529
Due from related parties	204,190	101,270
Promises to give - current	99,639	161,792
Donated rent receivable - related party	694,935	-
Prepaid expenses and other assets	235,182	257,988
Total current assets	5,092,083	4,515,893
Cash Restricted for Midvale Shelter	-	167,042
Cash Restricted for Wendell	38,131	38,057
Promises to Give - Long Term	-	13,120
Property and Equipment, Net	10,422,522	9,172,972
Note Receivable - Palmer Court	400,000	400,000
Investments	7,046,727	-
Endowment Investments	658,479	650,399
Beneficial Interest in Assets Held by Affiliated Organization	12,171,493	10,792,718
Total assets	\$ 35,829,435	\$ 25,750,201

\*Presentation of the 2019 consolidated statement of financial position has changed from previously reported consolidated financial statements resulting in a correction of error described in Note 20 to the consolidated financial statements.

The Road Home  
Consolidated Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019*
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 342,310	\$ 256,081
Accrued expenses	709,387	560,639
Paycheck Protection Program loan - current	971,116	-
Note payable - related party	1,250,000	-
Total current liabilities	3,272,813	816,720
Paycheck Protection Program Loan - net of current portion	1,185,884	-
Notes Payable	252,401	252,401
Total liabilities	4,711,098	1,069,121
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	6,753,807	3,101,717
Designated by board for Midvale Shelter	-	167,042
Designated by board for investment in property and equipment, net of related debt	10,170,121	8,920,571
Designated by board for operating reserves	2,682	355,588
	16,926,610	12,544,918
With donor restrictions	14,191,727	12,136,162
Total net assets	31,118,337	24,681,080
Total liabilities and net assets	\$ 35,829,435	\$ 25,750,201

\*Presentation of the 2019 consolidated statement of financial position has changed from previously reported consolidated financial statements resulting from a correction of error described in Note 20 to the consolidated financial statements.

The Road Home  
Consolidated Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Government grants and contracts	\$ 13,094,373	\$ -	\$ 13,094,373
Private donors	9,345,894	250,978	9,596,872
Management fees - related party	155,199	-	155,199
United Way	54,184	54,000	108,184
In-kind contributions	351,947	1,158,225	1,510,172
Net investment return	264,645	8,080	272,725
Special events	322,713	-	322,713
less costs of direct benefits to donors	(76,924)	-	(76,924)
Distributions from and change in value of beneficial interest in assets held by affiliated organization	-	1,378,775	1,378,775
Other income	170,272	-	170,272
Net assets released from restrictions	794,493	(794,493)	-
	<u>24,476,796</u>	<u>2,055,565</u>	<u>26,532,361</u>
<b>Expenses</b>			
Program services expense			
Shelter	8,752,150	-	8,752,150
Housing	9,200,434	-	9,200,434
	<u>17,952,584</u>	<u>-</u>	<u>17,952,584</u>
Supporting services expense			
Management and general	1,546,758	-	1,546,758
Fundraising	595,762	-	595,762
	<u>2,142,520</u>	<u>-</u>	<u>2,142,520</u>
	<u>20,095,104</u>	<u>-</u>	<u>20,095,104</u>
Change in Net Assets	4,381,692	2,055,565	6,437,257
Net Assets, Beginning of Year	12,544,918	12,136,162	24,681,080
Net Assets, End of Year	<u>\$ 16,926,610</u>	<u>\$ 14,191,727</u>	<u>\$ 31,118,337</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Government grants and contracts	\$ 11,312,337	\$ -	\$ 11,312,337
Private donors	4,227,661	199,983	4,427,644
Management fees - related party	137,290	-	137,290
United Way	56,007	85,000	141,007
In-kind contributions	691,348	-	691,348
Net investment return	9,928	22,930	32,858
Special events	330,745	-	330,745
less costs of direct benefits to donors	(119,838)	-	(119,838)
Distributions from and change in value of beneficial interest in assets held by affiliated organization	800,450	1,628,640	2,429,090
Other income	265,871	-	265,871
Net assets released from restrictions	600,505	(600,505)	-
	<u>18,312,304</u>	<u>1,336,048</u>	<u>19,648,352</u>
<b>Expenses</b>			
Program services expense			
Emergency assistance	318,240	-	318,240
Shelter	8,183,047	-	8,183,047
Housing	8,315,881	-	8,315,881
	<u>16,817,168</u>	<u>-</u>	<u>16,817,168</u>
Supporting services expense			
Management and general	1,019,122	-	1,019,122
Fundraising	610,635	-	610,635
	<u>1,629,757</u>	<u>-</u>	<u>1,629,757</u>
	<u>18,446,925</u>	<u>-</u>	<u>18,446,925</u>
Change in Net Assets	(134,621)	1,336,048	1,201,427
Net Assets, Beginning of Year	<u>12,679,539</u>	<u>10,800,114</u>	<u>23,479,653</u>
Net Assets, End of Year	<u>\$ 12,544,918</u>	<u>\$ 12,136,162</u>	<u>\$ 24,681,080</u>

\*Presentation of the 2019 consolidated statement of activities has changed from previously reported consolidated financial statements resulting from a correction of error described in Note 20 to the consolidated financial statements.



The Road Home  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020

	Program Services Expense			Management and General	Fundraising	Cost of Goods Sold	Total
	Shelter	Housing	Total Program Services				
Personnel expenses	\$ 5,421,262	\$ 4,082,288	\$ 9,503,550	\$ 1,356,992	\$ 482,046	\$ -	\$ 11,342,588
Contract labor	327,022	112,857	439,879	2,133	427	-	442,439
Conferences and meetings	40,569	13,579	54,148	44,272	2,118	-	100,538
Depreciation	336,899	59,951	396,850	737	158	-	397,745
Dues and subscriptions	15,962	(6,883)	9,079	1,932	2,997	-	14,008
Events	-	-	-	-	-	76,924	76,924
Insurance	48,116	27,971	76,087	16,812	-	-	92,899
Miscellaneous	64,728	44,720	109,448	4,392	33,398	-	147,238
Assistance	275,233	4,150,462	4,425,695	-	-	-	4,425,695
Professional fees	120,063	85,126	205,189	58,037	24,776	-	288,002
Rent	697,002	71,507	768,509	6,181	1,323	-	776,013
Repairs and maintenance	596,031	157,990	754,021	2,651	10,145	-	766,817
Supplies	371,073	21,144	392,217	40,919	36,885	-	470,021
Telephone	103,220	54,155	157,375	1,396	653	-	159,424
Training	3,433	3,767	7,200	7,086	152	-	14,438
Transportation	22,215	65,911	88,126	591	122	-	88,839
Utilities	199,654	73,607	273,261	2,627	562	-	276,450
Grants to other nonprofits	109,668	182,282	291,950	-	-	-	291,950
	<u>8,752,150</u>	<u>9,200,434</u>	<u>17,952,584</u>	<u>1,546,758</u>	<u>595,762</u>	<u>76,924</u>	<u>20,172,028</u>
Less expenses included with revenues on the consolidated statement of activities							
Costs of direct benefits to donors	-	-	-	-	-	(76,924)	(76,924)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,924)</u>	<u>(76,924)</u>
Total functional expenses	<u>\$ 8,752,150</u>	<u>\$ 9,200,434</u>	<u>\$ 17,952,584</u>	<u>\$ 1,546,758</u>	<u>\$ 595,762</u>	<u>\$ -</u>	<u>\$ 20,095,104</u>

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

	Program Services Expense				Management and General	Fundraising	Cost of Goods Sold	Total
	Emergency Assistance	Shelter	Housing	Total Program Services				
Personnel expenses	\$ 136,310	\$ 4,681,259	\$ 3,586,623	\$ 8,404,192	\$ 823,256	\$ 492,029	\$ -	\$ 9,719,477
Contract labor	23,340	648,665	176,997	849,002	77,492	48,250	-	974,744
Conferences and meetings	915	25,420	6,936	33,271	3,037	1,891	-	38,199
Depreciation	1,913	560,202	17,815	579,930	1,707	915	-	582,552
Dues and subscriptions	740	20,567	5,612	26,919	2,457	1,530	-	30,906
Events	-	-	-	-	-	-	121,275	121,275
Insurance	1,647	45,767	12,488	59,902	5,467	3,404	-	68,773
Miscellaneous	1,993	63,814	22,873	88,680	1,778	953	-	91,411
Assistance	74,376	101,734	3,598,162	3,774,272	2,836	1,520	-	3,778,628
Professional fees	6,332	169,103	58,261	233,696	25,007	15,697	-	274,400
Rent	19,944	649,886	31,746	701,576	17,798	9,540	-	728,914
Repairs and maintenance	19,668	383,394	127,008	530,070	7,750	4,154	-	541,974
Supplies	11,687	324,811	88,629	425,127	38,803	24,161	-	488,091
Telephone	11,340	103,920	43,705	158,965	2,001	1,073	-	162,039
Training	1,055	29,322	8,003	38,380	3,503	2,179	-	44,062
Transportation	440	22,074	69,461	91,975	393	211	-	92,579
Utilities	6,540	303,532	63,131	373,203	5,837	3,128	-	382,168
Grants to other nonprofits	-	49,577	398,431	448,008	-	-	-	448,008
	<u>318,240</u>	<u>8,183,047</u>	<u>8,315,881</u>	<u>16,817,168</u>	<u>1,019,122</u>	<u>610,635</u>	<u>121,275</u>	<u>18,568,200</u>
Less expenses included with revenues on the consolidated statement of activities								
Costs of direct benefits to donors	-	-	-	-	-	-	(121,275)	(121,275)
Total functional expenses	<u>\$ 318,240</u>	<u>\$ 8,183,047</u>	<u>\$ 8,315,881</u>	<u>\$ 16,817,168</u>	<u>\$ 1,019,122</u>	<u>\$ 610,635</u>	<u>\$ -</u>	<u>\$ 18,446,925</u>

\*Presentation of the 2019 consolidated statement of functional expenses has changed from previously reported consolidated financial statements resulting from a correction of error described in Note 20 to the consolidated financial statements.

The Road Home  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

	2020	2019*
Operating Activities		
Change in net assets	\$ 6,437,257	\$ 1,201,427
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	397,744	582,552
Gain on sale of property and equipment	(8,990)	(152,824)
Change in beneficial interest in assets held by affiliated organization	(1,378,775)	(1,628,640)
Endowment net investment return	(8,080)	(22,930)
Net realized and unrealized gain on investments	(30,781)	-
Donated use of facilities, net	(694,935)	-
Change in assets and liabilities		
Grants and contracts receivable	318,902	(1,594,854)
Due from related parties	(102,920)	(12,833)
Promises to give	75,273	(66,175)
Prepaid expenses and other assets	22,806	(147,683)
Accounts payable and accrued expenses	142,769	131,408
Net Cash from (used for) Operating Activities	5,170,270	(1,710,552)
Investing Activities		
Purchase of property and equipment	(1,561,096)	(60,673)
Proceeds from sale of property and equipment	15,000	284,900
Purchases of investments	(9,785,384)	-
Sales of investments	2,769,438	-
Net Cash from (used for) Investing Activities	(8,562,042)	224,227
Financing Activities		
Principal payments on long term debt	-	(2,650)
Proceeds from Paycheck Protection Program loan	2,157,000	-
Proceeds from note payable - related party	1,250,000	-
Net Cash from (used for) Financing Activities	3,407,000	(2,650)
Net Change in Cash, Cash Equivalents, and Restricted Cash	15,228	(1,488,975)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,703,413	3,192,388
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,718,641	\$ 1,703,413

\*Presentation of the 2019 consolidated statement of cash flows has changed from previously reported consolidated financial statements commensurate with the implementation of the new accounting pronouncement described in Note 1 to the consolidated financial statements.

The Road Home  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

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	2020	2019*
Cash and Cash Equivalents	\$ 1,680,510	\$ 1,498,314
Restricted Cash	38,131	205,099
	\$ 1,718,641	\$ 1,703,413
Supplemental Disclosure of Cash Flow Information and Non-Cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 92,208	\$ -

\*Presentation of the 2019 consolidated statement of cash flows has changed from previously reported consolidated financial statements commensurate with the implementation of the new accounting pronouncement described in Note 1 to the consolidated financial statements.

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

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

The principal programs of TRH are as follows:

- **Emergency Assistance:** Emergency Assistance provides emergency and employment related assistance. Effective July 1, 2019 this program was merged with the Shelter and Housing programs.
- **Shelter:** Shelter services provides basic short-term shelter services to those in need.
- **Housing:** Housing provides case management, resources and rental assistance for permanent and transitional housing clients.

### **Principles of Consolidation**

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

### **Cash and Cash Equivalents**

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

### **Restricted Cash**

Amounts included in restricted cash represent board designated restricted funds for use at designated program locations.

### **Grants and Contracts Receivable**

TRH receives substantial funding through federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, grants and contracts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred. Certain grants require that TRH match the funds received with other funds in varying percentages. Management determines the allowance for uncollectible grants and contracts receivable based on historical experience, an assessment of economic conditions and a review of subsequent collections. At June 30, 2020 and 2019, the allowance was \$0.

### **Promises to Give**

TRH records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue (private donors) in the consolidated statements of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2020 and 2019, 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 5 to 30 years or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

TRH reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

### **Beneficial Interest in Assets Held by Affiliated Organization**

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

### **Investments**

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

## **Net Assets**

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

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

*Net Assets with Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

## **Revenue and Revenue Recognition**

Program income is billed monthly for property management services (the performance obligation) provided that month. Accordingly, revenue for property management services is recognized each month as the services are provided (over time). Any program income received in advance is deferred to the applicable period in which the related services are provided. There was no deferred program income at June 30, 2020 and 2019. TRH records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. TRH's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$3,467,424, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

## **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to TRH's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. TRH records donated goods at the respective fair values of the goods received (Note 15).

### **Functional Allocation of Expenses**

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

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

### **Income Taxes**

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

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

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

### **Estimates**

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



### **Financial Instruments and Credit Risk**

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

### **Recently Adopted Accounting Pronouncements**

#### **Adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606**

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. TRH has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendment has been applied retrospectively to all periods presented, with no effect on net assets.

#### **Adoption of FASB Accounting Standards Update 2016-18**

As of July 1, 2019, TRH adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of period total amounts shown on the statement of cash flows. Retrospective application of the amendment is required. TRH has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The June 30, 2019 consolidated statement of cash flows has been revised to be consistent with the new standard.

#### **Adoption of FASB Accounting Standards Update 2018-08**

TRH has implemented ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the entity in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. As of July 1, 2019, TRH has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**Reclassifications**

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

**Note 2 - Liquidity and Availability**

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

	2020	2019
Cash and cash equivalents	\$ 1,551,460	\$ 1,418,238
Grants and contracts receivable	2,177,627	2,496,529
Due from related parties	204,190	101,270
Promises to give	99,639	161,792
	\$ 4,032,916	\$ 4,177,829

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds and other investments deemed to be prudent and conservative by the Board. The Road Home has an endowment which totals \$658,479 and \$650,399 at June 30, 2020 and 2019, respectively, (Note 13) – of these amounts, \$505,720 is required to be maintained in perpetuity and \$152,759 and \$144,679, respectively, is available for unrestricted purposes.

At June 30, 2020 and 2019, TRH also has beneficial interest in assets held by affiliated organization of \$12,171,493 and \$10,792,718, respectively (Note 12) - of this amount \$10,759,418 and \$9,736,137, respectively, are required to be maintained in perpetuity and, \$1,412,075 and \$1,056,581, respectively, are available to support the shelter operated by TRH. If the need arose, management could make the accumulated investment gains in the endowment assets and the beneficial interest in assets held by affiliated organization for unrestricted purposes available for general use. TRH is also entitled to make distributions from the endowment (Note 13) and beneficial interest in assets held by affiliated organization (Note 12). However, the use of the earnings from the beneficial interest in assets held by affiliated organization is restricted to be used to benefit the shelter operated by TRH and accordingly, any expected distributions TRH receives are not considered in the table above. At June 30, 2020 and 2019, the board of trustees has designated \$2,682 and \$355,588, respectively, as an operating reserve. These amounts are included in the cash and cash equivalents total as listed in the table above.

### **Note 3 - Fair Value Measurements and Disclosures**

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

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

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

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

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

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. TRH invests in CD's traded in the financial markets. Those CDs and U. S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The fair value of TRH's beneficial interest in assets held by an affiliated organization is based on the fair value of fund investments as reported by the affiliated organization. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2020:

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)
<b>Investments</b>				
Cash and money market funds (at cost)	\$ 711,859	\$ -	\$ -	\$ -
Debt securities	2,286,557	-	2,286,557	-
Certificate of deposits	1,890,877	-	1,890,877	-
Mutual funds	2,157,434	2,157,434	-	-
	<u>\$ 7,046,727</u>	<u>\$ 2,157,434</u>	<u>\$ 4,177,434</u>	<u>\$ -</u>
<b>Endowment Investments</b>				
Cash and money market funds (at cost)	\$ 5,064	\$ -	\$ -	\$ -
Mutual funds	653,415	653,415	-	-
	<u>\$ 658,479</u>	<u>\$ 653,415</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Beneficial Interest in Assets Held by Affiliated Organization</b>	<u>\$ 12,171,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,171,493</u>

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

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

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)
	<u>Beneficial Interests in Assets Held by Affiliated Organization</u>
<u>Year Ended June 30, 2020</u>	
Balance at June 30, 2019	\$ 10,792,718
Contributions of investments	1,023,281
Investment return, net	355,494
Distributions	-
	<u>\$ 12,171,493</u>
<u>Year Ended June 30, 2019</u>	
Balance at June 30, 2018	\$ 9,164,078
Contributions of investments	1,695,000
Investment return, net	734,090
Distributions	(800,450)
	<u>\$ 10,792,718</u>

**Note 4 - Grants and Contracts Receivable**

Grants and contracts receivable consist of the following at June 30, 2020 and 2019:

	2020	2019
U.S. Department of Housing and Urban Development	\$ 312,278	\$ 880,375
Salt Lake County	-	17,975
Temporary Assistance for Needy Families	914,400	200,122
State of Utah	504,121	696,913
Supportive Services for Verteran Families	3,264	20,023
Tenant-Based Rental Assistance	67,600	263,277
Salt Lake City	178,668	42,414
U.S. Department of Homeland Security	74,417	270,352
Substance Abuse and Mental Health Services Administration	24,084	32,261
Other	98,795	72,817
	<u>\$ 2,177,627</u>	<u>\$ 2,496,529</u>

**Note 5 - Promises to Give**

Unconditional promises to give consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
United Way	\$ -	\$ 25,000
Education Foundation of America	-	40,000
Ray and Tye Noorda Foundation	-	60,000
Other	99,639	49,912
	<u>\$ 99,639</u>	<u>\$ 174,912</u>

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 99,639	\$ 161,792
In one to five years	-	13,120
	<u>\$ 99,639</u>	<u>\$ 174,912</u>

**Note 6 - Property and Equipment**

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building leasehold improvements	\$ 275,942	\$ 3,227,078
Land	1,057,200	665,100
Buildings	1,948,826	1,106,994
Vehicles	503,525	514,400
Furniture and fixtures	154,592	581,270
Capital lease - related party	8,749,963	8,749,963
Construction in progress	364,768	-
	13,054,816	14,844,805
Less accumulated depreciation	<u>(2,632,294)</u>	<u>(5,671,833)</u>
	<u>\$ 10,422,522</u>	<u>\$ 9,172,972</u>

Building leasehold improvements located in the downtown shelter have been fully depreciated by June 30, 2019 and were disposed of during the year ending June 30, 2020.

**Note 7 - Note Receivable - Palmer Court**

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

**Note 8 - Paycheck Protection Program Loan**

TRH was granted a \$2,157,000 loan under the Payment Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. TRH is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan accrues interest at a rate of 1%, but payments are not required to begin for six months after the funding of the loan. While TRH intends to take measures to maximize the loan forgiveness, it cannot reasonably determine the portion of the loan that will ultimately be forgiven. However, TRH expects that based on the available guidance of the SBA, TRH has complied with the program's terms to qualify for full loan forgiveness.

**Note 9 - Note Payable – Related Party**

During the year ended June 30, 2020, TRH entered into a note payable agreement with the Huntsman Trust for \$1,250,000. The note bears interest at 1.5% and the unpaid balance is due June 30, 2021.

**Note 10 - Notes Payable**

Notes payable totaling \$252,401 at June 30, 2020 and 2019, consist of various loans due to the Olene Walker Housing Loan Fund that were assumed by TRH upon receiving related in-kind real estate donations. The notes are non-interest bearing and repayment is deferred indefinitely until TRH sells the properties or converts the properties to a use other than transitional or permanent housing solutions. TRH sold one of these properties during the year ended June 30, 2019 and repaid the related loan balance of \$2,650.

**Note 11 - Leases**

TRH leases equipment under various operating leases expiring at various dates through 2020. For the years ended June 30, 2020 and 2019, lease expense under these operating leases totaled \$129,351 and \$171,764, respectively.

Future minimum lease payments are as follows:

Years Ending June 30,	Operating Leases
2021	\$ 206,166
2022	195,572
2023	148,139
2024	84,133
2025	49,078
Total minimum lease payments	\$ 683,088

TRH leases the Midvale shelter from STH Midvale LLC, which is 100% owned by Shelter the Homeless, Inc. (STH), a related nonprofit organization through related resources and mission. The agreement between STH Midvale LLC and TRH is for TRH to make rent payments equal to the annual loan payments on the Midvale shelter loan until STH Midvale LLC pays off the loan and additionally TRH is to pay \$80 per month. TRH paid \$1,960 in rent for the years ended June 30, 2020 and 2019. TRH has capitalized the Midvale shelter at \$8,749,963 in accordance with capital lease standards. As of June 30, 2020 and 2019, accumulated amortization of the capitalized fixed assets under this lease is \$1,339,467 and \$1,047,800, respectively. TRH has not recorded any capital lease obligation since the use of the shelter is being donated to TRH.

In addition, TRH was provided free use of the men’s homeless resource center from STH, under a year to year lease agreement to operate part of its shelter program from November 1, 2019 to June 30, 2021. The use of this facility is reflected as in-kind contribution on the consolidated statements of activities and rent on the consolidated statements of functional expenses (Note 17).

**Note 12 - Beneficial Interest in Assets Held by Affiliated Organization**

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

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



At June 30, 2020 and 2019, TRH has recorded \$12,171,493 and \$10,792,718, respectively, as the value of the beneficial interest in the assets held in the fund administered by the Huntsman Trust relating to these donor restricted contributions. During the years ended June 30, 2020 and 2019, TRH recorded gains of \$355,494 and \$734,090, respectively, as a change in beneficial interest in the assets held by the Huntsman Trust. During the years ended June 30, 2020 and 2019, \$0 and \$800,450, respectively, was distributed to and received in cash by TRH. As described in Note 9, TRH entered into a note agreement for \$1,250,000 with the Huntsman Trust during the year ended June 30, 2020.

### Note 13 - Endowments

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

The Board of Trustees of TRH has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations, respectively. As a result of this interpretation, TRH retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

As of June 30, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 505,720	\$ 505,720
Accumulated investment gains	-	152,759	152,759
	\$ -	\$ 658,479	\$ 658,479

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

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

From time to time, certain donor-restricted endowment funds may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2020 and 2019, there were no such deficiencies.

#### Investment and Spending Policies

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

Changes in Endowment net assets for the year ending June 30, 2020, are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 650,399	\$ 650,399
Investment return, net			
Investment income, net of fees	-	80	80
Net realized and unrealized gain	-	8,000	8,000
	<u>-</u>	<u>8,080</u>	<u>8,080</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 658,479</u>	<u>\$ 658,479</u>

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

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 627,469	\$ 627,469
Investment return			
Investment income, net of fees	-	7,066	7,066
Net realized and unrealized gain	-	15,864	15,864
	-	22,930	22,930
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 650,399</u>	<u>\$ 650,399</u>

**Note 14 - Net Assets with Donor Restrictions**

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

	2020	2019
Subject to Expenditure for Specified Purpose		
Note receivable - Palmer Court	\$ 400,000	\$ 400,000
House 20 - housing	65,120	76,177
Noorda	60,000	-
LDS - identification documentation	3,930	3,899
Wendell	38,131	38,057
Donated rent receivable - related party, restricted by donor for men's resource center	694,935	-
	<u>1,262,116</u>	<u>518,133</u>
Subject to the Passage of Time		
United Way	-	25,000
Individual pledges	99,639	149,912
	<u>99,639</u>	<u>174,912</u>
Endowments and Beneficial Interest in Assets		
Subject to endowment spending policy and appropriation		
Available for general use		
Huntsman Trust	1,412,075	1,056,581
St. Benedict and Gallivan	152,759	144,679
	<u>1,564,834</u>	<u>1,201,260</u>

	2020	2019
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Huntsman Trust	\$ 10,759,418	\$ 9,736,137
St. Benedict and Gallivan	505,720	505,720
	11,265,138	10,241,857
	\$ 14,191,727	\$ 12,136,162

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$ 174,912	\$ 168,738
Satisfaction of purpose restrictions		
Palmer Court	-	12,760
Housing services	11,058	109,664
Travel	-	41,010
Identification documentation	-	21,101
STH Midvale	145,233	247,232
Men's resource center	463,290	-
	619,581	431,767
	\$ 794,493	\$ 600,505

**Note 15 - Donated Rent, Professional Services and Materials**

Donated rent, professional services and materials received during the years ended June 30, 2020 and 2019, are as follows:

	Program Services	Management and General	Fundraising	Total
<u>Year Ending June 30, 2020</u>				
Rent	\$ 706,022	\$ 6,181	\$ 1,323	\$ 713,526
Professional services	-	38,681	-	38,681
Blankets	58,474	-	-	58,474
Miscellaneous	4,556	-	-	4,556
	\$ 769,052	\$ 44,862	\$ 1,323	\$ 815,237

	Program Services	Management and General	Fundraising	Total
<u>Year Ending June 30, 2019</u>				
Rent	\$ 605,059	\$ 17,798	\$ 9,540	\$ 632,397
Blankets	58,901	-	-	58,901
Miscellaneous	50	-	-	50
	<u>\$ 664,010</u>	<u>\$ 17,798</u>	<u>\$ 9,540</u>	<u>\$ 691,348</u>

No property and equipment was donated during the years ended June 30, 2020 and 2019.

TRH was provided free use of the men’s homeless resource center from STH under a year to year lease agreement to operate part of its shelter program from November 1, 2019 to June 30, 2021. The use of this facility is reflected as in-kind contribution on the consolidated statements of activities and rent on the consolidated statements of functional expenses (Note 17).

#### **Note 16 - Employee Benefits**

TRH sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all employees. The plan provides that employees who have attained the age 21 and completed one year of service may voluntarily contribute to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Trustees each plan year. During the years ended June 30, 2020 and 2019, TRH provided matching and discretionary contributions to participants. Total expense related to the plan for the years ending June 30, 2020 and 2019, was \$374,053 and \$218,777, respectively.

#### **Note 17 - Related Party Transactions**

TRH leased the downtown shelter from STH through October 31, 2018 and then from the State of Utah from November 1, 2018 through October 31, 2019, for \$300 per year. For the years ended June 30, 2020 and 2019, TRH estimates the fair value of the shelter space to be \$250,236 and \$632,397, respectively, and has recorded contributed in-kind revenue and a corresponding expense totaling \$250,236 and \$632,397 for the years ended June 30, 2020 and 2019, respectively, to reflect the estimated fair value of this lease transaction.

TRH leases the men’s homeless resource center from STH for \$1 per month. TRH has entered into a lease agreement with STH from November 1, 2019 through June 30, 2021, and TRH estimates the fair value of the donated space for this period to be \$1,158,225. During the year ended June 30, 2020, TRH has recorded contributed in-kind revenue totaling \$1,158,225, in-kind expense totaling \$463,290, and donated rent receivable totaling \$694,935, to reflect the estimated fair value of this lease transaction.

As more fully described in Note 11, TRH leases the Midvale shelter from STH Midvale LLC, which is 100% owned by STH.

For the years ended June 30, 2020 and 2019, TRH contributed \$0 and \$119,036, respectively, to STH to support operations at Palmer Court, an entity owned by STH. For the years ended June 30, 2020 and 2019, TRH recorded management and administration fee revenue in the amounts of \$155,199 and \$137,290, respectively, from Palmer Court and STH Wendell, LLC.

As more fully described in Note 7, TRH has a long-term note receivable from Palmer Court totaling \$400,000 at June 30, 2020 and 2019.

Due from related parties totaled \$204,190 and \$101,270 at June 30, 2020 and 2019, respectively, representing amounts due from STH, Palmer Court and the Wendell Apartments. Amounts are non-interest bearing.

At June 30, 2020 and 2019, TRH has a payable to Shelter the Homeless Committee of \$51,057 and \$25,832, respectively, for security services provided to the downtown shelter and the men's homeless resource center.

As more fully described in Note 9, TRH has a note payable due to the Huntsman Trust totaling \$1,250,000 and \$0 at June 30, 2020 and 2019, respectively.

#### **Note 18 - 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 19 - Contingencies and Commitments**

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

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

**Note 20 - Adoption of Change in Accounting Principle and Correction of an Error**

As disclosed in Note 1, TRH adopted the provisions of ASU 2016-18, *Statement of Cash Flows (Topic 230)* as of July 1, 2019. Additionally, during the year ended June 30, 2020, TRH identified prior period adjustments needed to record the Midvale shelter lease agreement as a capital lease and House 20 – housing restricted net assets, which was overstated. The prior period adjustments are considered material to the consolidated financial statement for the year ended June 30, 2019. As a result, TRH has corrected certain 2019 financial information in the consolidated statement of financial position, consolidated statement of activities, and statement of functional expenses accompanying these consolidated financial statements. Following is a summary of the effects of the change in accounting policy and correction of error in The Road Home’s June 30, 2019 consolidated financial statements.

The effect on TRH’s consolidated statement of financial position as of June 30, 2019 is as follows:

	As Previously Reported	Correction of Error	As Restated
Property and Equipment, Net	\$ 1,470,809	\$ 7,702,163	\$ 9,172,972
Total Assets	18,048,038	7,702,163	25,750,201
Net Assets without Donor Restrictions			
Undesignated	3,000,136	101,581	3,101,717
Designated by board for investment in property and equipment, net of related debt	1,218,408	7,702,163	8,920,571
Net Assets with Donor Restrictions	12,237,743	(101,581)	12,136,162

The effect on TRH’s consolidated statement of activities as of June 30, 2019 is as follows:

	As Previously Reported	Correction of Error	As Restated
In-kind Contributions	\$ 846,868	\$ (155,520)	\$ 691,348
Total revenue, support, and gains	19,803,872	(155,520)	19,648,352
Program services expense	16,681,021	136,147	16,817,168
Total expense	18,310,778	136,147	18,446,925
Change in net assets	1,493,094	(291,667)	1,201,427
Net Assets, Beginning of Year			
Net assets without donor restrictions	4,685,709	7,993,830	12,679,539
Net Assets, End of Year			
Net assets without donor restrictions	4,741,174	7,803,744	12,544,918
Net assets with donor restrictions	12,237,743	(101,581)	12,136,162

The Effect on TRH's consolidated statement of functional expenses as of June 30, 2019 is as follows:

	As Previously Reported	Correction of Error	As Restated
Depreciation	\$ 290,885	\$ 291,667	\$ 582,552
Rent	884,434	(155,520)	728,914
Total program services expense	16,681,021	136,147	16,817,168
Total functional expenses	18,310,778	136,147	18,446,925

The Effect on TRH's consolidated statement of cash flows as of June 30, 2019 is as follows:

	As Previously Reported	Change in Accounting Principle	Adopted Change in Accounting Principle
Investing Activities			
Change in cash restricted for Midvale Shelter	\$ (42,713)	\$ 42,713	\$ -
Change in cash restricted for Wendell	(71)	71	-
Net Cash used for Investing Activities	181,443	42,784	224,227
Net Change in Cash and Cash Equivalents	(1,531,759)	1,531,759	-
Cash and Cash Equivalents, Beginning of Period	3,030,073	(3,030,073)	-
Cash and Cash Equivalents, End of Period	1,498,314	(1,498,314)	-
Net Change in Cash, Cash Equivalents, and Restricted Cash	-	(1,488,975)	(1,488,975)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	-	3,192,388	3,192,388
Cash, Cash Equivalents, and Restricted Cash, End of Period	-	1,703,413	1,703,413

## Note 21 - Subsequent Event

TRH has evaluated subsequent events through December 15, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, TRH has continued to be negatively impacted by the outbreak of the novel Coronavirus pandemic, or Covid-19, which has significantly increased risk and uncertainties in the global economy including the community in which TRH operates. As a result, TRH could potentially see reductions in public donations and government contracts coupled with an increased demand for certain of TRH's services. A significant loss of funding could require TRH to respond with changes in its operations including reductions of personnel or reductions to services provided. TRH is closely monitoring the pandemic and its effects on the organization and the community on an ongoing basis. The ultimate financial effect of Covid-19 on TRH is currently under evaluation.

Effective November 1, 2020 TRH has entered into an agreement to lease and operate the Homeless Resource Center located at 242 Paramount Ave, Salt Lake City, Utah (Gail Miller Homeless Resource Center).





Federal Awards Reports in Accordance  
With the Uniform Guidance  
June 30, 2020

## The Road Home



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Road Home, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered The Road Home's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Road Home’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Road Home’s internal control.

*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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Road Home's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Entity's Response to Findings**

The Road Home's response to the finding identified in our audit is 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 the consolidated financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

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

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

Salt Lake City, Utah  
December 15, 2020



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

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

### **Report on Compliance for Each Major Federal Program**

We have audited The Road Home’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Road Home’s major federal programs for the year ended June 30, 2020. The Road Home’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### **Management’s Responsibility**

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

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of The Road Home’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of The Road Home’s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, The Road Home’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name.

Salt Lake City, Utah  
December 15, 2020

The Road Home  
Consolidated Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Homeland Security:				
Direct Award:				
Emergency Food and Shelter Program	97.024	LRO 851000-001	\$ 74,417	\$ -
U.S. Department of Housing and Urban Development				
Passed through from:				
Rapid Rehousing - Salt Lake City	14.231	72-5-20-1796	74,627	-
Rapid Rehousing - Salt Lake County	14.231	HCD19530ES	68,868	-
Salt Lake City	14.231	72-5-20-1797	40,000	-
State of Utah	14.231	19-1870	769,463	-
State of Utah	14.231	20-0843	12,282	-
Salt Lake County	14.231	HCD19520ES	55,917	-
Total Emergency Solutions Expenditures			<u>1,021,157</u>	<u>-</u>
Direct Award:				
CoC - PSH Rental Assistance	14.267	UT0075L8T001706	467,295	-
CoC - PSH Consolidated	14.267	UT0104L8T001804	893,147	-
CoC - Leasing - CHSH	14.267	UT0076L8T001706	153,835	-
CoC - Leasing - CHSH	14.267	UT0076L8T001807	240,248	-
CoC - RRH for Families	14.267	UT0089L8T001805	231,546	-
CoC - RRH for Families	14.267	UT0089L8T001906	37,076	-
CoC - Scattered Site Properties	14.267	UT0032L8T001809	11,015	-
CoC - Scattered Site Properties	14.267	UT0032L8T001910	4,132	-
Passed through from:				
CoC - State of Utah - PSH Shelter Plus Care	14.267	19-20	202,500	-
CoC - Housing Authority of Salt Lake City	14.267	19-20	129,940	-
Total Continuum of Care Expenditures			<u>2,370,734</u>	<u>-</u>
Passed through from:				
Salt Lake County	14.239	HCD19105HM	319,545	-
Salt Lake City	14.239	72-5-20-1798	200,000	-
Housing Connect	14.239	HCDGF1903	6,088	-
Total Tenant Based Rental Assistance Expenditures			<u>525,633</u>	<u>-</u>

See Notes to Consolidated Schedule of Expenditures of Federal Awards

The Road Home  
Consolidated Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Passed through from:				
Sandy City - Homeless Shelter Operations	14.218	FY19-20	\$ 10,750	\$ -
Sandy City - Housing Support Services	14.218	FY19-20	12,350	-
West Jordan City	14.218	4801-473413	7,305	-
West Valley City	14.218	2019-2020	7,551	-
South Jordan City	14.218	2019-0289	6,000	-
Taylorsville City	14.218	FY19-20	9,560	-
Total Community Development Block Grants - Entitlement Grants Cluster			53,516	-
Total Department of Housing and Urban Development			3,971,040	-
U.S. Department of Veteran Affairs				
Direct Award:				
Supportive Services for Veteran Families	64.033	15-UT-336	900,062	-
SSVF CARES	64.033	15-UT-336 CA	319,976	-
Total Supportive Services for Veteran Families Expenditures			1,220,038	-
U.S. Department of Health and Human Services				
Direct Award:				
Chronic Homeless Services & Housing	93.243	1H79TI080402-01	110,764	60,000
Chronic Homeless Services & Housing	93.243	3H79TI080402-02S1	274,814	114,000
Total Chronic Homeless Services & Housing Expenditures			385,578	174,000
Passed through from:				
Department of Workforce Services - TANF Cluster -				
State of Utah	93.558	#18DWS0137	850,403	-
State of Utah	93.558	19-0027	2,460,667	312,000
Housing Connect	93.558	19-20	11,387	-
Total Temporary Assistance for Needy Families Cluster			3,322,457	312,000
Total Department of Health and Human Services			3,708,035	486,000
U.S. Federal Transportation Administration				
Pass through from Utah Transit Authority:				
Transit Services Program Cluster	20.513	17-2146JH	10,000	-
Total Federal Assistance			\$ 8,983,530	\$ 486,000

See Notes to Consolidated Schedule of Expenditures of Federal Awards

**Note 1 - Basis of Presentation**

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of The Road Home under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of The Road Home, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Road Home.

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 3 - Indirect Cost Rate**

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



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

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

**Identification of major programs:**

Name of Federal Program	CFDA Number
Temporary Assistance for Needy Families - Cluster	93.558
Emergency Solutions Grant	14.231
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2020-001      Material Audit Adjustment and Restatement  
Material Weakness**

*Criteria:*

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

*Condition:*

During the course of our engagement, we proposed an audit adjustment to the Organization's in-kind rent receivable and in-kind rent revenue accounts, which if not recorded would have resulted in a material misstatement of the Organization's consolidated financial statements. The organization also identified and corrected a misstatement that occurred in a prior period, resulting in a restatement of the previously reported consolidated financial statements.

*Cause:*

The Organization's procedures in place during the year ended June 30, 2020 and in prior years did not provide for sufficient processes to ensure the proper recording of in-kind rent agreements.

*Effect:*

In-kind rent revenue, in-kind rent receivable, capital lease assets and net assets were materially misstated in the Organization's consolidated financial statements, which may affect management decisions.

*Recommendation:*

The Organization should analyze its processes and procedures for in-kind rent agreements and make necessary changes to these procedures to ensure that all transactions are properly recorded by the Organization.

*Views of Responsible Officials:*

Management agrees with the finding.

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

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None report.