THE ROAD HOME

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008

THE ROAD HOME

CONTENTS

Lake, Hill & Myers

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

September 15, 2008

To the Board of Directors and Management of
The Road Home

We have audited the accompanying consolidated statement of financial position of The Road Home (a nonprofit organization) as of June 30, 2008 and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Road Home as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 15, 2008 on our consideration of The Road Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on pages 15-16 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Lake, Hill & Myers

THE ROAD HOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

Current assets:	
Cash and cash equivalents	$ 3,782,509
Grants and contracts receivable	234,041
Promises to give - current	428,410
Prepaid expenses and other assets	107,586
Total current assets	4,552,546
Promises to give - long term	1,020,232
Property and equipment, net	1,958,633
Housing development costs - Palmer Court	651,503
Interest in the net assets of affiliated organization	4,659,368
	$12,842,282

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 84,711
Accrued expenses	280,886
Total current liabilities	365,597
Net assets:	
Unrestricted	3,660,866
Unrestricted – Board designated	1,388,200
Temporarily restricted	3,156,667
Permanently restricted	4,270,952
Total net assets	12,476,685
	$12,842,282

See notes to consolidated financial statements.

THE ROAD HOME

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and public support:				
Government grants and contracts	$2,724,034	$ 500,000	$ -	$3,224,034
Private donors	1,862,803	64,904	250,000	2,177,707
United Way	53,423	688,514	-	741,937
In-kind	586,900	-	-	586,900
Investment and interest income	125,704	-	-	125,704
Special events	251,145	-	-	251,145
less direct costs	(77,785)	-	-	(77,785)
Loss on disposal of fixed assets	(9,538)	-	-	(9,538)
Other income	86,941	-	-	86,941
Net assets released from restrictions:				
Satisfaction of program restrictions	910,532	(910,532)	-	-
Total public support and revenue	6,514,159	342,886	250,000	7,107,045
Expenses:				
Emergency assistance	494,496	-	-	494,496
Shelter	3,535,774	-	-	3,535,774
Self reliance	595,382	-	-	595,382
Housing	1,506,233	-	-	1,506,233
Total program services	6,131,885	-	-	6,131,885
Management and general	332,399	-	-	332,399
Fundraising	341,239	-	-	341,239
Total supporting services	673,638	-	-	673,638
Total expenses	6,805,523	-	-	6,805,523
Change in net assets from operations	(291,364)	342,886	250,000	301,522
Change in interest in net assets of affiliated organization	(331,959)	-	-	(331,959)
Change in net assets	(623,323)	342,886	250,000	(30,437)
Net assets, June 30, 2007	5,672,389	2,813,781	4,020,952	12,507,122
Net assets, June 30, 2008	$5,049,066	$3,156,667	$4,270,952	$12,476,685

See notes to consolidated financial statements.

THE ROAD HOME
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	Program Services Expense					Supporting Services Expense			
	Emergency Assistance	Shelter	Self-Reliance	Housing	Total program services	Management and general	Fundraising	Total supporting services	Total
Salaries, benefits and taxes	$ 317,579	$ 1,866,195	$ 457,388	$ 883,165	$ 3,524,327	$ 260,466	$ 233,228	$ 493,694	$ 4,018,021
Contract services	931	250,508	898	9,762	262,099	1,754	956	2,710	264,809
Conferences and meetings	548	2,327	798	8,717	12,390	430	425	855	13,245
Depreciation	2,367	167,894	2,233	3,607	176,101	4,576	2,457	7,033	183,134
Dues and subscriptions	310	1,535	451	876	3,172	243	241	484	3,656
Insurance	1,547	118,541	1,460	2,358	123,906	6,347	1,606	7,953	131,859
Miscellaneous	7,246	35,180	10,087	21,924	74,437	5,671	5,497	11,168	85,605
Participant assistance	108,119	52,000	42,972	239,542	442,633	-	-	-	442,633
Professional fees	3,064	15,659	4,461	16,177	39,361	11,906	2,379	14,285	53,646
Rent	19,059	479,782	27,429	64,966	591,236	15,658	26,285	41,943	633,179
Repairs and maintenance	13,949	181,332	19,786	103,702	318,769	9,262	8,262	17,524	336,293
Supplies	8,397	127,861	11,726	22,456	170,440	7,714	52,638	60,352	230,792
Telephone	4,262	21,917	6,427	14,177	46,783	2,840	3,436	6,276	53,059
Training	1,658	7,522	2,415	6,054	17,649	1,302	1,287	2,589	20,238
Transportation	3,274	19,253	4,789	31,985	59,301	4	273	277	59,578
Utilities	2,186	188,268	2,062	46,075	238,591	4,226	2,269	6,495	245,086
Sub-Recipients	-	-	-	30,690	30,690	-	-	-	30,690
Total	$ 494,496	$ 3,535,774	$ 595,382	$ 1,506,233	$ 6,131,885	$ 332,399	$ 341,239	$ 673,638	$ 6,805,523

See notes to consolidated financial statments.

THE ROAD HOME

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Change in net assets	$ (30,437)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	183,134
Loss on disposal of assets	9,538
Donated property and equipment	(18,900)
Change in interest in net assets of affiliated organization	331,959
Change in assets and liabilities:	
Increase in grants and contracts receivable	(35,030)
Decrease in promises to give	1,859,657
Decrease in prepaid expenses and other assets	3,161
Increase in accounts payable and accrued expenses	82,912
Net cash provided by operating activities	2,385,994
Cash flows from investing activities:	
Purchase of property and equipment	(424,550)
Development costs - Palmer Court	(651,503)
Proceeds from interest in net assets of affiliated organization	236,197
Transfer of net assets to affiliated organization	(250,000)
Net cash used in investing activities	(1,089,856)
Net increase in cash	1,296,138
Cash at beginning of year	2,486,371
Cash at end of year	$ 3,782,509

See notes to consolidated financial statements.

THE ROAD HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational Purpose

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

TRH principal programs comprise the following:

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

Financial Statement Presentation

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

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

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

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

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

Basis of Consolidation

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

Cash Equivalents

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

Contracts and Grants

TRH receives substantial funding through federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, accounts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred. Certain grants require that TRH match the funds received with other funds in varying percentages.

Promises to Give

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

Property and Equipment

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

Contributions

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

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

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, TRH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TRH reclassifies temporarily restricted net assets to unrestricted net assets at that time. During the year ended June 30, 2008, donated property and equipment reflected in the consolidated statement of activities as contributions totals $18,900.

Donated Services, Materials and Facilities

Volunteers and donors contribute substantial amounts of services, materials and facilities toward the fulfillment of TRH programs. To the extent these contributions satisfy the criteria for recognition under SFAS No. 116 - Accounting for Contributions Received and Contributions Made, they are recognized as contributions and expenses in the consolidated statement of activities and changes in net assets or are capitalized in the consolidated statement of financial position. The donated amounts recognized are generally recorded at the fair market value represented on the vendor invoice, or an estimated fair value as can best be approximated by sales of similar items.

The donated services, materials and facilities reflected in the consolidated statement of activities total $568,000 during the year ended June 30, 2008, and primarily represent the donation of blankets, with an estimated fair value of $52,000, that are provided to shelter participants and the rental of the downtown shelter for $300 per year, where the fair value of such rent is estimated at $516,000. These amounts are recorded as contributions and as expense in the consolidated statement of activities and change in net assets.

Amounts for donated services are reflected in the consolidated financial statements if the services create or enhance nonfinancial assets or if TRH would be required to pay for the services if not donated. No amounts have been reflected in the consolidated financial statements for donated volunteer services, which do not satisfy the criteria for recognition under SFAS No. 116; however, a substantial number of volunteers have donated significant amounts of time to TRH programs.

Functional Expenses

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

Nonprofit Status

TRH was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

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

SFAS No. 136 - Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others

TRH has adopted and follows the requirements of SFAS No. 136, which was effective for periods beginning after December 15, 1999. TRH and donors have transferred funds to an affiliated organization, the Jon M. Huntsman Family Community Shelter Trust (the Shelter Trust), for the benefit of TRH. TRH has evaluated the terms of the agreements governing the funds held by the Shelter Trust for the benefit of TRH and recognizes its rights to the assets (financial or nonfinancial) held by the Shelter Trust as an asset unless the Shelter Trust is explicitly granted variance power, that is, the unilateral power to redirect the use of the transferred assets to another beneficiary. Because TRH and the Shelter Trust are financially interrelated organizations, as defined by SFAS No. 136, and variance power is not granted to the Shelter Trust, TRH recognizes its interest in the net assets of the Shelter Trust and adjusts that interest for its share of the change in net assets of the Shelter Trust related to the transferred assets.

Adjustment to Previously Reported Net Assets

During the year ended June 30, 2008, certain adjustments were made to beginning net assets as previously reported at June 30, 2007. These adjustments relate primarily to the accounting related to amounts held by the Shelter Trust for the benefit of TRH and to adjust for the timing of revenue recognition related to contributions, unconditional promises to give, and government contracts. A reconciliation of net assets as previously reported to net assets as restated is as follows:

Net assets, at June 30, 2007, as previously reported	$ 5,775,292
Adjustment related to amounts held by the Shelter Trust	4,977,524
Adjustments related to revenue recognition adjustments (net)	1,754,306
Net assets, at June 30, 2007, as restated	$12,507,122

NOTE 2 - CASH CONCENTRATIONS:

Cash balances exceed the federally insured limit by approximately $3,612,079 at June 30, 2008. Management does not believe this represents a material credit risk.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consist of the following at June 30, 2008:

TBRA contract	$111,674
HMIS contract	34,030
U.S. Department of H.U.D.	22,682
Salt Lake County	10,882
CSBG	11,278
Food Stamp	15,000
Sales tax refund receivable	3,757
Other	24,738
	$234,041

NOTE 4 - PROMISES TO GIVE:

Promises to give consist of the following at June 30, 2008:

Crusade for the Homeless	$ 800,000
United Way	729,000
Others	67,107
	1,596,107
Discount	(147,465)
Net present value	1,448,642
Less current portion	(428,410)
	$1,020,232

Future collections of promises to give are estimated as follows:

Year ending June 30,	
2009	$ 469,991
2010	464,350
2011	453,316
2012	208,450
	$1,596,107

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

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2008:

Building leasehold improvements	$ 2,027,164
Land	69,000
Buildings	132,451
Vehicles	232,134
Furniture and fixtures	473,256
	2,934,005
Less accumulated depreciation	(975,372)
	$ 1,958,633

NOTE 6 – HOUSING DEVELOPMENT COSTS-PALMER COURT:

During the year ended June 30, 2008, TRH incurred initial development costs totaling $651,503 consisting primarily of architectural, insurance, property taxes, and other initial project development costs related to the Palmer Court project, a project which was recently acquired and is currently being developed by a related party. It is anticipated that these development costs will ultimately be transferred to the related party which owns the Palmer Court project, and that TRH will record a subordinated long-term note receivable for reimbursement of these development costs.

NOTE 7 - INTEREST IN NET ASSETS OF AFFILIATED ORGANIZATION:

In 1992, a donor made a permanently restricted contribution of $1,000,000 and stipulated that the earnings be used to benefit the homeless shelter operated by TRH. In 1995, TRH, the original donor, and the Shelter Trust entered into an agreement whereby the Shelter Trust was made responsible for the administration of this initial $1,000,000 permanently restricted contribution and other permanently restricted donations. TRH does not believe that the agreement gives the Shelter Trust variance power as defined by SFAS No. 136, and therefore records its interest in and changes in the net assets of the Shelter Trust related to these permanently restricted contributions.

At June 30, 2008, TRH has recorded $4,659,368 as its interest in the net assets of the Shelter Trust. During the year ended June 30, 2008, TRH recorded $(331,959) as a decrease in its interest in the net assets of the Shelter Trust. During the year ended June 30, 2008, $236,197 was transferred to and received in cash by TRH.

NOTE 8 - LEASE COMMITMENTS:

TRH currently leases office equipment, the winter shelter building and land under long-term operating leases. Rent expense for the year ended June 30, 2008 totaled $183,463. Future minimum lease commitments under these long-term operating lease agreements are as follows:

Year ending June 30,

2009	$ 32,117
2010	11,780
	$ 43,897

Additionally, as more fully described in Note 11, TRH leases its primary downtown shelter from a related party for $300 per year. This lease agreement is currently under a one-year renewable term with the related party.

NOTE 9 - 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.

TRH has a concentration of credit risk to the extent cash held in bank accounts exceeds federally insured limits. TRH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 10 – RETIREMENT PLAN:

TRH has established a defined contribution retirement plan (the Plan) for the benefit of its employees. To qualify as a participant, an employee must be at least age 21 and have completed one year of service. Under the Plan, TRH makes a discretionary matching contribution based upon an annual determination of the Board of Directors. For the year ended June 30, 2008, TRH contributed $99,439 to the Plan. Participant contributions are fully vested at the time of contribution and TRH contributions vest over five years.

NOTE 11 – RELATED PARTY TRANSACTIONS:

TRH leases the downtown shelter from a related party for $300 per year. TRH estimates that the fair value of the shelter space is $516,000 per year and has recorded contributed revenue and a corresponding expense totaling $516,000 to reflect the estimated fair value of this lease transaction.

At June 30, 2008, TRH has recorded its interest in the net assets of the Shelter Trust totaling $4,659,368, relating to funds transferred/donated to the Shelter Trust for the benefit of TRH, over which the Shelter Trust has not been granted variance power.

TRH incurred $651,503 in housing development costs related to the Palmer Court development project as more fully described in Note 6.

A TRH board member is also the architect of the Palmer Court development. TRH paid approximately $180,000 in development costs for architectural fees that are included in housing development costs – Palmer Court in the consolidated financial statements. Additionally, the architect made a cash contribution of approximately $200,000 to TRH.

NOTE 12– CONTINGENCIES AND COMMITMENTS:

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

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2008 represent resources currently available for use, but expendable only for the specific purposes and time restricted donations, as follows:

Eccles – Palmer Court	$1,114,497
Crusade for the Homeless – Palmer Court	693,021
United Way - 2008-2010 (time restriction)	688,514
Salt Lake County – Housing Now	500,000
Individual pledges (time restriction)	67,107
Playground mural	15,000
Playground	45,960
IHC Chronic homeless	12,500
Children and Teens Arts program	17,524
YMCA After School	2,544
	$3,156,667

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets totaling $4,270,952 at June 30, 2008, represent permanently restricted donations held by the Shelter Trust and represent permanently restricted donations received from various donors to establish an endowment for the benefit of TRH. As further discussed in Note 7, an agreement was entered into between TRH and the Shelter Trust, whereby the responsibility for the investment and administration of this endowment was transferred to the Shelter Trust. Earnings on the assets of the Shelter Trust are available for the support of the TRH homeless shelter, provided, however, that for so long as TRH continues to provide shelter to homeless persons in the State of Utah, that income derived from the endowment shall be directed to TRH for such purposes.

<u>ADDITIONAL INFORMATION</u>

THE ROAD HOME
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal grantor/Pass-through grantor/Program title	Federal CFDA number	Pass-through entity identifying number	Total awards for programs involving pass-through entities	Expenditures
U.S. Department of Homeland Security				
Direct programs:				
Emergency Food and Shelter Program	97.024			$ 136,151
U.S. Department of Housing and Urban Development				
Passed through from Emergency Shelter Grants:				
Salt Lake County*	14.231			57,500
Salt Lake City*	14.231			90,000
State of Utah*	14.231			129,884
Passed through from Supportive Housing Grants:				
Super NOFA Program	14.235			50,701
Successful Transitions	14.235			25,503
Green Street Partners - 2nd West	14.235			4,718
Volunteers of America - Homeless Outreach	14.235			25,283
Supportive Housing Frontier	14.235		126,269	95,579
12 Units Housing Project	14.235			14,095
Passed through from Tenant Based Rental Assistance Grants:				
Salt Lake City*	14.239			79,496
Salt Lake County*	14.239			81,145
West Valley City*	14.239			16,295
Passed through from Community Development Block Grants:				
Alta City	14.218	BV03322		1,350
Bluffdale City	14.218	BV03322		1,500
Cottonwood Heights City	14.218	BV03322		4,500
Draper City	14.218	BV03322		3,500
Herriman City	14.218	BV03322		2,250
Holladay City	14.218	BV03322		4,000
Layton City	14.218	BV03322		5,000
Midvale City	14.218	BV03322		14,000
Murray City	14.218	BV03322		1,000
Riverton City	14.218	BV03322		4,000
Salt Lake City	14.218	BV03322		125,000
Sandy City	14.218	BV03322		14,950
South Jordan City	14.218	BV03322		4,000
South Salt Lake City	14.218	BV03322		2,000
Taylorsville City	14.218	BV03322		6,500
West Jordan City	14.218	BV03322		8,000
Total Department of Housing and Urban Development				871,749
U.S. Department of Veterans Affairs				
Direct programs:				
Housing Work Program for Veterans	64.024			47,782
U.S. Department of Health and Human Services				
Passed through from the State of Utah and Salt Lake County:				
Medicaid Counseling Program Grant	93.714			14,602
Social Services Block Grant	93.667			20,000
Passed through from Salt Lake Community Action Program:				
Community Services Block Grants	93.569			36,648
Total Department of Health and Human Services				71,250
Total Federal Assistance				$ 1,126,932

* - Denotes a major program.

THE ROAD HOME

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2008

NOTE A - GENERAL:

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

NOTE B - BASIS OF ACCOUNTING:

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

NOTE C - SUB-RECIPIENTS:

TRH provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA number	Pass-through identifying number	Amount provided
Supportive Housing Frontier	14.235	-	$ 30,690

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

September 15, 2008

To the Board of Directors and Management of
The Road Home

We have audited the consolidated financial statements of The Road Home as of and for the year ended June 30, 2008, and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's consolidated financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Road Home's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

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

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 15, 2008

To the Board of Directors and Management of
The Road Home

Compliance

We have audited the compliance of The Road Home with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Road Home's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Road Home's management. Our responsibility is to express an opinion on The Road Home's compliance based on our audit.

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

In our opinion, The Road Home complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

Internal Control Over Compliance

The management of The Road Home is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Road Home's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purposes 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

THE ROAD HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Summary of Auditors' Results

i. The auditor issued an unqualified opinion on the consolidated financial statements of the Organization.

ii. One significant deficiency disclosed during the audit of the consolidated financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The condition is reported as a material weakness.

iii. The auditor noted no noncompliance which is material to the consolidated financial statements of the Organization.

iv. There are no significant deficiencies or material weaknesses in internal control over major programs disclosed as a result of the audit of the consolidated financial statements.

v. The auditor issued an unqualified opinion on compliance with requirements applicable to each major program.

vi. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

vii. Major programs consist of:

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
United States Department of Housing and Urban Development:		
Passed through from Emergency Shelter Grants:		
State of Utah	14.231	$129,884
Salt Lake City	14.231	90,000
Salt Lake County	14.231	57,500
Total passed through from Emergency Shelter Grants		$277,384
Passed through from Tenant Based Rental Assistance Grants:		
Salt Lake City	14.239	$ 79,496
Salt Lake County	14.239	81,145
West Valley City	14.239	16,295
Total passed through from Tenant Based Rental Assistance Grants		$176,936

viii. The Organization had no Type A programs for the year ended June 30, 2008. The dollar threshold to distinguish Type A and Type B programs was $300,000. Programs were selected to meet the percentage coverage rule of OMB Circular A-133 paragraph ______.520(f).

ix. The Organization qualifies as a low risk auditee under paragraph .530 of OMB Circular A-133.

Findings – Financial Statement Audit - Internal Controls

2008-1 Financial accounting and reporting of revenues

Condition: Certain revenue items have not been consistently recorded in the appropriate accounting period.

Criteria: Controls should be in place to record all forms of revenue in the appropriate accounting period.

Cause: The Organization has typically recorded revenues when received or billed.

Effect: Accounting records do not reflect certain revenue item amounts that should be recorded at June 30, 2008.

Recommendation: The Organization should improve procedures to properly identify and record revenues (contributions, unconditional promises to give, interest in net assets) in the appropriate accounting period in accordance with generally accepted accounting principles.

Findings and Questioned Costs – Major Federal Awards Program Audit

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2008-2 Passed through from Tenant Based Rental Assistance Grants – CFDA 14.239

Statement of Condition: Documentation of income verification could not be located for 4 of the 40 assistance payments selected for testing.

Criteria: Eligibility for the program requires family income status classified as "low" or "very low", meaning 80 percent and 50 percent, respectively, of the median income level.

Cause of Condition: Proper documentation of participant income level was either not gathered or misfiled.

Effect of Condition: The participant may not be eligible to participate in the program.

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

2008-3 Passed through from Tenant Based Rental Assistance Grants – CFDA 14.239

Statement of Condition: Minimum participant contributions were not collected for 4 of the 40 assistance payments selected for testing.

Criteria: A minimum contribution to each month's rent of $5 is required to be paid by the participant.

Cause of Condition: The Road Home was not aware that this minimum contribution was applicable for the first month of rent.

Effect of Condition: The participant did not contribute the required $5 minimum, and therefore the cost of this amount may have been disallowed.

Recommendation: The Road Home should establish procedures to ensure that all participants make the required minimum contribution to their monthly rent, including the first month of rent.

THE ROAD HOME
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Ref	Finding
	There are no prior audit findings.

THE ROAD HOME
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008

Ref	Corrective Action
2008-1	Management has implemented procedures to ensure that all revenue items are recorded in the proper accounting period.
2008-2	The Road Home Housing Department has updated its procedures in order to ensure that every file approved for tenant based rental assistance includes an income verification document.
2008-3	The Road Home has revised the Tenant Based Rental Assistance check list to include a requirement for the participant to make the required $5 minimum rent payment.