

**THE ROAD HOME**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2009 and 2008**

THE ROAD HOME

CONTENTS

	<u>PAGE</u>
• Independent Auditors' Report	1
• Consolidated Financial Statements	2-15
• Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2009	17-18
• 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	19-20
• Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	21-22
• Schedule of Findings and Questioned Costs	23-24
• Summary Schedule of Prior Audit Findings	25
• Corrective Action Plan	26

# ► Lake, Hill & Myers

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## INDEPENDENT AUDITORS' REPORT

September 15, 2009

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, 2009 and 2008 and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Road Home as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009 on our consideration of The Road Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were 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 17-18 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

<u>ASSETS</u>	June 30,	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 2,335,559	\$ 3,782,509
Grants and contracts receivable	169,169	192,469
Promises to give - current	456,974	428,410
Prepaid expenses and other assets	211,188	149,158
Total current assets	3,172,890	4,552,546
Promises to give - long term	613,973	1,020,232
Property and equipment, net	1,997,988	1,958,633
Due from related party - Palmer Court	2,010,769	651,503
Interest in the net assets of affiliated organization	4,131,043	4,659,368
	\$11,926,663	\$12,842,282
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 50,362	\$ 84,711
Accrued expenses	323,349	280,886
Total current liabilities	373,711	365,597
Net assets:		
Unrestricted	2,483,427	3,009,363
Unrestricted - board designated	1,287,767	1,388,200
Temporarily restricted	3,510,806	3,808,170
Permanently restricted	4,270,952	4,270,952
Total net assets	11,552,952	12,476,685
	\$11,926,663	\$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, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenue and public support:				
Government grants and contracts	\$2,863,252	\$ -	\$ -	\$2,863,252
Private donors	2,611,523	300,000	-	2,911,523
United Way	76,346	-	-	76,346
In-kind	577,000	-	-	577,000
Investment and interest income	81,751	-	-	81,751
Special events	236,065	-	-	236,065
less direct costs	(87,570)	-	-	(87,570)
Loss on disposal of fixed assets	(9,000)	-	-	(9,000)
Other income	155,258	-	-	155,258
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>597,364</u>	<u>(597,364)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>7,101,989</u>	<u>(297,364)</u>	<u>-</u>	<u>6,804,625</u>
Expenses:				
Emergency assistance	620,641	-	-	620,641
Shelter	3,735,753	-	-	3,735,753
Self reliance	581,676	-	-	581,676
Housing	<u>1,773,785</u>	<u>-</u>	<u>-</u>	<u>1,773,785</u>
Total program services	<u>6,711,855</u>	<u>-</u>	<u>-</u>	<u>6,711,855</u>
Management and general	313,127	-	-	313,127
Fundraising	<u>396,513</u>	<u>-</u>	<u>-</u>	<u>396,513</u>
Total supporting services	<u>709,640</u>	<u>-</u>	<u>-</u>	<u>709,640</u>
Total expenses	<u>7,421,495</u>	<u>-</u>	<u>-</u>	<u>7,421,495</u>
Change in net assets from operations	(319,506)	(297,364)	-	(616,870)
Change in interest in net assets of affiliated organization	<u>(306,863)</u>	<u>-</u>	<u>-</u>	<u>(306,863)</u>
Change in net assets	(626,369)	(297,364)	-	(923,733)
Net assets, June 30, 2008	<u>4,397,563</u>	<u>3,808,170</u>	<u>4,270,952</u>	<u>12,476,685</u>
Net assets, June 30, 2009	<u>\$3,771,194</u>	<u>\$3,510,806</u>	<u>\$4,270,952</u>	<u>\$11,552,952</u>

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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	<u>910,532</u>	<u>(910,532)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>6,514,159</u>	<u>342,886</u>	<u>250,000</u>	<u>7,107,045</u>
Expenses:				
Emergency assistance	494,496	-	-	494,496
Shelter	3,535,774	-	-	3,535,774
Self reliance	595,382	-	-	595,382
Housing	<u>1,506,233</u>	<u>-</u>	<u>-</u>	<u>1,506,233</u>
Total program services	<u>6,131,885</u>	<u>-</u>	<u>-</u>	<u>6,131,885</u>
Management and general	332,399	-	-	332,399
Fundraising	<u>341,239</u>	<u>-</u>	<u>-</u>	<u>341,239</u>
Total supporting services	<u>673,638</u>	<u>-</u>	<u>-</u>	<u>673,638</u>
Total expenses	<u>6,805,523</u>	<u>-</u>	<u>-</u>	<u>6,805,523</u>
Change in net assets from operations	(291,364)	342,886	250,000	301,522
Change in interest in net assets of affiliated organization	<u>(331,959)</u>	<u>-</u>	<u>-</u>	<u>(331,959)</u>
Change in net assets	(623,323)	342,886	250,000	(30,437)
Net assets, June 30, 2007	<u>5,020,886</u>	<u>3,465,284</u>	<u>4,020,952</u>	<u>12,507,122</u>
Net assets, June 30, 2008	<u>\$4,397,563</u>	<u>\$3,808,170</u>	<u>\$4,270,952</u>	<u>\$12,476,685</u>

See notes to consolidated financial statements.

THE ROAD HOME  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009

	Program Services Expense				Total program services	Supporting Services Expense			Total supporting services
	Emergency Assistance	Shelter	Self-Reliance	Housing		Management and general	Fundraising	Total	
Salaries, benefits and taxes	\$ 361,240	\$ 1,951,809	\$ 436,909	\$ 1,151,865	\$ 3,901,823	\$ 241,502	\$ 236,904	\$ 478,406	\$ 4,380,229
Contract services	5,351	190,014	708	8,819	204,892	17,514	545	18,059	222,951
Conferences and meetings	3,406	13,338	4,038	10,571	31,353	2,234	2,359	4,593	35,946
Depreciation	3,156	223,859	2,978	4,809	234,802	6,101	3,276	9,377	244,179
Dues and subscriptions	315	1,232	374	888	2,809	207	219	426	3,235
Insurance	1,526	134,993	1,440	3,835	141,794	6,306	1,584	7,890	149,684
Miscellaneous	6,641	27,044	7,757	55,371	96,813	4,310	4,427	8,737	105,550
Participant assistance	200,446	52,000	83,661	242,534	578,641	-	-	-	578,641
Professional fees	5,798	22,648	7,006	26,415	61,867	3,805	4,536	8,341	70,208
Rent	6,867	595,445	6,479	27,668	636,459	13,273	7,125	20,398	656,857
Repairs and maintenance	10,102	169,038	11,621	88,661	279,422	4,292	3,021	7,313	286,735
Supplies	5,060	131,963	5,696	14,711	157,430	4,937	125,143	130,080	287,510
Telephone	6,026	25,494	8,016	18,269	57,805	3,505	3,955	7,460	65,265
Training	1,005	4,246	1,192	4,242	10,685	660	696	1,356	12,041
Transportation	1,428	7,151	1,656	26,020	36,255	86	364	450	36,705
Utilities	2,274	185,479	2,145	50,288	240,186	4,395	2,359	6,754	246,940
Sub-Recipients	-	-	-	38,819	38,819	-	-	-	38,819
<b>Total</b>	<b>\$ 620,641</b>	<b>\$ 3,735,753</b>	<b>\$ 581,676</b>	<b>\$ 1,773,785</b>	<b>\$ 6,711,855</b>	<b>\$ 313,127</b>	<b>\$ 396,513</b>	<b>\$ 709,640</b>	<b>\$ 7,421,495</b>

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

See notes to consolidated financial statements.

THE ROAD HOME  
CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (923,733)	\$ (30,437)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	244,179	183,134
Loss on disposal of assets	9,000	9,538
Donated property and equipment	-	(18,900)
Change in interest in net assets of affiliated organization	306,863	331,959
Change in assets and liabilities:		
Decrease (increase) in grants and contracts receivable	23,300	(35,030)
Decrease in promises to give	377,695	1,859,657
(Increase) decrease in prepaid expenses and other assets	(62,030)	3,161
Increase in accounts payable and accrued expenses	<u>8,114</u>	<u>82,912</u>
Net cash (used in) provided by operating activities	<u>(16,612)</u>	<u>2,385,994</u>
Cash flows from investing activities:		
Purchase of property and equipment	(292,534)	(424,550)
Increase in due from related party - Palmer Court	(1,359,266)	(651,503)
Proceeds from interest in net assets of affiliated organization	221,462	236,197
Transfer of net assets to affiliated organization	<u>-</u>	<u>(250,000)</u>
Net cash used in investing activities	<u>(1,430,338)</u>	<u>(1,089,856)</u>
Net (decrease) increase in cash	(1,446,950)	1,296,138
Cash at beginning of year	<u>3,782,509</u>	<u>2,486,371</u>
Cash at end of year	<u>\$ 2,335,559</u>	<u>\$ 3,782,509</u>

Schedule of non-cash investing and financing activities:

None.

See notes to consolidated financial statements.

THE ROAD HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational Purpose

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

TRH principal programs comprise the following:

- **Emergency Assistance:** Emergency Assistance provides emergency and employment related assistance.
- **Shelter 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 years ended June 30, 2009 and 2008, donated property and equipment reflected in the consolidated statement of activities as contributions totals \$0 and \$18,900, respectively.

### Donated Services, Materials and Facilities

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

The donated services, materials and facilities reflected in the consolidated statement of activities total \$577,000 and \$568,000 during the years ended June 30, 2009 and 2008, respectively, and primarily represent the donation of blankets, with an estimated fair value of \$52,000 (for each of the years ending June 30, 2009 and 2008), 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 \$525,000 and \$516,000 for 2009 and 2008, respectively. These amounts are recorded as contributions and as expense in the consolidated statement of activities and change in net assets.

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

### Functional Expenses

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

### Nonprofit Status

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

### Income Taxes

At June 30, 2009, TRH has not adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). TRH is required to adopt FIN 48 effective with fiscal years that begin after December 15, 2008. TRH evaluates its tax positions for uncertainties. In the event a tax position is determined to result in a probable obligation, TRH records a provision for additional taxes. No provision for uncertain tax positions was recorded by TRH during the year ended June 30, 2009.

### 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.

### Reclassifications

Certain reclassifications have been made to the June 30, 2008 consolidated financial statements to be consistent with the classifications used in the June 30, 2009 consolidated financial statements.

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

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

### NOTE 2 - CASH CONCENTRATIONS:

Cash balances exceed the federally insured limit by approximately \$1,115,352 and \$3,612,079 at June 30, 2009 and 2008, respectively. Management does not believe this represents a material credit risk.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
TBRA contract	\$ 31,531	\$111,674
U.S. Department of H.U.D.	21,094	22,682
State of Utah	42,724	-
Salt Lake City ESG	20,818	-
Salt Lake County	13,610	10,882
CSBG	3,035	11,278
Food Stamp	15,000	15,000
Sales tax refund receivable	2,292	3,757
Other	<u>19,065</u>	<u>17,196</u>
	<u>\$169,169</u>	<u>\$192,469</u>

NOTE 4 - PROMISES TO GIVE:

Promises to give consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Crusade for the Homeless	\$ 600,000	\$ 800,000
United Way	486,000	729,000
Others	<u>90,831</u>	<u>67,107</u>
	1,176,831	1,596,107
Discount	<u>(105,884)</u>	<u>(147,465)</u>
Net present value	1,070,947	1,448,642
Less current portion	<u>(456,974)</u>	<u>(428,410)</u>
	<u>\$ 613,973</u>	<u>\$1,020,232</u>

Future collections of promises to give are estimated as follows:

<u>Year ending June 30,</u>	
2010	\$ 515,781
2011	450,900
2012	206,900
2013	<u>3,250</u>
	<u>\$1,176,831</u>

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:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Building leasehold improvements	\$ 2,251,152	\$ 2,027,164
Land	69,000	69,000
Buildings	132,451	132,451
Vehicles	217,630	232,134
Furniture and fixtures	<u>467,628</u>	<u>473,256</u>
	3,137,861	2,934,005
Less accumulated depreciation	<u>(1,139,873)</u>	<u>(975,372)</u>
	<u>\$ 1,997,988</u>	<u>\$ 1,958,633</u>

NOTE 6 - DUE FROM RELATED PARTY - PALMER COURT:

During the years ended June 30, 2009 and 2008, TRH incurred initial development costs (which were subsequently transferred to Palmer Court) or advanced funds to Palmer Court for the Palmer Court housing development totaling \$2,010,769 and \$651,503, respectively. Palmer Court is a housing development project being developed by a related party. Ultimately, some of these advances will be repaid and the remaining unpaid balance will be recorded as a subordinated long-term note receivable from this related party.

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 GAAP, and therefore records its interest in and changes in the net assets of the Shelter Trust related to these permanently restricted contributions.

At June 30, 2009 and 2008, TRH has recorded \$4,131,043 and \$4,659,368, respectively, as its interest in the net assets of the Shelter Trust. During the years ended June 30, 2009 and 2008, TRH recorded \$(306,863) and \$(331,959), respectively, as a decrease in its interest in the net assets of the Shelter Trust. During the years ended June 30, 2009 and 2008, \$221,462 and \$236,197, respectively, 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 years ended June 30, 2009 and 2008 totaled \$207,536 and \$183,463, respectively. Future minimum lease commitments under these long-term operating lease agreements are as follows:

Year ending June 30,

2010	\$41,230
2011	37,413
2012	37,413
2013	37,413
2014	35,453
Thereafter	<u>10,239</u>
	<u>\$199,161</u>

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.

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 years ended June 30, 2009 and 2008, TRH contributed \$136,068 and \$99,439 to the Plan, respectively. 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 Shelter the Homeless Committee, a related non-profit organization for \$300 per year. For the years ended June 30, 2009 and 2008, TRH estimates that the fair value of the shelter space is \$525,000 and \$516,000, respectively, and has recorded contributed revenue and a corresponding expense totaling \$525,000 and \$516,000 to reflect the estimated fair value of this lease transaction.

At June 30, 2009 and 2008, TRH has recorded its interest in the net assets of the Shelter Trust totaling \$4,131,043 and \$4,659,368, respectively, relating to funds transferred/donated to the Shelter Trust for the benefit of TRH, over which the Shelter Trust has not been granted variance power, as more fully described in Note 7.

At June 30, 2009 and 2008, TRH has a receivable from related party - Palmer Court totaling \$2,010,769 and \$651,503, respectively, as more fully described in Note 6.

A TRH board member is also the architect of the Palmer Court development. During the year ended June 30, 2008, TRH paid approximately \$180,000 in development costs for architectural fees that are included in due from related party - 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 represent resources currently available for use, but expendable only for the specific purposes and time restricted donations, as follows:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Eccles - Palmer Court	\$ 220,394	\$1,114,497
Crusade for the Homeless - Palmer Court	534,602	693,021
Due from related party - Palmer Court	2,010,769	651,503
United Way - 2008-2010 (time restriction)	445,514	688,514
Salt Lake County - Housing Now	-	500,000
Individual pledges (time restriction)	40,831	67,107
Playground mural	-	15,000
Playground	-	45,960
Bunkbeds	10,000	-
Generator	136,720	-
Butler database	50,000	-
Amex shelter donation (time restriction)	50,000	-
IHC Chronic homeless	-	12,500
Children and Teens Arts program	11,976	17,524
YMCA After School	-	2,544
	<u>\$3,510,806</u>	<u>\$3,808,170</u>

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets totaling \$4,270,952 at June 30, 2009 and 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.

**ADDITIONAL INFORMATION**

THE ROAD HOME  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

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			\$ 201,766
U.S. Department of Housing and Urban Development				
Passed through from Emergency Shelter Grants:				
Salt Lake County*	14.231			49,400
Salt Lake City*	14.231			90,000
State of Utah*	14.231			227,226
Passed through from Supportive Housing Grants:				
Successful Transitions	14.235			25,488
Green Street Partners - 2nd West	14.235			3,877
Volunteers of America - Homeless Outreach	14.235			25,283
Supportive Housing Frontier	14.235		99,347	60,528
12 Units Housing Project	14.235			14,095
Passed through from Tenant Based Rental Assistance Grants:				
Salt Lake City*	14.239			81,045
Salt Lake County*	14.239			45,537
West Valley City*	14.239			18,955
Salt Lake County - Pathways	14.238			500
Passed through from Community Development Block Grants:				
Alta City	14.218	BV03422		1,136
Bluffdale City	14.218	BV03422		500
Cottonwood Heights City	14.218	BV03422		4,000
Draper City	14.218	BV03422		2,000
Herriman City	14.218	BV03422		2,000
Holladay City	14.218	BV03422		1,791
Layton City	14.218	BV03422		4,500
Midvale City	14.218	BV03422		14,000
Murray City	14.218	BV03422		2,000
Riverton City	14.218	BV03422		3,420
Salt Lake City	14.218	BV03422		110,000
Salt Lake County	14.218	BV03422		23,885
Sandy City	14.218	BV03422		19,045
South Salt Lake City	14.218	BV03422		2,100
Taylorsville City	14.218	BV03422		3,500
West Jordan City	14.218	BV03422		9,000
West Valley City	14.218	BV03422		10,000
Total Department of Housing and Urban Development				<u>854,811</u>
U.S. Department of Veterans Affairs				
Direct programs:				
Housing Work Program for Veterans	64.024			25,062
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			448
Social Services Block Grant	93.667			19,727
Passed through from the State of Utah - Department of Workforce Services:				
Temporary Assistance for Needy Families*	93.558			185,000
Rapid Re-Housing*	93.558			113,217
Food Stamps	10.561			60,000
Passed through from Salt Lake Community Action Program:				
Community Services Block Grants	93.569			36,422
Total Department of Health and Human Services				<u>414,814</u>
Total Federal Assistance				<u>\$ 1,496,453</u>

\* - Denotes a major program.

THE ROAD HOME

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2009

NOTE A - GENERAL:

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

NOTE B - BASIS OF ACCOUNTING:

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

NOTE C - SUB-RECIPIENTS:

TRH provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through identifying number</u>	<u>Amount provided</u>
Supportive Housing Frontier	14.235	-	<u>\$ 38,819</u>

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, 2009

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, 2009, and have issued our report thereon dated September 15, 2009. 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain other matters that we reported to management of The Road Home in a separate letter dated September 15, 2009.

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

*Lake, Hill & Myers*

# ► Lake, Hill & Myers

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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## 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, 2009

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, 2009. 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, 2009.

## 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.

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.

*Laker, Hill & Myers*

THE ROAD HOME  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009

Summary of Auditors' Results

- i. The auditor issued an unqualified opinion on the consolidated financial statements of the Organization.
- ii. There are no significant deficiencies or material weaknesses in internal control over the consolidated financial statements disclosed as a result of the audit of the consolidated financial statements.
- 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. The auditor identified no audit findings reported under the caption of Audit Findings.
- 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	\$227,226
Salt Lake City	14.231	90,000
Salt Lake County	14.231	<u>49,400</u>
Total passed through from Emergency Shelter Grants		<u>\$366,626</u>
Passed through from Tenant Based Rental Assistance Grants:		
Salt Lake City	14.239	\$ 81,045
Salt Lake County	14.239	45,537
West Valley City	14.239	<u>18,955</u>
Total passed through from Tenant Based Rental Assistance Grants		<u>\$145,537</u>
United States Department of Health and Human Services:		
Passed through from Temporary Assistance for Needy Families Grants:		
State of Utah – DWS – TANF	93.558	\$185,000
State of Utah – DWS – Rapid Re-Housing	93.558	<u>113,217</u>
Total passed through from Tenant Based Rental Assistance Grants		<u>\$298,217</u>

- viii. The Organization had one Type A program for the year ended June 30, 2009. 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 does not qualify as a low risk auditee under paragraph .530 of OMB Circular A-133.

Findings - Financial Statement Audit - Internal Controls

None

Findings and Questioned Costs - Major Federal Awards Program Audit

None

THE ROAD HOME  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

Ref      Finding

2008-1      Financial accounting and reporting of revenues

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

**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.

**Current Status:** Management has implemented procedures to ensure that all revenue items are recorded in the proper accounting period. No materially significant similar findings were noted in the audit for the year ended June 30, 2009.

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.

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

**Current Status:** 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. No recurring similar findings were noted in the audit for the year ended June 30, 2009.

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.

**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.

**Current Status:** 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. No similar findings were noted in the audit for the year ended June 30, 2009.

THE ROAD HOME  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2009

Ref

Corrective Action

There are no current year audit findings and therefore, no corrective action plan comments.