

WASATCH HOMELESS HEALTH CARE, INC.

FINANCIAL STATEMENTS
AND REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Years Ended December 31, 2011 and 2010

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - Year Ended December 31, 2011	5
Statement of Functional Expenses - Year Ended December 31, 2010	6
Statements of Cash Flows	7
Notes to Financial Statements	8
REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133:	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	18
Summary Schedule of Prior Audit Findings	20
Schedule of Findings and Questioned Costs	21



1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wasatch Homeless Health Care, Inc.

We have audited the accompanying statements of financial position of Wasatch Homeless Health Care, Inc. (a Utah nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Wasatch Homeless Health Care, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Homeless Health Care, Inc. as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 9, 2012 on our consideration of Wasatch Homeless Health Care, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Squire Company, PC

May 9, 2012

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,148,588	\$ 1,350,515
Accounts receivable	136,274	126,141
Grants receivable	401,340	346,065
Inventory	260,930	299,497
Investments	69,015	96,313
Prepaid expenses	18,518	24,505
Total current assets	2,034,665	2,243,036
Certificate of Deposit	230,639	-
Net Fixed Assets	3,117,064	3,234,223
Total assets	<u>\$ 5,382,368</u>	<u>\$ 5,477,259</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 76,829	\$ 163,308
Accrued expenses	142,129	112,638
Current portion of notes payables	65,547	70,258
Total current liabilities	284,505	346,204
Notes Payable , less current portion	922,178	1,219,249
Deferred Wages Payable	69,016	91,606
Total liabilities	1,275,699	1,657,059
Net Assets:		
Unrestricted:		
Designated for fixed assets, net of related debt	2,129,339	1,944,716
Undesignated	1,670,430	1,585,942
Temporarily restricted	306,900	289,542
Total net assets	4,106,669	3,820,200
Total liabilities and net assets	<u>\$ 5,382,368</u>	<u>\$ 5,477,259</u>

The accompanying notes are an integral part of these financial statements.

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grant revenues:						
Federal	\$ 2,024,332	\$ -	\$ 2,024,332	\$ 2,404,007	\$ -	\$ 2,404,007
State and local	78,422	-	78,422	86,656	-	86,656
Foundation and private	417,483	306,900	724,383	487,816	286,666	774,482
Total grant revenues	2,520,237	306,900	2,827,137	2,978,479	286,666	3,265,145
Other revenues and support:						
In-kind donations - supplies and pharmaceuticals	2,726,485	-	2,726,485	2,423,738	-	2,423,738
In-kind contributions - volunteer labor	386,051	-	386,051	453,395	-	453,395
Donations	540,609	-	540,609	553,290	-	553,290
Contracts	74,484	-	74,484	42,532	-	42,532
Meaningful use incentive	86,000	-	86,000	-	-	-
Patient insurance	447,583	-	447,583	366,435	-	366,435
HCNU membership fees	-	-	-	111,000	-	111,000
Rent revenue, net of rent expenses	(6,580)	-	(6,580)	(1,792)	-	(1,792)
Other	20,320	-	20,320	30,406	-	30,406
Total other revenues and support	4,274,952	-	4,274,952	3,979,004	-	3,979,004
Net assets released from restrictions	289,542	(289,542)	-	276,625	(276,625)	-
Total revenues and support	7,084,731	17,358	7,102,089	7,234,108	10,041	7,244,149
Expenses:						
Program services	6,030,376	-	6,030,376	5,629,381	-	5,629,381
Administrative services	514,690	-	514,690	507,213	-	507,213
Fundraising	270,554	-	270,554	262,647	-	262,647
Total expenses	6,815,620	-	6,815,620	6,399,241	-	6,399,241
Change in Net Assets	269,111	17,358	286,469	834,867	10,041	844,908
Net Assets at Beginning of Year	3,530,658	289,542	3,820,200	2,695,791	279,501	2,975,292
Net Assets at End of Year	<u>\$ 3,799,769</u>	<u>\$ 306,900</u>	<u>\$ 4,106,669</u>	<u>\$ 3,530,658</u>	<u>\$ 289,542</u>	<u>\$ 3,820,200</u>

The accompanying notes are an integral part of these financial statements.

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Program Services	Administrative Services	Fundraising	Total
Expenses:				
Salaries and wages	\$ 1,489,306	\$ 324,459	\$ 168,344	\$ 1,982,109
Payroll taxes and benefits	311,886	108,427	29,751	450,064
Outside services	78,602	-	-	78,602
Supplies and minor equipment	83,794	9,858	2,840	96,492
Insurance	3,020	3,698	189	6,907
Mortgage interest	19,982	3,122	1,249	24,353
Facilities	54,090	2,697	1,079	57,866
Communications	32,003	1,371	1,989	35,363
Training and travel	35,819	1,855	5,870	43,544
Dues and license	32,524	1,282	667	34,473
Fundraising events	1,003	-	29,144	30,147
Printing and postage	3,620	1,313	9,156	14,089
Respite housing and transportation	93,507	-	-	93,507
In-kind donations - supplies and pharmaceuticals	2,754,489	216	6,100	2,760,805
In-kind contributions - volunteer labor	385,732	319	-	386,051
Contracted services	257,803	39,772	7,170	304,745
HCNU	241,429	-	-	241,429
Pharmaceuticals	48,800	-	-	48,800
Other	3,502	2,290	-	5,792
Depreciation	99,465	14,011	7,006	120,482
Total expenses	<u>\$ 6,030,376</u>	<u>\$ 514,690</u>	<u>\$ 270,554</u>	<u>\$ 6,815,620</u>

The accompanying notes are an integral part of this financial statement.

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	Program Services	Administrative Services	Fundraising	Total
Expenses:				
Salaries and wages	\$ 1,403,000	\$ 309,839	\$ 161,709	\$ 1,874,548
Payroll taxes and benefits	305,439	92,432	25,195	423,066
Outside services	95,822	-	-	95,822
Supplies and minor equipment	99,422	12,231	1,790	113,443
Insurance	11,356	611	244	12,211
Mortgage interest	21,934	3,427	1,371	26,732
Facilities	50,353	2,596	1,039	53,988
Communications	24,231	4,511	1,798	30,540
Training and travel	25,389	16,547	2,717	44,653
Dues and license	25,806	1,054	772	27,632
Fundraising events	1,360	-	36,058	37,418
Printing and postage	6,456	1,490	10,893	18,839
Respite housing and transportation	89,391	-	-	89,391
In-kind donations - supplies and pharmaceuticals	2,349,444	-	6,188	2,355,632
In-kind contributions - volunteer labor	453,395	-	-	453,395
Contracted services	126,640	47,142	6,486	180,268
HCNU	389,071	-	-	389,071
Pharmaceuticals	56,288	-	-	56,288
Other	3,491	2,559	-	6,050
Depreciation	91,093	12,774	6,387	110,254
Total expenses	<u>\$ 5,629,381</u>	<u>\$ 507,213</u>	<u>\$ 262,647</u>	<u>\$ 6,399,241</u>

The accompanying notes are an integral part of this financial statement.

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ 286,469	\$ 844,908
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,770	152,514
Investment (gain) loss recognized	5,818	(11,480)
In-kind donations	(1,800)	-
Changes in operating assets and liabilities:		
Accounts receivable	(65,408)	2,892
Inventory	38,567	(71,076)
Prepaid expenses	5,987	(15,329)
Accounts payable	(86,479)	37,153
Accrued expenses	29,491	(2,502)
Deferred wages payable	(22,590)	52,684
Net cash provided by operating activities	360,825	989,764
Cash Flows from Investing Activities:		
Proceeds from sale of investments	28,970	-
Purchase of certificate of deposit	(230,639)	-
Purchases of fixed assets	(51,811)	(412,995)
Purchases of investments	(7,490)	(38,930)
Net cash used by investing activities	(260,970)	(451,925)
Cash Flows from Financing Activities:		
Repayment of notes payable	(301,782)	(66,030)
Net Change in Cash and Cash Equivalents	(201,927)	471,809
Cash and Cash Equivalents at Beginning of Year	1,350,515	878,706
Cash and Cash Equivalents at End of Year	\$ 1,148,588	\$ 1,350,515

Supplemental Data:

The Center paid \$64,191 and \$69,656 in interest during the years ended December 31, 2011 and 2010, respectively. The Center paid no income taxes during those years.

The Center had no noncash investing or financing activities during the years ended December 31, 2011 and 2010.

The accompanying notes are an integral part of these financial statements.

WASATCH HOMELESS HEALTH CARE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Wasatch Homeless Health Care, Inc. (the Center) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Business Activity – Wasatch Homeless Health Care, Inc. is a nonprofit organization located in Salt Lake City, Utah, created for the purpose of, but not limited to, providing primary medical, dental, pharmacy, and mental health services to indigent and homeless persons. The Center operates under the name “Fourth Street Clinic.”

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

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash includes cash on hand, amounts on deposit with banks, and certificates of deposit with original maturities of three months or less.

Accounts Receivable – The Center’s accounts receivable consist of amounts due from Medicaid, Medicare, and other amounts due from local sources. No allowance for doubtful accounts has been established as the Center deems all amounts to be fully collectible.

Inventory – Inventory consists of pharmaceuticals for Center patients. Inventory is valued at the lower of cost or market using the first-in, first-out method.

Fixed Assets – Fixed assets with a cost of \$1,500 or more are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation (see Note 3). Donated equipment is recorded at estimated fair value at the time of donation.

Revenue Recognition – The Center recognizes revenue when services are provided to the patient. Grant revenues are recognized when qualifying expenses have been incurred and all other grant requirements have been met. Contributions received with restrictions that are met in the same reporting period are treated as unrestricted support. Promises to give are recognized in the period the promise was made.

Donated Services and Supplies – Donated services are recognized as contributions at fair value when the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Donated supplies are recognized as contributions when the supplies would otherwise be purchased by the Center and are recorded at fair value (manufacturer’s wholesale price).

Income Taxes – The Center is a tax-exempt organization under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity. The Center is also exempt from state income taxes.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Allocation of Costs – Direct costs are charged to the appropriate program. Indirect costs are allocated to the programs based on personnel costs and square footage used.

Net Assets – The source of funds received by the Center is primarily from grants and donations. Net assets can be used to further the purpose of the Center. Donations specifically restricted by the donor or restricted by time are recorded as temporarily restricted net assets. The Board has designated a portion of net assets to indicate that such assets are not available for appropriation.

Reclassifications – Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events – The Center has evaluated subsequent events through May 9, 2012, the date the financial statements were available to be issued.

Note 2. Investments

Investments are carried at fair value based on quoted prices in active markets (all level 1 measurements) and consist of the following at December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Common stock	\$ -	\$ 5,047
Equity mutual funds	67,807	89,012
Bond mutual fund	1,208	1,058
Real estate mutual fund	-	1,196
	<u>\$ 69,015</u>	<u>\$ 96,313</u>

Investment return for the year ended December 31, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Dividend income	\$ 829	\$ 746
Net investment gains (losses)	<u>(6,412)</u>	<u>10,734</u>
Total investment income (loss)	<u>\$ (5,583)</u>	<u>\$ 11,480</u>

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3. Fixed Assets

Fixed assets held by the Center at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives (Years)</u>
Land	\$ 1,898,271	\$ 1,898,271	N/A
Capital projects in progress	-	99,947	N/A
Building and improvements	1,512,465	1,422,847	15 to 30 years
Office equipment	60,819	94,617	3 to 5 years
Computer equipment	153,860	141,689	3 to 5 years
Medical equipment	69,010	80,518	5 to 15 years
Computer software	54,716	163,251	3 to 5 years
	<u>3,749,141</u>	<u>3,901,140</u>	
Accumulated depreciation	<u>(632,077)</u>	<u>(666,917)</u>	
Net fixed assets	<u>\$ 3,117,064</u>	<u>\$ 3,234,223</u>	

Note 4. Lines of Credit

The Center has established a line of credit of \$52,000 at a bank. No amount is outstanding on this line of credit. The interest on the line of credit is prime plus 6.75 percent.

Note 5. In-kind Donations

The Center receives donated services in the form of medical, dental, and other professional resources provided to the Center at no charge.

The Center receives donated supplies in the form of prescription drugs, immunizations, and medical supplies at no charge. The manufacturer's wholesale price of these supplies is recognized as a donation.

The total value of in-kind donations for the year ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Donated services	\$ 386,051	\$ 453,395
Donated pharmaceuticals	2,688,286	2,361,608
Donated supplies	<u>38,199</u>	<u>62,130</u>
Total	<u>\$ 3,112,536</u>	<u>\$ 2,877,133</u>

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6. Concentrations

Financial instruments that potentially subject the Center to credit risk include cash on deposit in checking and savings accounts. Cash is carried on the books at \$1,148,588 with a corresponding bank balance of \$1,378,136 at December 31, 2011, all of which is covered by federal depository insurance.

Note 7. Economic Dependency

The Center receives much of its revenue as a service provider under grants from public and private sources. These grants funded 40 and 45 percent of total revenues for the years ended December 31, 2011 and 2010, respectively.

Note 8. Defined Contribution Plan

The Center participates in a defined contribution plan for employees who meet certain eligibility and service requirements. The Center contributes 4 percent of an employee's eligible earnings. The Center made contributions to the plan totaling \$60,844 and \$58,251 during the years ended December 31, 2011 and 2010, respectively.

Note 9. Deferred Compensation Plan

The Center sponsors an unfunded nonqualified deferred compensation plan covering eligible management-level employees. Plan benefits are based on the employee's current compensation. The Center owes \$69,016 and \$91,606 to these employees at December 31, 2011 and 2010, respectively, reported as "deferred wages payable" on the statement of financial position.

In an effort to provide the funds necessary to pay these benefits to its employees upon retirement or leaving the Center's employment, the Center has placed these funds in an investment account (see Note 2).

Note 10. Commitments

During 2009, the Center entered into a 3-year agreement to service equipment owned by the Center. Monthly payments are \$440. The Center paid \$5,280 during each of the years ended December 31, 2011 and 2010. Future minimum payments for this agreement are \$3,960 for the year ending December 31, 2012.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 11. Notes Payable

Notes payable at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Note payable to a bank at 2.5 percent interest over weekly average rate of United States Treasury Securities (5.14 percent at December 31, 2011), monthly payments of \$9,565, collateralized by building, due in 2013.	\$ 987,725	\$ 1,049,282
Note payable to a bank at 5.0 percent interest, monthly payments of \$1,662 and one final irregular payment of \$210,823, collateralized by building, paid in full in 2011.	<u>-</u>	<u>240,225</u>
Total	987,725	1,289,507
Current portion	<u>(65,547)</u>	<u>(70,258)</u>
Long-term portion	<u>\$ 922,178</u>	<u>\$ 1,219,249</u>

Principal maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 65,547
2013	<u>922,178</u>
	<u>\$ 987,725</u>

Note 12. Contingencies

Disallowed Costs – The Center receives funds from government and private entities to perform specific services. The grantors reserve the right to perform certain audit work in addition to the services performed by the Center’s independent auditors. Disallowed costs, if any, resulting from such additional work, would need to be repaid by the Center from unrestricted funds. Management does not believe that any significant costs will be incurred by the Center if such additional work should occur.

Unemployment Insurance – The Center maintains a self-insurance program for unemployment claims. Costs are accrued based on the maximum amount a terminated employee can claim against the Center as of the balance sheet date. The total accrued liability for self-insurance total \$10,591 and \$13,963 as of December 31, 2011 and 2010, respectively.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13. Leasing Activities

The Center leases office space to tenants under noncancelable operating leases with terms of one to five years. The following is a schedule by year of future minimum rentals under these leases at December 31, 2011:

Year Ending December 31,	
2012	\$ 67,872
2013	<u>36,005</u>
	<u>\$ 103,877</u>

Rent revenue is shown net of related expenses on the statements of activities as follows for the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Rent revenue	\$ 139,338	\$ 127,178
Depreciation	(50,288)	(42,260)
Mortgage interest	(38,090)	(41,812)
Property taxes	(22,633)	(15,063)
Salaries and wages	(15,917)	(17,595)
Payroll taxes and benefits	(3,674)	(4,399)
Contracted services	(2,230)	(3,521)
Facilities	(12,331)	(3,203)
Supplies and minor equipment	<u>(755)</u>	<u>(1,117)</u>
Rent revenue, net of rent expenses	<u>\$ (6,580)</u>	<u>\$ (1,792)</u>

REPORTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Year Ended December 31, 2011

WASATCH HOMELESS HEALTH CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Grantor/Pass-through Grantor/Program Title	CFDA Number	Receivable (Deferral) 12/31/2010	Received	Expended	Receivable (Deferral) 12/31/2011
U.S. Department of Housing and Urban Development:					
Passed through Salt Lake County:					
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,500	\$ 32,987	\$ 40,487	\$ 10,000
Passed through Salt Lake City:					
Community Development Block Grants/Entitlement Grants	14.218	17,549	50,448	43,940	11,041
U.S. Department of Health and Human Services:					
Direct:					
Consolidated Health Centers	93.224	-	1,555,180	1,555,180	-
ARRA - Health Center Integrated Services					
Development Initiative	93.703 *	-	278,149	278,149	-
Passed through Association for Utah Community Health:					
Immunization Grants	93.268	375	13,594	17,187	3,968
Centers for Disease Control and Prevention -					
Investigations and Technical Assistance	93.283	2,995	11,965	18,150	9,180
Children's Health Insurance Program	93.767	727	13,062	12,335	-
Health Care and Other Facilities	93.887	53,282	59,300	6,018	-
Passed through Utah Department of Health:					
ARRA - Immunization	93.712 *	-	25,000	25,000	-
Federal Emergency Management Agency:					
Direct:					
Emergency Food and Shelter National Board Program	97.024	-	27,886	27,886	-
		\$ 77,428	\$ 2,067,571	\$ 2,024,332	\$ 34,189

* Indicates program is funded by Recovery Act

The accompanying notes are an integral part of this schedule.

WASATCH HOMELESS HEALTHCARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Wasatch Homeless Health Care, Inc. (the Center). 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. The schedule reports the federal awards expended on the accrual basis of accounting.

Note B. Subrecipients of Federal Award Programs

Amounts provided to a subrecipient of the Center for the year ended December 31, 2011 are as follows:

<u>CFDA</u>	<u>Program Title</u>	<u>Amount</u>
93.703	ARRA - Health Center Integrated Services Development Initiative	\$ 241,429



1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

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

Board of Directors
Wasatch Homeless Health Care, Inc.

We have audited the financial statements of Wasatch Homeless Health Care, Inc., (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 9, 2012. 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

Management of Wasatch Homeless Health Care, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wasatch Homeless Health Care, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wasatch Homeless Health Care, Inc.'s internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wasatch Homeless Health Care, Inc.'s 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

May 9, 2012



1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

Independent Auditor's Report on Compliance with Requirements that Could
Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Wasatch Homeless Health Care, Inc.

Compliance

We have audited Wasatch Homeless Health Care, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wasatch Homeless Health Care, Inc.'s major federal programs for the year ended December 31, 2011. Wasatch Homeless Health Care, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wasatch Homeless Health Care, Inc.'s management. Our responsibility is to express an opinion on Wasatch Homeless Health Care, Inc.'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 Wasatch Homeless Health Care, Inc.'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 Wasatch Homeless Health Care, Inc.'s compliance with those requirements.

In our opinion, Wasatch Homeless Health Care, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Wasatch Homeless Health Care, Inc. 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 Wasatch Homeless Health Care, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wasatch Homeless Health Care, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Directors, management, 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.

Squire & Company, PC

May 9, 2012

WASATCH HOMELESS HEALTH CARE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2011

No matters were reported in the prior year.

WASATCH HOMELESS HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weaknesses identified? ___ yes X no

-Significant deficiencies identified that are not considered to be material weaknesses?
 ___ yes X none reported

Noncompliance material to financial statements noted?
 ___ yes X no

Federal Awards:

Internal control over major programs:

-Material weaknesses identified? ___ yes X no

- Significant deficiencies identified that are not considered to be material weaknesses?
 ___ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? ___ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224	Consolidated Health Centers Cluster:
93.703	Consolidated Health Centers
	ARRA - Health Center Integrated Services Development Initiative

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.