

WASATCH HOMELESS HEALTH CARE, INC.

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

Years Ended December 31, 2013 and 2012

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, 2013	5
Statement of Functional Expenses - Year Ended December 31, 2012	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	15
Notes to Schedule of Expenditures of Federal Awards	16
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>	17
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	19
Summary Schedule of Prior Audit Findings	21
Schedule of Findings and Questioned Costs	22



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.

Report on the Financial Statements

We have audited the accompanying financial statements of Wasatch Homeless Health Care, Inc. (a Utah nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Homeless Health Care, Inc. as of December 31, 2013 and 2012 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.

Other Matters

Other Information

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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2014 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* in considering Wasatch Homeless Health Care, Inc.'s internal control over financial reporting and compliance.



Orem, Utah
May 19, 2014

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash	\$ 1,232,527	\$ 894,003
Accounts receivable	216,658	141,255
Pledges receivable	480,036	-
Grants receivable	699,151	341,340
Inventory	480,075	271,559
Investments	1,262,086	617,806
Prepaid expenses	32,594	22,492
Total current assets	4,403,127	2,288,455
Certificate of Deposit	-	233,862
Net Fixed Assets	5,559,131	3,205,512
Total assets	<u>\$ 9,962,258</u>	<u>\$ 5,727,829</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 369,713	\$ 167,170
Accrued expenses	150,814	128,795
Current portion of note payable	72,534	68,858
Total current liabilities	593,061	364,823
Note Payable , less current portion	791,010	863,539
Deferred Wages Payable	121,814	88,488
Total liabilities	1,505,885	1,316,850
Net Assets:		
Unrestricted:		
Designated for fixed assets, net of related debt	4,695,587	2,273,114
Undesignated	2,654,576	1,887,865
Temporarily restricted	1,106,210	250,000
Total net assets	8,456,373	4,410,979
Total liabilities and net assets	<u>\$ 9,962,258</u>	<u>\$ 5,727,829</u>

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

WASATCH HOMELESS HEALTH CARE, INC.
STATEMENTS OF ACTIVITIES

Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grant revenues:						
Federal	\$ 4,587,323	\$ -	\$ 4,587,323	\$ 2,164,606	\$ -	\$ 2,164,606
State and local	133,618	-	133,618	66,997	-	66,997
Foundation and private	597,539	378,834	976,373	508,266	231,800	740,066
Total grant revenues	5,318,480	378,834	5,697,314	2,739,869	231,800	2,971,669
Other revenues and support:						
In-kind contributions - goods	2,892,464	-	2,892,464	2,662,812	-	2,662,812
In-kind contributions - services	312,316	-	312,316	291,047	-	291,047
Donations	808,891	725,776	1,534,667	530,809	-	530,809
Contracts	32,970	-	32,970	41,696	-	41,696
Meaningful use incentive	132,000	-	132,000	100,000	-	100,000
Patient insurance	427,370	-	427,370	469,099	-	469,099
Rent revenue, net of rent expenses	(29,702)	-	(29,702)	(33,863)	-	(33,863)
Other	109,967	-	109,967	35,119	-	35,119
Total other revenues and support	4,686,276	725,776	5,412,052	4,096,719	-	4,096,719
Net assets released from restrictions	248,400	(248,400)	-	288,700	(288,700)	-
Total revenues and support	10,253,156	856,210	11,109,366	7,125,288	(56,900)	7,068,388
Expenses:						
Program services	6,123,478	-	6,123,478	5,901,184	-	5,901,184
Administrative services	658,417	-	658,417	614,034	-	614,034
Fundraising	282,077	-	282,077	248,860	-	248,860
Total expenses	7,063,972	-	7,063,972	6,764,078	-	6,764,078
Change in Net Assets	3,189,184	856,210	4,045,394	361,210	(56,900)	304,310
Net Assets at Beginning of Year	4,160,979	250,000	4,410,979	3,799,769	306,900	4,106,669
Net Assets at End of Year	<u>\$ 7,350,163</u>	<u>\$ 1,106,210</u>	<u>\$ 8,456,373</u>	<u>\$ 4,160,979</u>	<u>\$ 250,000</u>	<u>\$ 4,410,979</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, 2013

	Program Services	Administrative Services	Fundraising	Total
Expenses:				
Salaries and wages	\$ 1,543,698	\$ 387,782	\$ 146,850	\$ 2,078,330
Payroll taxes and benefits	311,590	97,932	39,318	448,840
Outside services	90,021	-	-	90,021
Supplies and minor equipment	355,653	66,235	3,552	425,440
Insurance	4,978	5,853	106	10,937
Interest	23,228	988	494	24,710
Facilities	55,202	2,144	1,073	58,419
Communications	44,718	1,542	2,142	48,402
Training and travel	47,932	1,951	4,879	54,762
Dues and license	31,958	1,088	649	33,695
Fundraising events	1,259	-	60,116	61,375
Printing and postage	7,180	2,200	3,758	13,138
Respite housing and transportation	91,305	-	-	91,305
In-kind contributions - supplies and pharmaceuticals	2,684,228	1	120	2,684,349
In-kind contributions - volunteer labor	309,342	2,974	-	312,316
Contracted services	312,776	61,999	14,794	389,569
Pharmaceuticals	91,021	-	-	91,021
Other	16,925	17,489	107	34,521
Depreciation	100,464	8,239	4,119	112,822
Total expenses	<u>\$ 6,123,478</u>	<u>\$ 658,417</u>	<u>\$ 282,077</u>	<u>\$ 7,063,972</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, 2012

	Program Services	Administrative Services	Fundraising	Total
Expenses:				
Salaries and wages	\$ 1,442,780	\$ 353,339	\$ 136,958	\$ 1,933,077
Payroll taxes and benefits	301,495	114,117	35,736	451,348
Outside services	97,826	-	-	97,826
Supplies and minor equipment	107,041	9,049	4,951	121,041
Insurance	5,243	3,550	112	8,905
Interest	24,940	1,061	531	26,532
Facilities	48,027	1,955	941	50,923
Communications	38,049	1,293	2,136	41,478
Training and travel	56,582	1,557	4,922	63,061
Dues and license	31,539	1,076	788	33,403
Fundraising events	4,661	-	43,610	48,271
Printing and postage	5,280	765	5,950	11,995
Respite housing and transportation	93,621	-	-	93,621
In-kind contributions - supplies and pharmaceuticals	2,653,326	2,750	-	2,656,076
In-kind contributions - volunteer labor	287,242	3,806	-	291,048
Contracted services	268,819	105,369	7,428	381,616
Health Choice Network of Utah	260,000	-	-	260,000
Pharmaceuticals	54,694	-	-	54,694
Other	10,836	4,751	-	15,587
Depreciation	109,183	9,596	4,797	123,576
Total expenses	<u>\$ 5,901,184</u>	<u>\$ 614,034</u>	<u>\$ 248,860</u>	<u>\$ 6,764,078</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, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ 4,045,394	\$ 304,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	152,890	163,083
Investment (gain) loss realized	(447)	371
In-kind contributions	(5,624)	(6,958)
Changes in operating assets and liabilities:		
Accounts, pledges, and grants receivable	(913,250)	55,019
Inventory	(208,516)	(10,629)
Prepaid expenses	(10,102)	(3,974)
Accounts payable	202,543	90,341
Accrued expenses	22,019	(13,334)
Deferred wages payable	33,326	19,472
Net cash provided by operating activities	3,318,233	597,701
Cash Flows from Investing Activities:		
Proceeds from sale of investments	9,705	6,470
Proceeds from maturity of certificate of deposit	233,862	-
Purchase of certificate of deposit	-	(3,223)
Purchases of fixed assets	(2,506,509)	(251,531)
Purchases of investments	(647,914)	(548,674)
Net cash used by investing activities	(2,910,856)	(796,958)
Cash Flows from Financing Activities:		
Repayment of note payable	(68,853)	(55,328)
Net Change in Cash	338,524	(254,585)
Cash at Beginning of Year	894,003	1,148,588
Cash at End of Year	\$ 1,232,527	\$ 894,003

Supplemental Data:

The Center paid \$46,963 and \$50,242 in interest during the years ended December 31, 2013 and 2012, 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, 2013 and 2012.

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.”

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 current market value provided by the Center’s 340B pharmaceutical suppliers using the first-in, first-out method.

Fixed Assets – Fixed assets with a cost of \$5,000 or more are capitalized and depreciated over their estimated useful lives using the straight-line method of depreciation (see Note 4). Donated equipment is recorded at estimated fair value at the time of donation.

Maintenance, repairs and renewals, which neither materially add value to the property nor prolong its useful economic life, are charged to expense as incurred.

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 exempt from federal income tax under Section 501(a) of the Internal Revenue Code (except on net income derived from unrelated business activities) and is classified as a Section 501(c)(3) public charity. Also, the Center is not subject to state income taxes. The Center believes it has appropriate support for any tax positions taken and as such does not have any uncertain tax positions that are significant to the financial statements. The Center’s federal Returns of Organization Exempt from Income Taxes (Forms 990) are open for audit by the Internal Revenue Service for three years after they are filed.

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

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. The Board has designated a portion of net assets to indicate that such assets are not available for appropriation.

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.

Subsequent Events – The Center has evaluated subsequent events through May 19, 2014, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Pledged contributions are recorded when the pledge’s collection is expected in the near term and is probable. All pledges receivable (at their net present value) are restricted for the Center’s dental services. Pledges made will be received over the next four years. Pledges have been discounted to their net present value using the December 2013 Applicable Federal Rate (1.65 percent) for the anticipated collection period. No allowance for uncollectible pledges has been established as the Center believes all amounts will be received.

The total amount to be received over the next four years is \$500,000 and has been discounted to \$480,036 at December 31, 2013.

Note 3. Investments

Investments are carried at fair value based on quoted prices in active markets (all level 1 measurements – quoted prices in active markets) and consist of the following at December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Common stock	\$ 432,366	\$ 98,279
Equity mutual funds	120,662	86,753
Bond mutual funds	709,058	432,774
	<u>\$ 1,262,086</u>	<u>\$ 617,806</u>

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3. Investments (Continued)

Investment return for the years ended December 31, 2013 and 2012 is summarized as follows:

	<u>2013</u>	<u>2012</u>
Dividend income	\$ 32,497	\$ 8,571
Net investment gains	<u>69,518</u>	<u>11,066</u>
Total investment income	<u><u>102,015</u></u>	<u><u>19,637</u></u>

Note 4. Fixed Assets

Fixed assets held by the Center at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>	Estimated Useful Lives (Years)
Land	\$ 1,898,271	\$ 1,898,271	
Construction in progress	2,390,142	159,148	
Building and improvements	1,627,659	1,516,023	15 to 30 years
Furniture and fixtures	27,366	-	5 years
Office equipment	88,130	65,907	3 years
Computer equipment	226,086	223,186	3 years
Medical equipment	183,660	81,355	5 to 15 years
Computer software	56,781	56,781	3 years
	<u>6,498,095</u>	<u>4,000,671</u>	
Accumulated depreciation	<u>(938,964)</u>	<u>(795,159)</u>	
Net fixed assets	<u><u>\$ 5,559,131</u></u>	<u><u>\$ 3,205,512</u></u>	

Note 5. Line of Credit

The Center has established a line of credit of \$52,000 at a bank. No amount was outstanding on this line of credit at December 31, 2013 and 2012. The interest rate on the line of credit is prime plus 6.75 percent.

Note 6. Note Payable

During 2012, the Center refinanced the note on its building. The note is payable in monthly installments of \$9,651 and bears interest at 5.14 percent. The mortgage is collateralized by the building and is due May 2023. There is a prepayment penalty should the Center retire the note before August 2017. The balance owed was \$863,544 and \$932,397 at December 31, 2013 and 2012, respectively.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6. Note Payable (Continued)

Future principal maturities at December 31, 2013 are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 72,534
2015	76,406
2016	80,380
2017	84,774
2018	89,299
Thereafter	460,151
	<u>\$ 863,544</u>

Note 7. Temporarily Restricted Net Assets

A summary of temporarily restricted net assets at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Restricted for:		
General services	\$ 234,600	\$ 235,200
Dental equipment and services	830,160	-
Hearing	1,600	14,800
Behaviorial health	36,600	-
Women's health	3,250	-
	<u>\$ 1,106,210</u>	<u>\$ 250,000</u>

Note 8. 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.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 8. In-kind Donations (Continued)

The total value of in-kind donations for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Donated services	\$ 312,316	\$ 291,047
Donated pharmaceuticals	2,858,291	2,613,374
Donated supplies	<u>34,173</u>	<u>49,438</u>
Total	<u>\$ 3,204,780</u>	<u>\$ 2,953,859</u>

Note 9. Concentrations

At December 31, 2013, the Center's book balance of cash accounts totaled \$1,232,527 and the bank balance was \$1,314,881, of which \$1,269,313 is covered by federal depository and securities investor insurance.

The Center receives much of its revenue as a service provider under grants from public and private sources. These grants funded 51 and 42 percent of total revenues for the years ended December 31, 2013 and 2012, respectively.

During 2012, the Center was awarded a federal grant totaling \$2,928,599 to remodel/expand its existing facilities and to equip these facilities. At December 31, 2013, the Center had expended \$2,743,030 of the grant funds. The remaining grant funds are anticipated to be used during the year ending December 31, 2014.

Note 10. Retirement Plans

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 \$67,612 and \$54,776 during the years ended December 31, 2013 and 2012, respectively.

The Center sponsors a nonqualified deferred compensation plan covering eligible management-level employees. Plan benefits are based on the employee's current compensation. The Center owes \$121,814 and \$88,488 to these employees at December 31, 2013 and 2012, respectively, reported as "deferred wages payable" on the statements 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 \$120,710 and \$87,746 in an investment account at December 31, 2013 and 2012, respectively.

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments

During 2012, the Center entered into agreements for construction services and an agreement for architectural services. The estimated cost of these services is \$2,028,936, of which \$1,889,040 had been spent at December 31, 2013. The remaining commitment of \$139,896 will be paid during the year ending December 31, 2014 and will be paid for by federal grant funds (see Note 9).

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.

Federal Interest in Building – As a condition of a federal grant to fund the remodel/expansion of the Center’s facilities (see Note 9), the Center has signed a “Notice of Federal Interest” limiting the Center’s ability to mortgage, sell, transfer, or change the use of its facilities without approval by the U.S. Department of Health and Human Services, Health Resources and Services Administration.

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 Center has no liability for self-insurance at December 31, 2013 and 2012.

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, 2013:

<u>Year Ending</u> <u>December 31,</u>	
2014	\$ 74,210
2015	55,120
2016	22,844
2017	12,055
2018	<u>6,117</u>
	<u>\$ 170,346</u>

WASATCH HOMELESS HEALTH CARE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13. Leasing Activities (Continued)

Rent revenue is shown net of related expenses on the statements of activities as follows for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Rent revenue	\$ 84,186	\$ 87,641
Depreciation	(40,068)	(39,507)
Mortgage interest	(21,913)	(23,528)
Property taxes	(10,564)	(16,432)
Salaries and wages	(14,804)	(11,812)
Payroll taxes and benefits	(2,070)	(2,363)
Contracted services	(7,988)	(7,126)
Facilities	(15,762)	(20,286)
Supplies and minor equipment	<u>(719)</u>	<u>(450)</u>
Rent revenue, net of rent expenses	<u>\$ (29,702)</u>	<u>\$ (33,863)</u>

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

Year Ended December 31, 2013

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

Year Ended December 31, 2013

Grantor/Pass-through Grantor/Program Title	CFDA Number	Receivable (Deferral) 12/31/2012	Received	Expended	Receivable (Deferral) 12/31/2013
U.S. Department of Housing and Urban Development:					
Passed through Salt Lake County:					
Community Development Block Grants/Entitlement Grants	14.218	\$ 5,000	\$ 96,460	\$ 93,405	\$ 1,945
Passed through Salt Lake City:					
Community Development Block Grants/Entitlement Grants	14.218	19,999	49,765	40,041	10,275
		<u>24,999</u>	<u>146,225</u>	<u>133,446</u>	<u>12,220</u>
U.S. Department of Health and Human Services:					
Direct:					
Consolidated Health Centers	93.224	-	849,708	849,708	-
Affordable Care Act Grants for Capital Development in Health Centers	93.526	-	2,419,295	2,708,157	288,862
Affordable Care Act Grants for New and Expanded Services under the Health Centers Program	93.527	-	778,846	848,431	69,585
Passed through Association for Utah Community Health:					
Immunization Grants	93.268	3,979	17,573	16,096	2,502
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	2,500	2,500	-	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	-	1,250	1,250	-
National Bioterrorism Hospital Preparedness Program	93.889	-	125	125	-
Passed through Utah Department of Health:					
Prevention and Public Health Fund Affordable Care Act - Immunization Program	93.539	25,000	46,666	25,000	3,334
		<u>31,479</u>	<u>4,115,963</u>	<u>4,448,767</u>	<u>364,283</u>
Federal Emergency Management Agency:					
Direct:					
Emergency Food and Shelter National Board Program	97.024	12,672	17,782	5,110	-
Total federal awards		<u>\$ 69,150</u>	<u>\$ 4,279,970</u>	<u>\$ 4,587,323</u>	<u>\$ 376,503</u>

The accompanying notes are an integral part of this schedule.

WASATCH HOMELESS HEALTH CARE, 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.



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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Wasatch Homeless Health Care, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wasatch Homeless Health Care, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wasatch Homeless Health Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wasatch Homeless Health Care, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
May 19, 2014



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 by OMB Circular A-133

Board of Directors
Wasatch Homeless Health Care, Inc.

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wasatch Homeless Health Care, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Wasatch Homeless Health Care, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Wasatch Homeless Health Care, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Wasatch Homeless Health Care, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Wasatch Homeless Health Care, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Squire & Company, PC

Orem, Utah
May 19, 2014

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

Year Ended December 31, 2013

No matters were reported in the prior year.

WASATCH HOMELESS HEALTH CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unmodified

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: unmodified

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 Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

93.527	Health Centers Cluster: Affordable Care Act Grants for Capital Development in Health Centers
--------	--

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.