

**WASATCH HOMELESS HEALTH CARE, INC.**

FINANCIAL STATEMENTS  
AND REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE

Years Ended December 31, 2015 and 2014

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## 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, 2015 and 2014, 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 audits 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, 2015 and 2014 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 is presented for purposes of additional analysis, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 June 29, 2016 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.

*Squire & Company, PC*

Orem, Utah  
June 29, 2016

**WASATCH HOMELESS HEALTH CARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 1,730,630	\$ 1,276,530
Accounts receivable	235,136	221,953
Current portion of contributions receivable	125,000	125,000
Grants receivable	146,457	169,024
Inventory	582,302	233,816
Investments	1,521,894	1,582,432
Prepaid expenses	12,141	32,790
Total current assets	4,353,560	3,641,545
<b>Net Fixed Assets</b>	4,891,853	5,164,704
<b>Contributions Receivable</b> , less current portion	237,957	237,957
Total assets	<u>\$ 9,483,370</u>	<u>\$ 9,044,206</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 87,727	\$ 151,578
Accrued expenses	173,885	189,593
Current portion of note payable	80,380	76,406
Total current liabilities	341,992	417,577
<b>Note Payable</b> , less current portion	634,258	714,630
<b>Deferred Wages Payable</b>	96,373	124,725
Total liabilities	1,072,623	1,256,932
<b>Net Assets:</b>		
Unrestricted:		
Designated for net fixed assets, net of related debt	4,177,215	4,373,668
Undesignated	3,719,366	2,295,325
Temporarily restricted	514,166	1,118,281
Total net assets	8,410,747	7,787,274
Total liabilities and net assets	<u>\$ 9,483,370</u>	<u>\$ 9,044,206</u>

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

**WASATCH HOMELESS HEALTH CARE, INC.**  
**STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Grant revenues:</b>						
Federal	\$ 2,318,716	\$ -	\$ 2,318,716	\$ 2,156,181	\$ -	\$ 2,156,181
State and local	195,294	-	195,294	164,454	-	164,454
Foundation and private	557,721	151,209	708,930	148,700	599,000	747,700
<b>Total grant revenues</b>	<b>3,071,731</b>	<b>151,209</b>	<b>3,222,940</b>	<b>2,469,335</b>	<b>599,000</b>	<b>3,068,335</b>
<b>Other revenues and support:</b>						
In-kind contributions - goods	1,923,150	-	1,923,150	2,363,699	-	2,363,699
In-kind contributions - services	1,033,700	-	1,033,700	258,207	-	258,207
Donations	1,207,048	-	1,207,048	841,195	77,921	919,116
Contracts	76,796	-	76,796	66,542	-	66,542
Meaningful use incentive	85,000	-	85,000	148,750	-	148,750
Patient insurance	578,001	-	578,001	498,654	-	498,654
Interest and investment income (loss)	(26,434)	-	(26,434)	120,712	-	120,712
Rent revenue, net of rent expenses	22,073	-	22,073	24,823	-	24,823
Loss on disposal of fixed assets	-	-	-	(226,482)	-	(226,482)
Other	9,848	-	9,848	9,446	-	9,446
<b>Total other revenues and support</b>	<b>4,909,182</b>	<b>-</b>	<b>4,909,182</b>	<b>4,105,546</b>	<b>77,921</b>	<b>4,183,467</b>
Net assets released from restrictions	755,324	(755,324)	-	664,850	(664,850)	-
<b>Total revenues and support</b>	<b>8,736,237</b>	<b>(604,115)</b>	<b>8,132,122</b>	<b>7,239,731</b>	<b>12,071</b>	<b>7,251,802</b>
<b>Expenses:</b>						
Program services	6,438,297	-	6,438,297	6,687,991	-	6,687,991
Administrative services	782,068	-	782,068	909,272	-	909,272
Fundraising	288,284	-	288,284	323,638	-	323,638
<b>Total expenses</b>	<b>7,508,649</b>	<b>-</b>	<b>7,508,649</b>	<b>7,920,901</b>	<b>-</b>	<b>7,920,901</b>
<b>Change in Net Assets</b>	<b>1,227,588</b>	<b>(604,115)</b>	<b>623,473</b>	<b>(681,170)</b>	<b>12,071</b>	<b>(669,099)</b>
<b>Net Assets at Beginning of Year</b>	<b>6,668,993</b>	<b>1,118,281</b>	<b>7,787,274</b>	<b>7,350,163</b>	<b>1,106,210</b>	<b>8,456,373</b>
<b>Net Assets at End of Year</b>	<b>\$ 7,896,581</b>	<b>\$ 514,166</b>	<b>\$ 8,410,747</b>	<b>\$ 6,668,993</b>	<b>\$ 1,118,281</b>	<b>\$ 7,787,274</b>

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

**WASATCH HOMELESS HEALTH CARE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2015

	Program Services	Administrative Services	Fundraising	Total
<b>Expenses:</b>				
Salaries and wages	\$ 2,104,589	\$ 327,793	\$ 161,581	\$ 2,593,963
Payroll taxes and benefits	405,080	90,734	22,269	518,083
Outside services	105,518	-	-	105,518
Supplies and minor equipment	182,078	23,324	871	206,273
Insurance	13,997	10,390	132	24,519
Interest	17,130	1,105	184	18,419
Facilities	52,025	7,129	548	59,702
Communications	44,073	2,559	875	47,507
Training and travel	38,877	8,032	1,310	48,219
Dues and license	24,422	879	756	26,057
Fundraising events	-	-	48,847	48,847
Printing and postage	3,405	395	2,985	6,785
Respite housing and transportation	110,680	-	-	110,680
In-kind contributions - supplies and pharmaceuticals	1,545,251	15,982	1,196	1,562,429
In-kind contributions - volunteer labor	1,024,919	6,756	2,025	1,033,700
Contracted services	351,036	225,097	41,414	617,547
Pharmaceuticals	120,323	-	-	120,323
Other	12,045	19,136	2	31,183
Depreciation	282,849	42,757	3,289	328,895
Total expenses	<u>\$ 6,438,297</u>	<u>\$ 782,068</u>	<u>\$ 288,284</u>	<u>\$ 7,508,649</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, 2014

	Program Services	Administrative Services	Fundraising	Total
<b>Expenses:</b>				
Salaries and wages	\$ 2,001,494	\$ 519,399	\$ 173,134	\$ 2,694,027
Payroll taxes and benefits	416,017	102,517	32,099	550,633
Outside services	78,697	-	-	78,697
Supplies and minor equipment	255,325	49,399	4,750	309,474
Insurance	8,043	6,848	80	14,971
Interest	18,835	1,215	203	20,253
Facilities	54,648	3,212	535	58,395
Communications	53,792	2,787	1,774	58,353
Training and travel	44,876	6,449	2,777	54,102
Dues and license	37,798	1,858	943	40,599
Fundraising events	1,400	-	54,654	56,054
Printing and postage	9,247	1,162	4,604	15,013
Respite housing and transportation	113,581	-	-	113,581
In-kind contributions - supplies and pharmaceuticals	2,594,661	18,024	1,202	2,613,887
In-kind contributions - volunteer labor	251,760	4,015	2,432	258,207
Contracted services	363,314	127,919	41,524	532,757
Pharmaceuticals	112,543	-	-	112,543
Other	26,793	27,408	76	54,277
Depreciation	245,167	37,060	2,851	285,078
Total expenses	<u>\$ 6,687,991</u>	<u>\$ 909,272</u>	<u>\$ 323,638</u>	<u>\$ 7,920,901</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, 2015 and 2014

	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 623,473	\$ (669,099)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	343,067	299,306
Investment (gains) losses realized	26,436	(120,712)
Loss on disposal of fixed assets	-	226,482
In-kind contributions	(6,291)	(11,387)
Changes in operating assets and liabilities:		
Accounts, contributions, and grants receivable	9,384	641,911
Inventory	(348,486)	246,259
Prepaid expenses	20,649	(196)
Accounts payable	(63,851)	(218,135)
Accrued expenses	(15,708)	38,779
Deferred wages payable	(28,352)	2,911
Net cash provided by operating activities	560,321	436,119
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	129,635	46,134
Proceeds from sales of fixed assets	-	6,500
Purchases of fixed assets	(70,216)	(137,861)
Purchases of investments	(89,242)	(234,381)
Net cash used by investing activities	(29,823)	(319,608)
<b>Cash Flows from Financing Activities:</b>		
Repayment of note payable	(76,398)	(72,508)
<b>Net Change in Cash</b>	454,100	44,003
<b>Cash at Beginning of Year</b>	1,276,530	1,232,527
<b>Cash at End of Year</b>	\$ 1,730,630	\$ 1,276,530

**Supplemental Data:**

The Center paid \$39,418 and \$43,309 in interest during the years ended December 31, 2015 and 2014, 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, 2015 and 2014.

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

## WASATCH HOMELESS HEALTH CARE, INC. NOTES TO FINANCIAL STATEMENTS

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### 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 values provided by the Center’s 340B pharmaceutical suppliers, using first-in, first-out method of inventory valuation.

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 (pledges) 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 (340B price).

Income Taxes – The Center is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Center are tax deductible to donors under Section 170 of the IRC. The Center is not classified as a private foundation.

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**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Unrestricted Net Assets – Unrestricted net assets are resources to support operations. The only limit on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its charter and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Center reports a designated portion of net assets to reflect its net investment in fixed assets. The Center uses these fixed assets to provide services to patients. Accordingly, these assets are not available for future spending. Although the Center's investment in fixed assets is reported net of related debt, it should be noted that the resources used to repay the debt must be provided from other sources, since the fixed assets themselves cannot be used to liquidate these liabilities.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to donor restrictions not satisfied in the period. All expenses and net losses are reported as decreases in unrestricted net assets.

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 June 29, 2016, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**Note 2. Contributions Receivable**

Contributions are recorded when the unconditional promise to give's collection is expected in the near term and is probable. All contributions receivable (at their net present value) are restricted for the Center's dental services. Unconditional promises to give will be received over the next three years. Contributions 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 is \$375,000 (\$125,000 in each of the next three years) and has been discounted to \$362,957 at December 31, 2015.

**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Investments**

Investment return for the years ended December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Dividend income	\$ 41,647	\$ 47,669
Net investment gains (losses)	<u>(68,083)</u>	<u>73,043</u>
Total investment income (loss)	<u>\$ (26,436)</u>	<u>\$ 120,712</u>

**Note 4. Fair Value Measurements**

Investments are carried at fair value using quoted prices in active markets (all Level 1 measurements-quoted prices in active markets) and consist of common stock and mutual funds that invest in equity security and bonds.

A description of valuation techniques applied to the Center's major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

*Common Stock:* valued at closing price of shares held.

*Mutual Funds:* valued at the net asset value of shares held.

Fair value of assets, by level within the fair value hierarchy, measured at December 31, 2015 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stock	\$ 713,997	\$ 713,997	\$ -	\$ -
Equity mutual funds	96,373	96,373	-	-
Bond mutual funds	711,254	711,254	-	-
	<u>\$ 1,521,894</u>	<u>\$ 1,521,894</u>	<u>-</u>	<u>-</u>

**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Fair value of assets, by level within the fair value hierarchy, measured at December 31, 2014 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 733,965	\$ 733,965	\$ -	\$ -
Equity mutual funds	125,018	125,018	-	-
Bond mutual funds	723,449	723,449	-	-
	<u>\$ 1,582,432</u>	<u>\$ 1,582,432</u>	<u>-</u>	<u>-</u>

**Note 5. Fixed Assets**

Fixed assets held by the Center at December 31, 2015 and 2014 are as follows:

	2015	2014	Estimated Useful Lives (Years)
Land	\$ 1,898,271	\$ 1,898,271	
Construction in progress	-	26,193	
Building and improvements	3,455,145	3,455,145	15 to 30 years
Furniture and fixtures	45,219	37,106	5 years
Office equipment	162,284	162,284	3 years
Computer equipment	193,875	153,718	3 years
Medical equipment	242,742	210,534	5 to 15 years
Dental equipment	106,016	99,756	5 years
Computer software	66,220	56,550	3 years
	<u>6,169,772</u>	<u>6,099,557</u>	
Accumulated depreciation	<u>(1,277,919)</u>	<u>(934,853)</u>	
Net fixed assets	<u>\$ 4,891,853</u>	<u>\$ 5,164,704</u>	

**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Note Payable**

The Center has a note on its building. The note is payable in monthly installments of \$9,651 and bears interest at 5.14 percent. The note 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 \$714,638 and \$791,036 at December 31, 2015 and 2014, respectively. Future principal maturities at December 31, 2015 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 80,380
2017	84,774
2018	89,299
2019	94,066
2020	99,034
Thereafter	<u>267,085</u>
	<u>\$ 714,638</u>

**Note 7. Temporarily Restricted Net Assets**

Donations specifically restricted by a donor for use for a particular purpose or in a particular future period 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. A summary of temporarily restricted net assets at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Restricted for:		
General services	\$ 80,000	\$ 218,322
Dental equipment and services	422,957	712,493
Information technology	-	130,966
Cardiovascular services	-	40,000
Women's health	<u>11,209</u>	<u>16,500</u>
	<u>\$ 514,166</u>	<u>\$ 1,118,281</u>

**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 (pharmaceuticals), immunizations, and medical supplies at no charge. The 340B price of these supplies is recognized as a donation.

The total value of in-kind donations for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Donated services	\$ 1,033,700	\$ 258,207
Donated pharmaceuticals	1,779,013	2,233,356
Donated supplies	<u>144,137</u>	<u>130,343</u>
Total	<u>\$ 2,956,850</u>	<u>\$ 2,621,906</u>

**Note 9. Concentrations**

At December 31, 2015, the Center's book balance of cash accounts totaled \$1,730,630 and the bank balance was \$1,741,562, of which \$478,471 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 40 and 42 percent of total revenues for the years ended December 31, 2015 and 2014, respectively.

**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 \$72,607 and \$69,301 during the years ended December 31, 2015 and 2014, 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 \$96,373 and \$124,725 to these employees at December 31, 2015 and 2014, 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 \$96,373 and \$125,018 in an investment account at December 31, 2015 and 2014, respectively.

**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Commitments and Contingencies**

The Center entered into a lease in August 2014 for equipment. The lease requires monthly payments of \$547. The lease expires in July 2019.

The Center entered into an agreement in April 2015 for IT and network administration services. The agreement requires monthly payments of \$1,259. The agreement expires in March 2018.

Minimum future payments are as follows:

<u>Year Ending</u> <u>December 31,</u>		
2016	\$	21,672
2017		21,672
2018		10,341
2019		4,376

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, 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, 2015 and 2014.



**WASATCH HOMELESS HEALTH CARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. 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, 2015:

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 84,041
2017	55,034
2018	35,147
2019	35,147
	<u>\$ 209,369</u>

Rent revenue is shown net of related expenses on the statements of activities as follows for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Rent revenue	\$ 127,221	\$ 113,429
Depreciation	(14,172)	(14,228)
Mortgage interest	(20,771)	(22,838)
Property taxes	(15,607)	(13,049)
Salaries and wages	(34,705)	(17,605)
Payroll taxes and benefits	(4,953)	(2,422)
Contracted services	(2,114)	(2,399)
Facilities	(12,432)	(14,750)
Supplies and minor equipment	(394)	(1,315)
Rent revenue, net of rent expenses	<u>\$ 22,073</u>	<u>\$ 24,823</u>

REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE

Year Ended December 31, 2015

**WASATCH HOMELESS HEALTH CARE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2015

Grantor/Pass-through Grantor/Program Title	CFDA Number	Receivable (Deferral) 12/31/2014	Received	Expended	Receivable (Deferral) 12/31/2015
<b>U.S. Department of Housing and Urban Development:</b>					
Passed through Salt Lake County:					
Community Development Block Grants/Entitlement Grants	14.218	\$ 5,000	\$ 20,000	\$ 15,000	\$ -
Passed through Salt Lake City:					
Community Development Block Grants/Entitlement Grants	14.218	8,796	28,501	28,138	8,433
Emergency Solutions Grant Program	14.231	-	7,830	7,830	-
Total U.S. Department of Housing and Urban Development		13,796	56,331	50,968	8,433
<b>U.S. Department of Health and Human Services:</b>					
<i>Health Center Cluster:</i>					
Direct Programs:					
Consolidated Health Centers	93.224	-	915,917	915,917	-
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program	93.527	109,044	1,329,791	1,311,357	90,610
Total Health Center cluster		109,044	2,245,708	2,227,274	90,610
<i>Other Programs:</i>					
Direct Programs:					
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	-	12,934	12,934	-
Passed through Association for Utah Community Health:					
Technical and Non-Financial Assistance to Health Centers	93.129	-	-	-	-
Immunization Cooperative Agreements	93.268	-	7,824	7,824	-
National Bioterrorism Hospital Preparedness Program	93.889	-	1,100	1,100	-
Passed through Utah Department of Health:					
ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	-	3,498	3,498	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	763	2,095	1,332	-
Total U.S. Department of Health and Human Services		109,807	2,273,159	2,253,962	90,610
<b>Federal Emergency Management Agency:</b>					
Direct Programs:					
Emergency Food and Shelter National Board Program	97.024	14,379	28,165	13,786	-
Total federal awards		\$ 137,982	\$ 2,357,655	\$ 2,318,716	\$ 99,043

The accompanying notes are an integral part of this schedule.

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

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**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**

The Center did not provide federal award funding to any subrecipients during the year ended December 31, 2015.



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, 2015, 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 June 29, 2016.

**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  
June 29, 2016



Independent Auditor's Report on Compliance for  
Each Major Federal Program and on Internal Control Over  
Compliance in Accordance with the Uniform Guidance

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 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, 2015. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Orem, Utah  
June 29, 2016



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

Year Ended December 31, 2015

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No matters were reported in the prior year.

**WASATCH HOMELESS HEALTH CARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended December 31, 2015

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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 2 CFR 200.516(a)?  
    \_\_\_ yes      X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Centers Cluster:
93.527	Consolidated Health Centers
	Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program

Dollar threshold used to distinguish between type A and type B programs:      \$ 750,000

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.