



Financial Statements  
December 31, 2016

**Wasatch Homeless Health  
Care, Inc.**  
dba Fourth Street Clinic

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## Independent Auditor's Report

The Board of Directors  
Wasatch Homeless Health Care, Inc.  
dba Fourth Street Clinic  
Salt Lake City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic, which comprise of the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. dba Fourth Street Clinic as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2017 on our consideration of Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Salt Lake City, Utah  
June 29, 2017

Wasatch Homeless Health Care, Inc.  
 dba Fourth Street Clinic  
 Statement of Financial Position  
 December 31, 2016

Assets	
Cash and cash equivalents	\$ 2,119,340
Operating investments	2,034,505
Patient accounts receivable, net of allowance for doubtful accounts of \$95,454	65,654
Grants and contributions receivable	735,478
Other receivables	8,588
Estimated third party payor settlements receivable	124,180
Inventory	355,559
Prepaid expenses	28,174
Property and equipment, net	<u>4,560,351</u>
Total assets	<u><u>\$ 10,031,829</u></u>
Liabilities and Net Assets	
Accounts payable	\$ 83,001
Accrued expenses and other liabilities	200,521
Deferred compensation	93,797
Note payable	<u>634,238</u>
Total liabilities	<u>1,011,557</u>
Net Assets	
Unrestricted	
Undesignated	4,513,593
Invested in property and equipment, net of related debt	<u>3,926,113</u>
	8,439,706
Temporarily restricted	<u>580,566</u>
Total net assets	<u>9,020,272</u>
Total liabilities and net assets	<u><u>\$ 10,031,829</u></u>

Wasatch Homeless Health Care, Inc.  
 dba Fourth Street Clinic  
 Statement of Activities  
 Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Support, and Gains</b>			
Net patient service revenue	\$ 399,696	\$ -	\$ 399,696
Net investment income	116,744	-	116,744
Federal and state contracts and grants	2,968,810	-	2,968,810
Other grants and contributions	1,830,529	199,840	2,030,369
Donated professional and other services	829,092	-	829,092
In-kind contributions - supplies and pharmaceuticals	2,596,252	-	2,596,252
Rental income	112,220	-	112,220
Other revenue	7,671	-	7,671
Gross special events revenue	39,725	-	39,725
Less cost of direct benefits to donors	(16,995)	-	(16,995)
Net special events revenue	22,730	-	22,730
Net assets released from restrictions	133,440	(133,440)	-
Total revenue, support, and gains	9,017,184	66,400	9,083,584
 <b>Expenses</b>			
Program services expense	7,369,619	-	7,369,619
Supporting services expenses			
Management and general	901,790	-	901,790
Fundraising and development	202,650	-	202,650
	1,104,440	-	1,104,440
Total expenses	8,474,059	-	8,474,059
Change in Net Assets	543,125	66,400	609,525
Net Assets, Beginning of Year	7,896,581	514,166	8,410,747
Net Assets, End of Year	\$ 8,439,706	\$ 580,566	\$ 9,020,272

Wasatch Homeless Health Care, Inc.  
 dba Fourth Street Clinic  
 Statement of Functional Expenses  
 Year Ended December 31, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising and Development	
Salaries and wages	\$ 2,036,607	\$ 321,690	\$ 117,616	\$ 2,475,913
Payroll taxes	148,495	29,781	6,278	184,554
Employee benefits	248,631	67,425	6,713	322,769
In-kind contributions - services	827,890	1,203	-	829,093
In-kind contributions - supplies and pharmaceuticals	2,789,060	33,103	202	2,822,365
Provider referrals	116,392	-	-	116,392
Medical supplies and pharmaceuticals	127,707	-	-	127,707
Respite housing and transportation	92,413	-	-	92,413
Information technology	165,191	7,135	5,123	177,449
Professional services	362,391	164,147	36,825	563,363
Insurance	21,899	6,120	530	28,549
Advertising and promotion	2,882	4,186	22,615	29,683
Occupancy and telephone	75,715	28,121	1,204	105,040
Operating supplies	89,999	22,834	44	112,877
Training and development	5,448	12,394	2,370	20,212
Travel	3,647	1,640	-	5,287
Dues, subscriptions, and licenses	11,723	2,671	439	14,833
Cost of direct benefits to donors	-	-	16,995	16,995
Other	39,573	48,465	333	88,371
Depreciation	188,475	141,730	2,192	332,397
Interest	15,481	19,770	166	35,417
<b>Total expenses by function</b>	<b>7,369,619</b>	<b>912,415</b>	<b>219,645</b>	<b>8,501,679</b>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(16,995)	(16,995)
Investment management fees	-	(10,625)	-	(10,625)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 7,369,619</b>	<b>\$ 901,790</b>	<b>\$ 202,650</b>	<b>\$ 8,474,059</b>

See Notes to Financial Statements

Wasatch Homeless Health Care, Inc.  
 dba Fourth Street Clinic  
 Statement of Cash Flow  
 Year Ended December 31, 2016

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Cash Flows from Operating Activities	
Change in net assets	\$ 609,525
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation	332,397
Unrealized gain on operating investments	(49,210)
Realized gain on sale of operating investments	(13,095)
In-kind contributions of operating investments	(96,300)
Changes in operating assets and liabilities	
Patient accounts receivable, net of allowance for doubtful accounts	48,938
Grants and contributions receivable	(105,877)
Other receivables	(8,231)
Estimated third party payor settlements receivable	(124,180)
Inventory	226,743
Prepaid expenses	(16,033)
Accounts payable	(4,726)
Accrued expenses and other liabilities	26,636
Deferred wages payable	(2,576)
Net Cash from Operating Activities	<u>824,011</u>
Cash Flows from Investing Activities	
Proceeds from sales of operating investments	1,414,653
Purchase of property and equipment	(895)
Purchase of investments	(1,768,659)
Net Cash used for Investing Activities	<u>(354,901)</u>
Cash Flows from Financing Activities	
Payments on note payable	(80,400)
Net Cash used for Financing Activities	<u>(80,400)</u>
Net Change in Cash and Cash Equivalents	388,710
Cash and Cash Equivalents, Beginning of Year	<u>1,730,630</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,119,340</u></u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u><u>\$ 35,417</u></u>

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

The financial statements of Wasatch Homeless Health Care, Inc. (the Clinic) 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 Clinic operates under the name "Fourth Street Clinic".

### **Cash and Cash Equivalents**

The Clinic considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

### **Patient Receivables**

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Clinic analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third party coverage, the Clinic analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Clinic records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

### **Contributions and Grants Receivable**

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. As of December 31, 2016, the Clinic did not have any contributions receivable that are expected to be collected in more than one year. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

### **Inventory**

Inventories of pharmaceuticals are presented at the lower of cost (first-in, first-out) or net realizable value.

### **Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2016.

### **Operational Investments**

The Clinic records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets available for use in general operations.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time.

The Clinic reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Clinic's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. The Clinic did not have permanently restricted net assets at December 31, 2016.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Retroactive adjustments from third party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Clinic's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Clinic records donated professional services at the respective fair values of the services received (Note 10).

### **Advertising Costs**

Advertising costs are expensed as incurred, and approximated \$29,683 during the year ended December 31, 2016.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Clinic leases out a portion of its buildings. Expenses attributable to these leasing activities, including depreciation, interest, taxes, insurance and other leased property management expenses are included in the management and general function and totaled \$190,476 for the year ended December 31, 2016.

### **Income Taxes**

The Clinic is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifying for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1). The Clinic is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Clinic is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Clinic files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Clinic has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Clinic would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Clinic to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### **Financial Instruments and Credit Risk**

The Clinic manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Clinic has not experienced losses in any of these accounts. Credit risk associated with grants and contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Clinic's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Clinic.

### **Subsequent Events**

Management has evaluated subsequent events through June 29, 2017, the date the financial statements were available to be issued

### **Note 2 - Net Patient (and Resident) Service Revenue**

The Clinic has agreements with third-party payors that provide for payments to the Clinic at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare- Services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Clinic is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Clinic and audits thereof by the Medicare fiscal intermediary. The Clinic's Medicare cost reports have been settled by the Medicare Administrative Contractor through the year ended December 31, 2013.

Medicaid- Outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per outpatient ambulatory patient group. Clinical services are paid on a fixed fee schedule.

Concentration of gross revenues by major payers accounted for the following percentages of the Clinic's patient service revenues for the year ended December 31, 2016:

Medicare	\$ 226,724	57%
Medicaid	268,297	67%
Private payers	129	0%
Contractual adjustments	<u>(95,454)</u>	<u>-24%</u>
Net patient service revenue	<u>\$ 399,696</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

### Note 3 - Fair Value Measurements

The Clinic reports operating investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Clinic can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Clinic develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Clinic’s assessment of the quality, risk or liquidity profile of the asset or liability.

The Clinic’s investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2016:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Corporate bonds	\$ 662,851	\$ 662,851	\$ -	\$ -
Common stock	652,822	652,822	-	-
Real estate trusts	171,254	171,254	-	-
Mutual funds	338,900	338,900	-	-
Exchange traded product	110,507	110,507	-	-
Other investments	98,171	98,171	-	-
	\$ 2,034,505	\$ 2,034,505	\$ -	\$ -

**Note 4 - Net Investment Return**

Net investment return consists of the following for the years ended December 31, 2016:

Operating investments	
Interest and dividends	\$ 65,064
Net unrealized gains	49,210
Net realized gains	13,095
Investment management fees	(10,625)
Net investment income	\$ 116,744

**Note 5 - Grants and Contributions Receivable**

Grants and contributions receivable consist of the following at December 31, 2016:

Federal grants	\$ 585,155
State and local grants	4,091
Other grants	21,232
Contributions	125,000
	\$ 735,478
	\$ 735,478

**Note 6 - Property and Equipment**

Property and equipment consists of the following at December 31, 2016:

Land	\$ 1,898,271
Buildings and improvements	3,455,145
Equipment	772,032
Furniture and fixtures	45,219
	6,170,667
Less accumulated depreciation	(1,610,316)
	\$ 4,560,351

**Note 7 - Notes Payable**

The Clinic 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 Clinic retire the note before August 2017. The balance owed was \$634,238 at December 31, 2016.

Future principal maturities at December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	
2017	\$ 84,774
2018	89,299
2019	94,066
2020	99,035
2021	104,373
Thereafter	162,691
	\$ 634,238

**Note 8 - Leasing Activities**

The Clinic leases office space to tenants under noncancellable operating leases with terms of one to five years. Gross rental income received during the year ended December 31, 2016 totaled \$112,220.

The following is a schedule by year of future minimum rentals under these leases at December 31, 2016:

<u>Years Ending December 31,</u>	
2017	\$ 55,034
2018	35,147
2019	35,147
	\$ 125,328
	\$ 125,328

**Note 9 - Restricted Net Assets**

Temporarily restricted net assets at December 31, 2016, consist of:

Restricted by donors for	
Electronic health records	\$ 199,840
Dental services	380,726
	\$ 580,566
	\$ 580,566

Net assets were released from restrictions as follows during the years ended December 31, 2016:

Satisfaction of purpose restrictions	
General medical services	\$ 80,000
Dental services	42,231
Susan G. Komen - Women's Health	11,209
	\$ 133,440
	\$ 133,440

**Note 10 - Donated Professional Services and Materials**

The Clinic received donated professional services and materials, which were used and charged to the Clinic's activities as follows during the year ended December 31, 2016:

	Program Services	Management and General	Fundraising and Development	Total
Professional services	\$ 827,890	\$ 1,203	\$ -	\$ 829,093
Supplies and equipment	350,083	33,103	202	383,388
Pharmaceuticals	2,438,977	-	-	2,438,977
	\$ 3,616,950	\$ 34,306	\$ 202	\$ 3,651,458

**Note 11 - Retirement Plans**

The Clinic participates in a defined contribution plan for employees who meet certain eligibility and service requirements. The Clinic contributes 4 percent of an employee's eligible earnings. The Clinic made contributions to the plan totaling \$67,640 during the year ended December 31, 2016.

The Clinic sponsors a nonqualified deferred compensation plan covering eligible management-level employees. Plan benefits are based on the employee's current compensation. The Clinic owes \$93,797 to these employees at December 31, 2016, reported as "deferred compensation" on the statement of financial position. During the year ended December 31, 2016, compensation totaling \$12,884 was deferred.

In an effort to provide the funds necessary to pay these benefits to its employees upon retirement or leaving the Clinic's employment, the Clinic has placed \$98,171 in an investment account at December 31, 2016.

The nonqualified deferred compensation plan was closed as of January 3, 2017, and the funds in the investment account were distributed.

**Note 12 - Commitments and Contingencies**

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

The Clinic entered into an agreement in April 2015 for space at a data co-location facility. The agreement requires monthly payments of \$1,259. The agreement expires in March 2018. Minimum future payments are as follows:

Years Ending December 31,

2017	\$ 21,672
2018	10,641
2019	<u>4,376</u>
	<u>\$ 36,689</u>

**Disallowed Costs**

The Clinic 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 Clinic's independent auditors. Disallowed costs, if any, resulting from such additional work, would need to be repaid by the Clinic from unrestricted funds. Management does not believe that any significant costs will be incurred by the Clinic if such additional work should occur.

**Federal Interest in Building**

As a condition of a federal grant to fund the remodel/expansion of the Clinic's facilities, the Clinic has signed a "Notice of Federal Interest" limiting the Clinic'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.

**Note 13 - Related Party Transactions**

During the year ended December 31, 2016, the Clinic paid \$2,879 to a vendor for after-hours call services. This vendor is owned by a family member of the Clinic's Medical Director.

**Note 14 - Concentrations**

The Clinic is a federally supported health center, and as such, receives a substantial portion of its revenue from one federal agency. Revenue from this federal agency totaled \$2,801,012 for the year ended December 31, 2016.



Federal Awards Reports in Accordance with the  
Uniform Guidance  
December 31, 2016

**Wasatch Homeless Health  
Care, Inc.**  
dba Fourth Street Clinic



**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***

To the Board of Directors  
Wasatch Homeless Health Care, Inc.  
dba Fourth Street Clinic  
Salt Lake City, UT

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. dba Fourth Street Clinic, which comprise the statement of financial position as of December 31, 2016, 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, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-A and 2016-B to be material weaknesses.

*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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wasatch Homeless Health Care, Inc.'s financial statements are free from 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*.

**Wasatch Homeless Health Care, Inc.'s Response to Findings**

Wasatch Homeless Health Care, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Wasatch Homeless Health Care, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, UT  
June 29, 2017



**Independent Auditor’s Report on Compliance for the Major Federal Program;  
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
Wasatch Homeless Health Care, Inc.  
dba Fourth Street Clinic

**Report on Compliance for Each Major Federal Program**

We have audited Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic’s compliance with the types of compliance requirements described in OMB Compliance Supplement that could have a direct and material effect on the major federal program of Wasatch Homeless Health Care, Inc.’s for the year ended December 31, 2016. Wasatch Homeless Health Care, Inc.’s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for each of Wasatch Homeless Health Care, Inc.’s major federal program 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; the audit requirements of Title 2 U.S. Code of Federal Regulations 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 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 the 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.’s complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2016.

## **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 compliance requirements referred to above. In planning and performing our audit of compliance, 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Wasatch Homeless Health Care, Inc.'s internal control over compliance.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

*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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

Wasatch Homeless Health Care, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Wasatch Homeless Health Care, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Wasatch Homeless Health Care, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated June 29, 2017, which contained an unmodified opinion on those financial statements. 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Salt Lake City, Utah  
June 29, 2017

Wasatch Homeless Health Care, Inc.  
 dba Fourth Street Clinic  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Passed through Salt Lake County:			
Community Development Block Grants/Entitlement Grants	14.218	BV04119	\$ 17,038
Total Department of Housing and Urban Development			<u>17,038</u>
<u>Department of Health and Human Services</u>			
Health Center Program:			
Consolidated Health Centers	93.224	n/a	728,355
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program	93.527	n/a	<u>2,072,657</u>
Total for Health Center Program			<u>2,801,012</u>
Passed through Association for Utah Community Health: Immunization Cooperative Agreements	93.268	725168280	<u>5,806</u>
Total Department of Health and Human Services			<u>2,806,818</u>
Total Federal Financial Assistance			<u><u>\$ 2,823,856</u></u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Wasatch Homeless Health Care, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Wasatch Homeless Health Care, Inc. received federal awards both directly from federal agencies and indirectly through pass-through entities. No federal financial assistance has been provided to subrecipients.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wasatch Homeless Health Care, Inc.’s summary of significant accounting policies is presented in Note 1 in the Wasatch Homeless Health Care, Inc.’s basic financial statements.

The organization has not elected to use the 10% de minimis cost rate.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
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 Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Health Center Cluster:	
Consolidated Health Centers	93.224
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Centers Program	93.527
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2016-A Internal Control over the Preparation of Financial Statements  
Material Weakness**

*Criteria:* Preparation of the financial statements being audited, including footnote disclosures and the schedule of expenditures of federal awards (SEFA), is the responsibility of management.

*Condition:* The Clinic does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited or for the preparation of the SEFA. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements as well as the SEFA.

*Cause:* The Clinic requested that we prepare the financial statements.

*Effect:* Although this circumstance is not unusual for an organization of this size, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Clinic personnel.

*Recommendation:* It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials:* Management agrees with this finding.

**2016-B Material Audit Adjustments  
Material Weakness**

*Criteria:* Fair presentation of the financial statements, including making all reconciling adjustments and adjusting entries prior to the audit, is the responsibility of management.

*Condition:* During the course of our engagement, we proposed material audit adjustments to the Clinic's recorded account balances in the areas of cash, investments, receivables and revenue, and net assets, which if not recorded, would have resulted in a material misstatement of the Clinic's financial statements.

*Cause:* Not all accounts were adequately reconciled and appropriately classified prior to the audit.

*Effect:* The need for these adjustments indicates that the Clinic's interim financial information may not be materially correct, which may affect management decisions made during the course of the year.

*Recommendation:* Additional reconciling adjustments should be made prior to each audit and periodically throughout the year.

*Views of Responsible Officials:* Management agrees with this finding.

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**Section III – Federal Award Findings and Questioned Costs**

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**2016-001 Department of Health and Human Services  
CFDA# 93.224 and 93.527 Health Center Program**

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income  
Material Weakness in Internal Controls over Compliance – Time Card Approvals**

*Criteria:* Internal controls should exist to ensure that payroll amounts charged to federal awards programs have been adequately reviewed and approved, including documentation of timecard approvals.

*Condition:* During our sample testing, we noted 4 payroll transactions in the federal program for which there was no documentation that the employees' timecards had been approved by the supervisor. As a compensating control, the Accounting Manager who processes the payroll and also the Executive Director review each pay period's payroll summary. However, the Executive Director's review is not documented.

*Cause:* There is no documentation that the 4 timecards were approved.

*Effect:* Paid salary amounts could be questioned if the timecard approval documentation is not adequate.

*Questioned Costs:* None reported.

*Context/Sampling:* The 4 unapproved timecards were a part of two samples selected for testing:

1. A nonstatistical sample of 40 transactions out of more than 1,400 total transactions were selected for testing, which accounted for \$236,858 of \$2,801,012 of federal program expenditures.
2. A nonstatistical sample of 60 transactions out of 703 total transactions were selected for testing, which accounted for \$184,010 of \$1,434,108 of program income expenditures.

*Repeat Finding from Prior Year(s):* No

*Recommendation:* Additional controls should be implemented to ensure that all timecards are approved by the employee's supervisor and that the Executive Director's review is documented.

*Views of Responsible Officials:* Management agrees with this finding.

**2016-002 Department of Health and Human Services  
CFDA# 93.224 and 93.527 Health Center Program**

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles  
Significant Deficiency in Internal Controls over Compliance – Pay Rates**

*Criteria:* Internal controls should exist to ensure that payroll amounts charged to federal awards programs have been adequately reviewed and approved, including documentation of approved raises.

*Condition:* During our sample testing, we noted 2 payroll transactions charged to federal programs for which there was no documentation that the employees' pay rate had been approved by management. There was documentation that a previous rate of pay had been approved. As a compensating control, the Executive Director periodically reviews employee pay rates by job title for reasonableness in comparison to standard market rates.

*Cause:* There is no documentation that raises awarded during 2012, 2013, and 2014 for cost of living adjustments were approved by management or the Board of Directors.

*Effect:* Paid salary amounts could be questioned if the pay rate approval documentation is not adequate.

*Questioned Costs:* None reported.

*Context/Sampling:* A nonstatistical sample of 40 transactions were selected for testing. The sample accounted for \$236,858 of the total program expenditures of \$2,801,012.

*Repeat Finding from Prior Year(s):* No

*Recommendation:* Additional controls should be implemented. One possible solution would be to retain a document, approved by management or the Board of Directors at least annually, showing all employees' pay rates.

*Views of Responsible Officials:* Management agrees with this finding.