













## Statements of Cash Flows

For the Years Ended December 31,

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 1,858,243	\$ 2,720,592
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	420,102	326,275
Unrealized gains on investments, net	(66,821)	(379,512)
Change in allowance for doubtful accounts and contractual adjustments on accounts receivables	(50,025)	138,638
Loss on disposal of fixed assets	-	300
Change in operating assets and liabilities:		
Grants, contributions and other receivables	391,919	(853,969)
Patient accounts receivable	86,311	(118,341)
Inventory	(15,958)	208,604
Prepaid expenses and other assets	4,843	(65,490)
Accounts payable	245,152	(34,192)
Accrued and other liabilities	(27,241)	59,598
Net cash provided by operating activities	<u>2,846,525</u>	<u>2,002,503</u>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	633,905	920,159
Purchases of property and equipment	(121,327)	(974,304)
Purchases of investments	(610,762)	(1,111,670)
Net cash used in investing activities	<u>(98,184)</u>	<u>(1,165,815)</u>
<b>Cash flows from financing activities:</b>		
Payments on note payable	(99,025)	(94,028)
Net change in cash	2,649,316	742,660
Cash, beginning of the year	4,063,218	3,320,558
Cash, end of the year	<u>\$ 6,712,534</u>	<u>\$ 4,063,218</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 16,791	\$ 21,789

## Notes to Financial Statements

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### 1. Summary of Significant Accounting Policies

#### Organization

Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic (the Clinic) is a not-for-profit 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.

#### Basis of Presentation

The financial statements of the Clinic have been prepared in accordance with accounting principles generally accepted in the United State of America (US GAAP), which require the Clinic to report information regarding its financial position and activities according to the following net asset classifications, as applicable:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Clinic. These net assets may be used at the discretion of the Clinic's management and Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Clinic or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.

#### Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 expenses during the reporting period. Actual results could differ from those estimates.

#### Concentrations of Credit Risk

Concentrations of federal and state contracts and grants revenue as of December 31, 2020 and 2019 were as follows:

	2020	2019
Grantor A	88%	74%
Grantor B	*	24%

*\* grantor did not account for 10% or more of revenue and support in the respective year.*

Concentrations of other grants and contributions revenue as of December 31, 2020 and 2019 were as follows:

	2020	2019
Donor A	16%	15%
Donor B	13%	12%



Concentrations of grants, contributions, and other receivables as of December 31, 2020 and 2019 were as follows:

	2020	2019
Grantor A	51%	34%
Donor A	28%	24%
Donor B	*	22%

*\*donor did not account for 10% or more of receivables in the respective year*

The Clinic maintains cash in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2020, the Clinic had approximately \$478,000 of cash that exceeded federally insured limits. To date, the Clinic has not experienced a loss of or lack of access to its invested cash; however, no assurance can be provided that access to the Clinic's cash will not be impacted by adverse conditions in the financial markets.

### **Investments**

The Clinic records investments 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. Unrealized gains and losses, net of investment management fees, are included in the change in net assets.

### **Grants and Contributions 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.

The net discount on multi-year promises to give was \$7,258 and \$14,398 as of December 31, 2020 and 2019, respectively. The Clinic will receive \$100,000 a year from its multi-year promises for the years ended December 31, 2021, 2022, and 2023. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

Grants receivable are carried at the amount earned less the amount of cash received from the grantor. All grants are due during the year ended December 31, 2021.

### **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, from the gross amount billed, by contractual adjustments and 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 payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

### **Inventory**

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

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### ***Property and Equipment***

The Clinic capitalizes all expenditures for property and equipment for which the cost exceeds \$5,000 and are recorded at cost, or if donated, at fair value on the date of donation. 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.

Depreciation of property and equipment and amortization of leasehold improvements are calculated using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

<b>Assets</b>	<b>Useful Lives</b>
Building and improvements	15-30
Furniture and fixtures	5
Office equipment	3
Medical equipment	5-15
Dental equipment	5
Computer hardware and software	3
Vehicles	5

### ***Revenue Recognition***

Patient services, rental income and other revenues are recognized when control of goods and services are transferred to customers in an amount that reflects the consideration expected to be received by the Clinic in exchange for those goods and services. The Clinic determines revenue recognition by applying the following steps: 1) identification of the contract, or contracts, with a customer, 2) identification of the performance obligations in the contract, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations in the contract, and 5) recognition of revenue when, or as, each performance obligation is satisfied.

All significant sources of the Clinic's revenue generally contain one performance obligation and are recognized at a point-in-time once the related performance obligation is satisfied by transferring the promised product or service to a customer.

Certain revenues are recognized under cost reimbursement type contracts as eligible costs are reimbursed up to an annual maximum and when collection is reasonably assured.

### ***Contributions***

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

If a donor restriction expires in the same reporting period in which the support was initially recognized, that support is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and other changes in net assets as net assets released from restrictions.

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

Donations of in-kind contributions are recorded as support at their estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated item to a specific purpose.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by the Clinic. Many

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individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services generally do not meet the above criteria.

#### ***Allocation of Expenses***

The Clinic's policy is to allocate various indirect expenses of administrative overhead to program services, fundraising, and public relations based on employee count and job function.

#### ***Advertising Costs***

Advertising costs are expensed when incurred. Advertising expenses were \$33,882 and \$50,386 for the years ended December 31, 2020 and 2019, respectively.

#### ***Income Taxes***

The Clinic is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. The Clinic is subject to taxation on unrelated business income, if any.

A liability for uncertain tax positions initially needs to be recognized in the financial statements when it is more-likely-than-not the position will not be sustained upon examination by tax authorities. As of December 31, 2020 and 2019, the Clinic had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

#### ***Adoption of New Accounting Standards***

During the year ended December 31, 2019, the Clinic adopted ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. This update is intended to assist organizations in determining whether donations should be recorded as contributions subject to topic 958, Not-for-Profit Entities, or exchange transactions subject to other guidance, and determining whether a contribution is conditional. The adoption of this standard did not result in any significant changes to the Clinic's policies pertaining to accounting for contributions. As required by this ASU, the provisions were adopted as of January 1, 2019 and no change to net assets for the as of December 31, 2018 was required.

Effective January 1, 2020, the Clinic adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (ASC 606) amending revenue recognition guidance. Under this new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASC 606 did not have a material impact on the Clinic's financial statements.

#### ***Subsequent Events***

The Clinic has evaluated events and transactions for potential recognition or disclosure through July 8, 2021, the date the accompanying financial statements were available to be issued.

## 2. Liquidity and Availability

Financial assets which are available for general expenditure, meaning they are without donor or other restrictions limiting their use within one year of the most recent date of the statement of financial position, comprise the following as of December 31:

	2020	2019
Cash	\$ 6,712,534	\$ 4,063,218
Investments	2,836,468	2,792,790
Grants, contributions and other receivables	1,196,705	1,588,624
Patient accounts receivable, net	15,670	51,956
Total financial assets	10,761,377	8,496,588
Less amounts not available to be used within one year:		
Net assets with donor purpose restrictions	(1,747,982)	(1,661,867)
Financial assets available to be used for general expenditures within one year	\$ 9,013,395	\$ 6,834,721

The Clinic regularly monitors liquidity in order to meet its operating needs and other contractual commitments using budgets and cash flow projections, while also striving to maximize the investment of its available funds.

Operations are funded primarily from government agencies, private donors, and third-party payors. The Clinic's receivables are primarily due from government agencies and third-parties. Credit risk associated with receivables is considered to be limited due to historical collection rates and because the amounts are due from known sources and governmental entities.

The statement of cash flows identifies the sources and uses of the Clinic's cash that generated positive cash flows from operating activities during the years ended December 31, 2020 and 2019 of approximately \$2,847,000 and \$2,003,000, respectively.

## 3. Net Patient Service Revenue

Services for patients with no insurance or government medical coverage are reviewed based on the Federal Poverty Level (FPL) guidelines. Patients that are at 200% or below of FPL pay a nominal fee for services. This is referred to as the Sliding Fee Scale.

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 is as 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, 2019.

**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.

## Regulatory

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded amounts will change by a material amount in the near term. In recent years, as a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the Medicare and Medicaid programs.

In addition, an increasing number of the operations or practices of not-for-profit health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for tax-exempt organizations. These challenges are broader than concerns about compliance with federal and state statutes and regulations of core business practices of the health care organizations. The laws and regulations regarding these practices are also subject to interpretation and challenge. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, community benefit, executive compensation, exemption of property from real property taxation, and others. The Clinic expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations or that the laws and regulations themselves will not be subject to challenge, and it is not possible to determine the effect, if any, such claims or penalties would have on the Clinic.

Concentration of gross revenues by all payers accounted for the following percentages of the Clinic's patient service revenues for the years ended December 31:

	2019			
Private payer	\$ 1,969,100	169%	\$ 2,761,271	283%
Medicaid	1,545,574	133%	1,381,506	141%
Medicare	279,361	24%	217,910	22%
HRSA Covid 19	43,301	4%	-	0%
Contractual adjustments	(2,673,188)	-230%	(3,383,308)	-346%
Net patient service revenue	\$ 1,164,148	100%	\$ 977,379	100%

## 4. Investments and Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs according to valuation methodologies used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2: Prices that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available.

Assets measured at fair value on a recurring basis are summarized as follows:

	As of December 31, 2020			
	Level 2	Level 3	Total	
Common stock	\$ 1,400,570	\$ -	\$ -	\$ 1,400,570
Fixed income	886,684	-	-	886,684
Mutual funds	427,433	-	-	427,433
US treasury notes	119,036	-	-	119,036
Exchange traded products	2,745	-	-	2,745
	<u>\$ 2,836,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,836,468</u>

  

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 1,344,251	\$ -	\$ -	\$ 1,344,251
Fixed income	893,583	-	-	893,583
Mutual funds	459,756	-	-	459,756
US treasury notes	90,693	-	-	90,693
Exchange traded products	4,507	-	-	4,507
	<u>\$ 2,792,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,792,790</u>

## 5. Grants, Contributions and Other Receivables

Grants, contributions and other receivables consisted of the following as of December 31:

	2020	2019
Federal grants	\$ 621,132	\$ 536,467
Contributions	356,029	765,083
Other grants	150,100	73,277
State and local grants	65,610	209,691
Other receivables	3,834	4,106
	<u>\$ 1,196,705</u>	<u>\$ 1,588,624</u>

## 6. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2020	2019
Building and improvements	\$ 3,644,138	\$ 3,629,923
Land	1,898,271	1,898,271
Medical, dental and office equipment	677,964	677,964
Vehicles	650,897	650,914
Computer hardware and software	147,899	66,969
Furniture and fixtures	45,219	45,219
Capital projects in progress	26,199	-
Total cost	7,090,587	6,969,260
Accumulated depreciation and amortization	(2,662,835)	(2,242,733)
Property and equipment, net	\$ 4,427,752	\$ 4,726,527

Depreciation and amortization expense for property and equipment for the years ended December 31, 2020 and 2019 totaled \$420,102 and \$326,275, respectively.

## 7. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31:

	2020	2019
Accrued payroll	\$ 160,548	\$ 163,244
Accrued PTO	63,768	60,664
401k liability	18,066	43,809
Prepayment of tenant rent	2,767	4,673
Total accrued and other liabilities	245,149	\$ 272,390

## 8. Note Payable

The Clinic has a note payable to a bank, which is payable in monthly installments of \$9,651 and bears interest at 5.14%, with an outstanding balance of \$267,132 and \$366,157 as of December 31, 2020 and 2019, respectively. The note is collateralized by the building financed by the note. On January 7<sup>th</sup>, 2021, the note was paid in full.

## 9. Leasing Activities

The Clinic leases out a portion of its building on a month-to-month basis. Expenses attributable to these leasing activities, including depreciation, interest, taxes, insurance and other leased property management expenses are included in the management and general expenses and totaled \$63,209 and \$74,709 for the years ended December 31, 2020 and 2019, respectively. Gross rental income recognized during the years ended December 31, 2020 and 2019 totaled \$68,477 and \$124,535, respectively.

## 10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2020	2019
Integrated Behavioral Health	\$ 756,437	\$ 400,000
Nurse Care Manager Program	425,363	513,554
Time Restricted Donation	308,478	385,602
Respite	143,673	115,023
Dental Services	48,815	83,308
Wellness and Cardio	19,599	44,348
Vision Services	17,558	4,112
Smoking Cessation	12,268	16,849
MA Salary	5,794	-
FIT Test	4,844	-
Diabetes	4,253	16,874
Men's Health Day	900	-
Waiting Room	-	65,019
Women's Health	-	14,678
Cancer Initiative	-	2,500
<b>Total net assets with donor restrictions</b>	<b>\$ 1,747,982</b>	<b>\$ 1,661,867</b>



## 11. Expenses by Nature and Function

Expenses by nature and function for the years ended December 31 are as follows:

	2020			
	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 3,248,440	\$ 529,041	\$ 179,907	\$ 3,957,388
In-kind contributions - services	655,730	85,947	-	741,677
In-kind contributions - supplies and pharmaceuticals	657,887	-	-	657,887
Professional services	370,825	132,811	30,474	534,110
Employee benefits	451,342	34,666	33,396	519,404
Medical supplies and pharmaceuticals	424,813	-	-	424,813
Depreciation and amortization	185,462	234,640	-	420,102
Payroll taxes	220,077	33,851	21,874	275,802
Operating supplies	162,500	36,143	935	199,578
Information technology	67,069	101,603	10,480	179,152
Occupancy and telephone	121,382	25,755	1,276	148,413
Respite housing and transportation	90,822	3,400	-	94,222
Training and development	77,053	159	131	77,343
Insurance	36,013	10,254	387	46,654
Other	28,993	13,629	2,048	44,670
Interest	7,339	37,050	79	44,468
Providers referrals	44,374	-	-	44,374
Advertising and promotion	3,595	2,949	27,708	34,252
Dues, subscriptions, and licenses	17,348	1,853	11,573	30,774
Bad debt expense	-	2,577	-	2,577
Travel	496	-	-	496
Total expenses by function	\$ 6,871,560	\$ 1,286,328	\$ 320,268	\$ 8,478,156

	2019			
	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 2,961,260	\$ 366,314	\$ 167,450	\$ 3,495,024
In-kind contributions - services	653,312	45,979	10,980	710,271
In-kind contributions - supplies and pharmaceuticals	886,235	-	35,699	921,934
Professional services	55,012	220,442	38,017	313,471
Employee benefits	368,760	60,061	21,391	450,212
Medical supplies and pharmaceuticals	155,433	285	-	155,718
Depreciation and amortization	109,415	216,860	-	326,275
Payroll taxes	215,309	24,049	13,978	253,336
Operating supplies	154,474	32,332	678	187,484
Information technology	45,683	107,120	8,145	160,948
Occupancy and telephone	105,134	89,759	2,159	197,052
Respite housing and transportation	71,776	-	-	71,776
Training and development	24,586	12,614	4,812	42,012
Insurance	32,613	8,511	321	41,445
Other	14,833	13,146	-	27,979
Interest	-	25,255	-	25,255
Providers referrals	72,270	-	-	72,270
Advertising and promotion	2,445	2,695	45,246	50,386
Dues, subscriptions, and licenses	12,110	1,745	-	13,855
Bad debt expense	-	15,561	-	15,561
Travel	2,002	-	-	2,002
<b>Total expenses by function</b>	<b>\$ 5,942,662</b>	<b>\$ 1,242,728</b>	<b>\$ 348,876</b>	<b>\$ 7,534,266</b>

## 12. Employee Benefit Plan

The Clinic participates in a defined contribution plan for employees who meet certain eligibility and service requirements. The Clinic contributes 4% of an employee's eligible earnings. The Clinic made contributions to the plan totaling \$137,981 and \$141,015 during the years ended December 31, 2020 and 2019, respectively.

## 13. Commitments and Contingencies

### ***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.

### ***Long Term Contracts***

The Clinic has entered into numerous agreements with government agencies and private entities related to mental health and other services. The terms of these agreements may require adjustments to be made to revenues earned and received or expenses incurred, based on events which are not currently determinable. The amount of these adjustments, if any, is also not currently estimable. Such adjustments could be material to the financial statements.

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***Operating Lease***

During 2020 the Clinic entered into an operating lease for equipment. As of December 31, 2020, future minimum lease payments under the non-cancelable operating lease were as follows:

<u>Years Ending December 31,</u>	
2021	\$ 6,236
2022	6,236
2023	6,236
2024	<u>4,158</u>
Total	<u>\$ 22,866</u>

## Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>Department of Health and Human Services (Health Center Program Cluster)</b>			
COVID-19--Health Center Program	93.224	N/A	\$ 781,501
Grants for New and Expanded Services under the Health Center Program	93.527	N/A	<u>3,128,299</u>
Total expenditures of federal awards			<u>\$ 3,909,800</u>

### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Wasatch Homeless Health Care, Inc. dba Fourth Street Clinic (the Clinic) under programs of the federal government for the year ended December 31, 2020.

The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Clinic, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Clinic.

### Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

No federal financial assistance has been provided to subrecipients.

### Note 3 – Indirect Cost Rate

The Clinic does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

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 Care, Inc. dba Fourth Street Clinic (the Clinic), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated July 8, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Clinic's internal control over financial reporting (internal control) to as a basis for designing 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 the Clinic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic'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 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. 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 the Clinic'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*.

***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 Clinic'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 Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tanner LLC*

July 8, 2021



**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR THE MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited Wasatch Homeless Care, Inc. dba Fourth Street Clinic's (the Clinic) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the major federal program of the Clinic for the year ended December 31, 2020. The Clinic's major federal program is identified in the summary of auditors' 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 federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Clinic'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; and 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinic'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 the Clinic's compliance.

***Opinion on Major Federal Program***

In our opinion, Wasatch Homeless Care, Inc. dba Fourth Street Clinic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

***Report on Internal Control over Compliance***

Management of the Clinic 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 of compliance, we considered the Clinic'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 Clinic'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 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.

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.

*Tanner LLC*

July 8, 2021



**Schedule of Findings and Questioned Costs**

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**For the Year Ended December 31, 2020**

**Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes X no

Significant deficiency(ies) 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 program:

Material weakness identified? \_\_\_ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program Cluster: Health Center Program
93.527	Grants for New and Expanded Services under the Health Center Program

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

Auditee qualified as low-risk auditee? \_\_\_ yes X no

***Schedule of Findings and Questioned Costs – Continued***

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS – FEDERAL SINGLE AUDIT**

None

***Summary Schedule of Prior Audit Findings for the Year Ended December 31, 2020***

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS – FEDERAL SINGLE AUDIT**

None