



# APPLICATION FOR CONTRIBUTION

NAME OF ORGANIZATION: Friends Of Switchpoint, Inc

ADDRESS: 948 N 1300 W

CITY: St. George STATE: UT ZIP CODE: 84770

CONTACT PERSON: Carol Hollowell PHONE NUMBER: 435-862-9912 EMAIL: chollowell@switchpointtrc.org

### ORGANIZATION OVERVIEW (which could include mission, history, and demographics served):

Beyond food and shelter, Switchpoint Community Resource is a stepping stone to independence for individuals experiencing homelessness. A switchpoint is a mechanism on a train track that with a little bit of a turn sends the train in a completely different direction. Switchpoint offers tools to get life back on track for those who need it most. Switchpoint opened in 2014 and serves individuals and families who are experiencing homelessness and poverty.

TYPE OF REQUEST: Money  In-Kind

Have you previously requested money from SLCo? Yes

If yes, when and how much (previous three years)? 11/01/2020 \$528,282.00

What is the amount of your request? \$2,000,000

The amount you are requesting is 25.00% of your annual agency budget. Budget is \$8.1mm. Project is \$9.5mm

What is the purpose of the money you are requesting?:

The contribution will be used to assist with the renovation and purchase of 100 room hotel- Airport Inn, 2333 W North Temple, SLC. The hotel when completed will provide housing for up to 140 unsheltered homeless individuals in a non-congregant setting.

### PLEASE ATTACH:

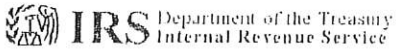
- Copy of organizations nonprofit status.
- Copy of independent audit. If you do not have one, please enclose a copy of current financial statements.

You will be expected to report to the Salt Lake County Mayor on how the money was used and the success of the project.

The undersigned hereby acknowledges that he or she has authority to bind the organization listed in the application. The applicant accepts the following terms and conditions as a condition of receiving and using County funds or the waiver of fees: County funds will be used solely for the purposes approved by the Mayor of Salt Lake County as applied for in this application. Any expenditure for purposes other than those approved will require a return of the entire grant amount and may disqualify the grantee from receiving any additional County funds. It is further understood that no grant fund will be made available to any County officer of employee or in violation of the requirements of the Public Employees Ethics Act (67-16-1 et seq.). No grant funds will be used for political or campaign purposes. As a further condition of the grant, all County funds may be subject to an audit as required by Salt Lake County. The applicant is required to complete the Disbursement of Funds Report Form for contributions more than \$2,500.

Dated this 06 day of Oct, 2021.

Applicant



OGDEN UT 84201-0029

In reply refer to: 4077591934  
Apr. 16, 2015 LTR 4168C 0  
76-0740457 000000 00  
00032917  
BODC: TE

FRIENDS OF SWITCHPOINT INC  
% TRACY DUTSON  
948 N 1300 W  
ST GEORGE UT 84770-4965



039641

Employer Identification Number: 76-0740457  
Person to Contact: Ms. Wiles  
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Feb. 19, 2015, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in February 2004.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

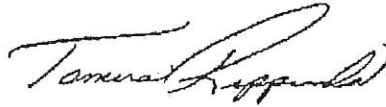
Please refer to our website [www.irs.gov/eo](http://www.irs.gov/eo) for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

4077591934  
Apr. 16, 2015 LTR 4168C 0  
76-0740457 000000 00  
00032918

FRIENDS OF SWITCHPOINT INC  
% TRACY DUTSON  
948 N 1300 W  
ST GEORGE UT 84770-4965

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,



Tamera Ripperda  
Director, Exempt Organizations

**FRIENDS OF SWITCHPOINT, INC.**  
**AUDIT OF FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**  
**together with**  
**REPORT OF INDEPENDENT AUDITORS**

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## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors,  
Friends of Switchpoint, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Friends of Switchpoint, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, 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 audits 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 Friends of Switchpoint, Inc. as of September 30, 2020, and the changes in its net assets and cash flows for the year then ended in conformity 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 our report dated January 27, 2021, on our consideration of Friends of Switchpoint, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Friends of Switchpoint, Inc.'s internal control over financial reporting and compliance.

*Huber, Erickson; Bowman, LLC*

**Huber, Erickson & Bowman, LLC**  
**January 27, 2021**

## Financial Statements



**Friends of Switchpoint, Inc.**  
**Statement of Financial Position**  
**As of September 30, 2020**

Page 6

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 550,887
Investments	2,503
Grants receivable	334,024
Accounts receivable	40,832
Prepaid expenses	4,868
Inventory	<u>372,970</u>
<b>Total Current Assets</b>	<b>1,306,084</b>

**Other Assets**

Note receivable - related party	2,267,214
Accounts receivable - related party	591,722
Investment - Riverwalk	<u>546,155</u>
	<u>3,405,091</u>

**Property and Equipment**

Land	7,850
Furniture and equipment	158,664
Buildings and improvements	2,214,884
Vehicles	<u>61,131</u>
	2,442,529
Less accumulated depreciation	<u>240,283</u>
	<u>2,202,246</u>

**Total Assets** **\$ 6,913,421**

**Liabilities and Net Assets**

**Current Liabilities**

Current portion of long-term debt	452,878
Accounts payable	85,771
Accrued liabilities	<u>121,759</u>
<b>Total Current Liabilities</b>	<b>660,408</b>

**Long-term Debt**

Notes payable, net of current portion and financing costs	<u>1,919,258</u>
<b>Total Liabilities</b>	<b>2,579,666</b>

**Net Assets**

Net assets without donor restrictions	4,141,375
Net asset with donor restrictions	<u>192,380</u>
<b>Total Net Assets</b>	<b><u>4,333,755</u></b>

**Total Liabilities and Net Assets** **\$ 6,913,421**

*The accompanying notes are an integral part of the financial statements*

**Friends of Switchpoint, Inc.**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

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	<u>Without Donor</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Gains and Other Support:</b>			
Government grants	\$ -	\$ 1,811,569	\$ 1,811,569
In-kind contributions	3,162,516		3,162,516
Contributions	1,199,405	-	1,199,405
Thrift store	550,124		550,124
Animal day care	234,441		234,441
Clinical services	53,675		53,675
Crossover	364,309		364,309
Other income	29,643		29,643
Investment return, net	85,090		85,090
Net assets released from restrictions	1,768,210	(1,768,210)	-
<b>Total Revenue, Gains and Other Support</b>	<b>7,447,413</b>	<b>43,359</b>	<b>7,490,772</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Food	2,561,890		2,561,890
Shelter	1,851,610		1,851,610
Thrift store	448,368		448,368
Animal day care	416,405		416,405
Clinical services and Crossover	581,582		581,582
Tooele	234,584		234,584
<b>Total program services</b>	<b>6,094,439</b>		<b>6,094,439</b>
<b>Supporting services:</b>			
Management and general	784,677		784,677
Fundraising expense	6,681		6,681
<b>Total supporting services</b>	<b>791,358</b>		<b>791,358</b>
<b>Total Expenses</b>	<b>6,885,797</b>		<b>6,885,797</b>
<b>Change in net assets</b>	<b>561,616</b>	<b>43,359</b>	<b>604,975</b>
<b>Net Assets as Previously Stated</b>	<b>3,778,780</b>	<b>-</b>	<b>\$ 3,778,780</b>
<b>Prior Period Adjustment</b>	<b>(199,021)</b>	<b>149,021</b>	<b>(50,000)</b>
<b>Net Assets at End of Year</b>	<b>\$ 4,141,375</b>	<b>\$ 192,380</b>	<b>\$ 4,333,755</b>

*The accompanying notes are an integral part of the financial statements*

**Friends of Switchpoint, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2020**

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	<b>2020</b>
<b>Cash flows from operating activities</b>	
<b>Change in net assets</b>	\$ 604,975
<b>Adjustments to reconcile change in net assets</b>	
<b>to net cash (used by) provided by operating activities:</b>	
Depreciation	70,673
Amortization of financing cost	5,245
Contributed property and equipment	(277,741)
Contributed investments	(2,007)
Net unrealized gain on investments	(471)
Loss on disposal of assets	
<b>Decrease (increase) in assets:</b>	
Accounts receivable	(744,988)
Inventory	(197,111)
Prepaid expenses	1,800
<b>Increase (decrease) in liabilities:</b>	
Accounts payable	(37,868)
Accrued liabilities	<u>118,216</u>
<b>Net cash provided by (used by) operating activities</b>	<u>(459,277)</u>
<b>Cash flows provided by (used by) investing activities</b>	
Investment in Riverwalk	(46,155)
Purchase of investments	(25)
Cash paid for property and equipment	<u>(435,362)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(481,542)</u>
<b>Cash flows provided by (used by) financing activities</b>	
Proceeds from long-term debt	512,535
Financing costs	(22,795)
Payments on long-term debt	<u>(62,590)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>427,150</u>
<b>Net increase / (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(513,669)</b>
Cash and cash equivalents and restricted cash, beginning of the year	<u>1,064,556</u>
<b>Cash and cash equivalents and restricted cash, end of the year</b>	<b>\$ <u>550,887</u></b>

*The accompanying notes are an integral part of the financial statements*

**Friends of Switchpoint, Inc**  
**Statement of Functional Expenses**  
**As of September 30, 2020**

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September 30, 2020								
	Food	Shelter	Thrift Store	Animal Daycare	Crossover & Clinical	Tooele	Management and General	Total
Advertising and promotion	\$ -	\$ 226	\$ 523	1,049	1,979	\$ -	\$ 6,574	\$ 10,351
Bank service charges			3,698	5,391		640	9,697	19,426
Bad debt					19,345			19,345
Contract labor			112	29,663	107,793	3,445	35,434	176,447
Depreciation	19,740	392		6,644	13,339		30,558	70,673
Direct client costs		243,397		60	304	159	-	243,920
Dues and subscriptions	39	5,279	273	2,897	16,687	1,684	22,120	48,979
Food expense	2,436,153							2,436,153
Fringe benefits	22,841	190,922	68,234	60,149	62,470	19,261	79,501	503,378
Insurance	3,252	9,910	5,392	1,866	3,401	715	15,916	40,452
Interest					18,075		47,084	65,159
Miscellaneous					200		1,396	1,596
Office		1,249	60	1,875	453	338	6,272	10,247
Postage and delivery		3,617	112	8	2	1,022	262	5,023
Professional fees		13,213		2,345	7,989	269	65,351	89,167
Property taxes					2,587		1,206	3,793
Rent - equipment		1,491		171		674	4,615	6,951
Rent - facilities		14,360	120,237	62,227	200	30,455	1,888	229,367
Rental assistance		246,774						246,774
Repairs and maintenance	42	21,715	250	886	9,730	1,407	3,657	37,687
Salaries and wages	73,153	1,047,934	217,342	209,023	264,591	130,730	369,909	2,312,682
Supplies	1,400	19,094	6,188	15,393	22,611	20,621	22,176	107,483
Telephone	690	2,641	2,092	3,636	3,689	1,410	6,798	20,956
Training	185	2,136	8		1,172	3,944	4,290	11,735
Travel		11,807	3,391	893	13,750	9,782	20,163	59,786
Utilities	4,395	15,453	20,456	12,229	11,215	8,028	29,810	101,586
Fundraising								6,681
<b>TOTAL</b>	<b>\$ 2,561,890</b>	<b>\$ 1,851,610</b>	<b>\$ 448,368</b>	<b>\$ 416,405</b>	<b>\$ 581,582</b>	<b>\$ 234,584</b>	<b>\$ 784,677</b>	<b>\$ 6,885,797</b>

*The accompanying notes are an integral part of the financial statements*

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

#### **Organization**

Friends of Switchpoint Inc., a nonprofit organization, was established under the laws of Utah in 2013. The organization is dedicated to empowering homeless families and individuals in Southern Utah by addressing the underlying cause of poverty. The organization provides an individualized comprehensive plan that supports the families and individuals on their journey to self-sufficiency and the opportunity to contribute to the community.

#### **Basis of Accounting**

The financial statements are prepared and are presented based upon Generally Accepted Accounting Principles (GAAP) in the United States of America.

#### **Cash and Cash Equivalents**

The Organization defines cash and cash equivalents as all funds in banks and highly liquid investments with original maturities of less than three months.

#### **Investments**

Investments in marketable securities are stated at fair value.

The Organization's investment in Riverwalk Development Village, LLC is recorded using the equity method of accounting with no material earnings during the year ending September 30, 2020 as the Organization's ownership percentage is .01 percent. The related property will become an asset of the Organization at the end of the low-income housing tax credit per the partnership agreement.

#### **Grants and Accounts Receivable**

Grants and accounts receivable are carried at their estimated collectible amounts. Grants and accounts receivable are periodically evaluated for collectability and it is management's opinion that all grants and accounts receivable are collectible as of September 30, 2020, and no allowance for doubtful accounts is deemed necessary. Grants and accounts receivable are charged against the allowance account when they are deemed uncollectible.

#### **Inventory**

Inventories consist of food and clothing items that have been donated to the Organization. The food pantry inventory is valued at \$1.70 per pound and had a total value of \$144,151 as of September 30, 2020. Thrift store inventory is valued at net realizable value and had a total value of \$228,819 as of September 30, 2020.

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONT'D)**

#### **Property and Equipment**

Property and equipment are stated at cost, or if acquired by gift, the fair value on the date acquired. Normal maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is recorded using the straight-line method with a useful life of 5 to 15 years for furniture and equipment, 5 years for vehicles and 15 to 40 years for the buildings and improvements. The Organization generally capitalizes buildings, furniture, and equipment expenditures in excess of \$5,000. Depreciation expense charged against current operations amounted to \$70,673.

#### **Contributions**

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Grant Revenue**

The Organization recognizes grant revenue on a cost reimbursement basis. Grant amounts received by the organization through cost reimbursement contracts are deemed to be earned and are reported as revenues when the organization has incurred expenses in compliance with contract requirements.

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

The costs of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among program and supporting services benefitted.

Expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to either program services or supporting activities. Expenses related to more than one function are charged to program service or supporting activities based on time or square footage use.

#### **In-kind Contributions**

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Organization reports gifts of equipment, professional services, materials, and other nonmonetary contributions as revenue without donor restrictions in the statement of activities. If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONT'D)**

#### **Net Assets**

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

#### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions are assets available for support of the Organization's operations.

#### **Net Assets with Donor Restrictions**

The donor-imposed restrictions that net assets with donor restrictions are subject to are temporary in nature, such as those that permit the Organization to use up, or expend, the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.

The following net assets are subject to expenditure for the following specified purposes:

Riverwalk Development Village, LLC	\$ 45,708
Development of tiny home community	1,200
Purchase of refrigerated truck	27,000
Circles program	65,768
Provide food to hungry families	50,000
Provide microloans to individuals and families	2,704
	<u>\$ 192,380</u>

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts could differ from those estimates.

#### **Income Taxes**

The Organization has received a determination letter from the Internal Revenue Service that states that the Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). A similar exemption applies for state income tax; therefore, no provision for income taxes has been recorded in these financial statements.

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONT'D)**

#### **Recent Accounting Pronouncements**

In May of 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which creates a single source of revenue guidance. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods and services to their customers (unless the contracts are in scope of other U.S. GAAP requirements, such as leasing literature).

The guidance also provides a model for the measurements and recognition of gains and losses on the sale of certain nonfinancial; assets, such as property and equipment, including real estate. The new standard is effective for non-public entities for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the impact the new standard may have on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which amends existing accounting standards for lease accounting, including requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2021, and for interim periods therein with early adoption permitted. The Organization is currently evaluating the impact the new standard may have on its financial statements.

### **NOTE 2: CONCENTRATION OF CREDIT RISK**

The Organization's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, investments, grants receivable, and accounts receivable. The Organization places its cash and cash equivalents and investments with high credit quality institutions. The Organization's cash in excess of the Federal Deposit Insurance Corporations limit of \$250,000 amounted to \$133,655 as of September 30, 2020.

### **NOTE 3: NOTE RECEIVABLE**

As part of the Organization's investment in Riverwalk Village Development, LLC, the Organization loaned the LLC \$2,267,214 through a promissory note dated August 27, 2019. The promissory note accrues interest at 3.65 percent. All interest and principal are due to be paid to the Organization on August 1, 2069.



# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 4: LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 550,887
Investments	2,503
Grants receivable	334,024
Accounts receivable	40,832
Other receivables	-
Prepaid expenses	4,868
Inventory	<u>372,970</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,306,084</u>

### **NOTE 5: NOTES PAYABLE**

Notes payable consisted of the following as of September 30, 2020:

Note payable to the City of St. George: Provided by the City to the Organization as the guarantor of the Riverwalk Village development to be held in reserve and returned to the City along with interest that shall accrue at 2.9 percent per annum, approximately six years after construction is completed. Should the reserve be used for operational purposes, the Organization will have up to 10 years to pay the amount used to the City.	\$ 500,000
Note payable to the City of St. George: Provided by the City to the Organization as the guarantor of the Riverwalk Village development and will be returned to the City along with interest that shall accrue at 2.9 percent per annum as construction milestones related to the development agreement are met.	250,000

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### NOTE 5: NOTES PAYABLE (CONT'D)

No interest promissory note payable to The Community Foundation of Utah. Payments equal to the lessor of 15 percent of monthly income or \$2,083 are due monthly until balance is paid in full.	97,917
Note payable due to Samuel Cris Fischer Trust for the purchase of property in Hildale, Utah. Principal and interest of 5 percent per annum payable in monthly payments equal to \$6,000. Any unpaid principal and interest is due in a balloon payment in February 2023.	521,433
1 percent interest promissory note dated April 8, 2020, due to Rock Canyon Bank in 17 monthly payments of \$18,093 beginning November 8, 2020. The note was part of the Paycheck Protection Program implemented by the United States Government through enactment of the Coronavirus Aid, Relief and Economic Security Act of 2020. The program allows the Small Business Administration to issue forgivable loans. The principal and accrued interest of the note was forgiven subsequent to yearend.	321,500
2.75 percent interest Small Business Administration loan dated May 26, 2020, payable in 360 monthly payments of \$641 beginning May 26, 2021.	150,000
3.59 percent interest promissory note dated June 23, 2020, payable in 48 monthly payments of \$387 beginning August 7, 2020. Note is secured by the related vehicle.	16,595

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### NOTE 5: NOTES PAYABLE (CONT'D)

5 percent interest promissory note dated August 18, 2020 with a maximum principal of \$2,100,000. Note is payable in 12 monthly interest only payments beginning September 18, 2020, followed by 300 monthly payments of principal and interest.	<u>532,241</u>
	2,389,686
Less unamortized financing costs	<u>17,550</u>
Long-term debt less unamortized financing costs	2,372,136
Less current maturities	<u>452,878</u>
<b>TOTAL LONG-TERM DEBT</b>	<b><u>\$ 1,919,258</u></b>

The aggregate annual maturities and required payments of long-term debt for the years subsequent to September 30, 2020, are as follows:

2021	\$ 452,878
2022	476,191
2023	54,449
2024	301,874
2025	525,248
Subsequent to 2025	<u>579,046</u>
	<b><u>\$ 2,389,686</u></b>

### NOTE 6: FINANCING COSTS

Financing costs are being amortized on the straight-line basis over the term of the related loan agreement. Financing cost and the related accumulated amortization as of September 30, 2020, amounted to \$17,606 and \$56. Financing costs amortization, included in interest expense, amounted to \$5,245, which includes \$5,189 of financing costs that was written off following refinancing of a loan agreement.

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 6: FINANCING COSTS (CONT'D)**

The estimated annual amortization relating to financing costs for the years subsequent to September 30, 2020, is as follows:

2021	\$	672
2022		672
2023		672
2024		672
2025		672
Subsequent to 2025		<u>14,190</u>
	\$	<u>17,550</u>

### **NOTE 7: LINE OF CREDIT**

The Organization has entered into a line of credit agreement with a principal limit of \$100,000, an initial credit limit of 5.25 percent and maturity date of August 18, 2021. The balance as of September 30, 2020 was \$0.

### **NOTE 8: OPERATING LEASES**

On May 1, 2020, the Organization entered into a lease agreement with BOV-RAC Utah, LLC for retail space to operate a thrift store. The lease is for 12 months ending April 30, 2021. Monthly rent is \$8,243.

On May 1, 2020, the Organization entered into a lease agreement with Utah First Property Management for a property to provide transitional housing for clients. The lease is for 12 months ending April 30, 2021. Monthly rent is \$1,150.

On May 1, 2020, the Organization entered into a lease agreement with Utah First Property Management for a property to provide transitional housing for clients. The lease is for 12 months ending April 30, 2021. Monthly rent is \$1,200.

On July 1, 2020, the Organization entered into a lease agreement with the Tooele County Housing Authority to use five apartments. The lease is for 60 months ending June 30, 2025. Monthly rent is \$4,095 for the first year of the lease and increases 3 percent annually.

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 8: OPERATING LEASES (CONT'D)**

On July 1, 2020, the Organization entered into a lease agreement with Sun Valley Development, LLC for retail space to operate a thrift store. The lease is for 60 months ending June 30, 2025. Monthly rent is \$5,500.

On November 1, 2019, the Organization entered into a lease agreement with Southwest Behavioral Health Center for retail space to operate a pet day-care establishment. The lease is for 36 months ending October 31, 2022. Monthly rent is \$3,750.

The following is a schedule, by years, of future minimum rental payments required under these operating leases as of September 30, 2020:

2021	\$ 237,810
2022	161,994
2023	122,274
2024	120,099
2025	90,980
	<u>\$ 733,157</u>

### **NOTE 9: RETIREMENT PLAN**

The Organization offers an IRA plan for any employee who wishes to participate and matches up to 3 percent of wages. For the year ended September 30, 2020, the Organization match amount totaled \$14,311.

### **NOTE 10: SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for interest	\$ 51,289
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Certain acquisitions of property and equipment were financed through the assumption of long-term debt obligations as follows:

Cost of property and equipment acquired	\$ 962,603
Less amount of indebtedness incurred	<u>527,241</u>
Cash payment for acquisition of property and equipment	<u>\$ 435,362</u>

# Friends of Switchpoint, Inc.

## Notes to Financial Statements

For the Year Ended September 30, 2020

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### **NOTE 11: RELATED PARTY TRANSACTIONS**

The Organization has an .01 percent ownership investment in Riverwalk Development Village, LLC. The Organization has a \$2,267,214 note receivable and \$591,722 account receivable due from Riverwalk Development Village, LLC.

### **NOTE 12: PRIOR PERIOD ADJUSTMENTS**

During the 2020 audit, it was discovered that net assets with donor restrictions was understated by \$176,021 and net assets without donor restrictions was overstated by a similar amount, as of September 30, 2019. During the audit it was also noted that accounts receivable and net assets without donor restrictions were overstated by \$50,000 as of September 30, 2019. Neither adjustment impacted changes in net assets reported as of September 30, 2019.

### **NOTE 13: CONTINGENT GUARANTEE**

The Organization is guarantor of a \$1,375,000 term loan agreement between the Tooele County Housing Authority and IHC Health Care Services. The Organization has guaranteed \$100,000 of payments and is indemnified from any additional liability.

### **NOTE 14: SUBSEQUENT EVENTS**

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 27, 2021, the date on which the financial statements were available to be issued.

On December 1, 2020, the Organization entered into a 5-year lease for a property that will be used to operate the Thrift Store. The base monthly rent is \$10,275 and increases 3 percent annually.

On January 6, 2021, the Organization obtained a \$720,000 note payable from Rock Canyon Bank. \$455,709 of the proceeds were used to refinance an existing note payable due to the Samuel Cris Fischer Trust.

**OTHER REPORTS**



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  
Friends of Switchpoint, Inc.

We have audited, in accordance with the 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 Friends of Switchpoint, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Friends of Switchpoint, Inc.'s internal control over financial reporting (internal control) 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 Friends of Switchpoint, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Friends of Switchpoint, 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 financial statement. However, providing an opinion on compliance with these 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Huber, Erickson; Bowman, LLC*

**Huber, Erickson & Bowman, LLC**

Salt Lake City, Utah  
January 27, 2021

### Parcel Search



Parcel/Owner/Address

Search Prelim Parcel Layer

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Find Owner:

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Find Address:

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Multiple

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Property Type

