



APPLICATION FOR CONTRIBUTION

NAME OF ORGANIZATION: Salt Lake Community Action Program (dba) Utah Community Action
ADDRESS: 1307 S. 900W
CITY: Salt Lake City, STATE: UT ZIP CODE: 84104
CONTACT PERSON: Joni Clark PHONE NUMBER: 801-410-5709 EMAIL: joni.clarke@Utahca.org

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

Utah Community Action's mission is to empower individuals, strengthen families, and build communities through self-sufficiency and education programs.

TYPE OF REQUEST: Money ☒ In-Kind ☐

Have you previously requested money from SLCo? ☒ Yes

If yes, when and how much (previous three years)? \$4,500 Bloom Donations

What is the amount of your request? \$1,750.00

The amount you are requesting is 0.00% of your annual agency budget.

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

2018 Bloom Fundraiser to support Head Start

PLEASE ATTACH:

- ☒ Copy of 501(c)(3)
- ☒ 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 or 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 1st day of August, 2018

Applicant: Donnell Boman



Financial Statements,
Schedule of Expenditures of Federal Awards,
and Federal Awards Reports in Accordance
with the Uniform Guidance

June 30, 2017 and 2016

**Salt Lake Community Action
Program
dba Utah Community Action**

Salt Lake Community Action Program
dba Utah Community Action
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June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors and Management of
Salt Lake Community Action Program
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Community Action Program dba Utah Community Action, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of Salt Lake Community Action Program dba Utah Community Action as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 20-23 are presented for the purpose of additional analysis and are 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 our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards shown on pages 24-25 as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 on our consideration of Salt Lake Community Action Program dba Utah Community Action'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 effectiveness of Salt Lake Community Action Program dba Utah Community Action's 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 Salt Lake Community Action Program dba Utah Community Action's internal control over financial reporting and compliance.



Salt Lake City, Utah
December 5, 2017

Salt Lake Community Action Program
dba Utah Community Action
Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 339,319	\$ 1,197,739
Grants and contracts receivable	2,636,567	1,951,688
Program receivables	149,945	110,251
Prepaid expenses and other assets	171,760	100,266
Weatherization and kitchen supplies	228,112	378,791
Restricted cash	2,462,673	578,977
Notes receivable	267,536	235,697
Property and equipment, net	<u>11,889,840</u>	<u>11,305,945</u>
	<u><u>\$ 18,145,752</u></u>	<u><u>\$ 15,859,354</u></u>
Liabilities and Net Assets		
Accounts payable	\$ 356,217	\$ 507,272
Accrued expenses	1,533,938	1,131,320
Accrued termination benefits	129,422	203,727
Government grant advance	258,588	-
Notes payable	<u>5,292,810</u>	<u>5,442,794</u>
Total liabilities	<u>7,570,975</u>	<u>7,285,113</u>
Net assets		
Unrestricted	1,548,618	1,328,011
Unrestricted – property and equipment	<u>2,094,214</u>	<u>1,084,614</u>
Total unrestricted net assets	3,642,832	2,412,625
Temporarily restricted	<u>6,931,945</u>	<u>6,161,616</u>
Total net assets	<u>10,574,777</u>	<u>8,574,241</u>
	<u><u>\$ 18,145,752</u></u>	<u><u>\$ 15,859,354</u></u>

Salt Lake Community Action Program
dba Utah Community Action
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Government grants	\$ -	\$ 22,585,333	\$ 22,585,333
Public support	-	2,600,832	2,600,832
Program income	854,420	-	854,420
In-kind donations	1,148,200	1,211,039	2,359,239
Interest income	-	11,978	11,978
Other income	23,732	-	23,732
Special events	383,000	-	383,000
Less cost of direct benefits to donors	(164,744)	-	(164,744)
Net special events revenue	218,256	-	218,256
Loss on disposal of property and equipment	(181)	-	(181)
Satisfaction of program restrictions	25,638,853	(25,638,853)	-
Total support and revenue	27,883,280	770,329	28,653,609
Expenses			
Program services			
Head Start	16,885,289	-	16,885,289
Weatherization	2,777,213	-	2,777,213
Community Service	5,239,977	-	5,239,977
Total program services	24,902,479	-	24,902,479
Supporting services			
Management and general	1,680,091	-	1,680,091
Fundraising	70,503	-	70,503
Total supporting services	1,750,594	-	1,750,594
Total expenses	26,653,073	-	26,653,073
Change in Net Assets	1,230,207	770,329	2,000,536
Net Assets, Beginning of Year	2,412,625	6,161,616	8,574,241
Net Assets, End of Year	\$ 3,642,832	\$ 6,931,945	\$ 10,574,777

Salt Lake Community Action Program
dba Utah Community Action
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Government grants	\$ -	\$ 22,168,934	\$ 22,168,934
Public support	-	1,513,797	1,513,797
Program income	644,277	-	644,277
In-kind donations	-	1,463,635	1,463,635
Interest income	-	4,054	4,054
Other income	554	-	554
Special events	392,337	-	392,337
Less cost of direct benefits to donors	(133,640)	-	(133,640)
Net special events revenue	258,697	-	258,697
Loss on disposal of property and equipment	(90)	-	(90)
Satisfaction of program restrictions	23,888,794	(23,888,794)	-
Total support and revenue	24,792,232	1,261,626	26,053,858
Expenses			
Program services			
Head Start	17,018,924	-	17,018,924
Weatherization	2,042,045	-	2,042,045
Community Service	4,451,411	-	4,451,411
Total program services	23,512,380	-	23,512,380
Supporting services			
Management and general	1,658,340	-	1,658,340
Fundraising	94,620	-	94,620
Total supporting services	1,752,960	-	1,752,960
Total expenses	25,265,340	-	25,265,340
Change in Net Assets	(473,108)	1,261,626	788,518
Net Assets, Beginning of Year	2,885,733	4,899,990	7,785,723
Net Assets, End of Year	\$ 2,412,625	\$ 6,161,616	\$ 8,574,241

Salt Lake Community Action Program
dba Utah Community Action
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services				Supporting Services			Total Expenses
	Head Start	Weatherization	Community Service	Total	Management and General	Fundraising	Total	
Personnel	\$ 8,815,647	\$ 1,210,578	\$ 2,512,733	\$ 12,538,958	\$ 1,200,076	\$ 24,715	\$ 1,224,791	\$ 13,763,749
Fringe benefits	2,653,915	392,743	730,957	3,777,615	259,365	1,828	261,193	4,038,808
Consultants	123,952	5,976	113,864	243,792	68,313	14,845	83,158	326,950
Travel	88,000	1,462	38,687	128,149	2,548	3,331	5,879	134,028
Vehicle	36,024	97,429	17,017	150,470	95	262	357	150,827
Space	766,473	85,974	8,090	860,537	16,731	10,273	27,004	887,541
Interest	93,768	-	101,568	195,336	-	-	-	195,336
Donated space and medical services	1,232,921	-	-	1,232,921	-	-	-	1,232,921
Copy and printing	111,016	5,008	19,021	135,045	27,561	23,872	51,433	186,478
Supplies and equipment	491,050	756,606	156,270	1,403,926	32,802	7,622	40,424	1,444,350
Telephone	88,577	18,672	45,638	152,887	7,905	465	8,370	161,257
Postage	5,959	1,484	1,203	8,646	4,339	5	4,344	12,990
Direct client assistance	665,893	4,700	1,164,815	1,835,408	23,898	-	23,898	1,859,306
Insurance	89,553	69,636	42,691	201,880	20,945	1,408	22,353	224,233
Other	239,607	52,481	22,766	314,854	15,513	146,621	162,134	476,988
Grants - sub-recipients	579,663	-	137,283	716,946	-	-	-	716,946
Depreciation	803,271	74,464	127,374	1,005,109	-	-	-	1,005,109
Total expenses	16,885,289	2,777,213	5,239,977	24,902,479	1,680,091	235,247	1,915,338	26,817,817
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(164,744)	(164,744)	(164,744)
Total expenses included in the expense section on the statement of activities	\$ 16,885,289	\$ 2,777,213	\$ 5,239,977	\$ 24,902,479	\$ 1,680,091	\$ 70,503	\$ 1,750,594	\$ 26,653,073

Salt Lake Community Action Program
dba Utah Community Action
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services				Supporting Services			Total Expenses
	Head Start	Weatherization	Community Service	Total	Management and General	Fundraising	Total	
Personnel	\$ 8,814,020	\$ 970,165	\$ 2,184,644	\$ 11,968,829	\$ 1,150,574	\$ 44,528	\$ 1,195,102	\$ 13,163,931
Fringe benefits	2,725,972	316,743	671,416	3,714,131	246,888	11,282	258,170	3,972,301
Consultants	137,585	9,247	78,028	224,860	99,921	11,407	111,328	336,188
Travel	88,309	9,973	56,834	155,116	7,709	329	8,038	163,154
Vehicle	34,765	53,735	28,313	116,813	-	537	537	117,350
Space	837,875	45,414	103,817	987,106	18,263	56,621	74,884	1,061,990
Interest	111,451	-	98,117	209,568	-	-	-	209,568
Donated space and medical services	1,091,204	-	-	1,091,204	-	-	-	1,091,204
Copy and printing	126,941	3,172	23,907	154,020	22,316	12,130	34,446	188,466
Supplies and equipment	809,724	319,754	202,250	1,331,728	24,594	6,325	30,919	1,362,647
Telephone	21,286	12,103	40,277	73,666	7,905	2,400	10,305	83,971
Postage	6,944	1,263	2,045	10,252	4,734	154	4,888	15,140
Direct client assistance	632,141	1,966	825,910	1,460,017	1,289	-	1,289	1,461,306
Insurance	85,120	61,910	34,395	181,425	32,463	1,725	34,188	215,613
Other	260,222	23,437	28,729	312,388	41,684	80,822	122,506	434,894
Grants - sub-recipients	618,716	-	39,253	657,969	-	-	-	657,969
Depreciation	616,649	213,163	33,476	863,288	-	-	-	863,288
Total expenses	17,018,924	2,042,045	4,451,411	23,512,380	1,658,340	228,260	1,886,600	25,398,980
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(133,640)	(133,640)	(133,640)
Total expenses included in the expense section on the statement of activities	<u>\$ 17,018,924</u>	<u>\$ 2,042,045</u>	<u>\$ 4,451,411</u>	<u>\$ 23,512,380</u>	<u>\$ 1,658,340</u>	<u>\$ 94,620</u>	<u>\$ 1,752,960</u>	<u>\$ 25,265,340</u>

Salt Lake Community Action Program
dba Utah Community Action
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 2,000,536	\$ 788,518
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	1,005,109	863,288
Interest expense attributable to amortization of debt issuance costs	31,406	31,406
Property and equipment contributed in-kind	(1,126,318)	(155,202)
Loss on disposal of property and equipment	181	90
Contribution restricted to building project	(2,000,000)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(684,879)	(348,000)
Program receivables	(39,694)	48,207
Prepaid expenses and other assets	(71,494)	25,224
Weatherization and kitchen supplies	150,679	(233,735)
Accounts payable	(151,055)	114,730
Accrued expenses	402,618	112,422
Government grant advance	258,588	-
Accrued termination benefits	(74,305)	-
Net Cash from (used for) Operating Activities	<u>(298,628)</u>	<u>1,246,948</u>
Investing Activities		
Change in restricted cash	(1,883,696)	12,006
Issuance of notes receivable	(31,839)	(30,445)
Purchase of property and equipment	(462,867)	(317,785)
Net Cash used for Investing Activities	<u>(2,378,402)</u>	<u>(336,224)</u>
Financing Activities		
Principal payments on notes payable	(181,390)	(200,207)
Collection of contribution restricted to building project	2,000,000	-
Net Cash from (used for) Financing Activities	<u>1,818,610</u>	<u>(200,207)</u>
Net Change in Cash and Cash Equivalents	(858,420)	710,517
Cash and Cash Equivalents, Beginning of Year	1,197,739	487,222
Cash and Cash Equivalents, End of Year	<u>\$ 339,319</u>	<u>\$ 1,197,739</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 163,930</u>	<u>\$ 178,162</u>
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Acquisitions of property and equipment via donations	<u>\$ 1,126,318</u>	<u>\$ 155,202</u>

Note 1 - Summary of Significant Accounting Policies

Organization

Salt Lake Community Action Program dba Utah Community Action (UCA) is a nonprofit corporation organized under the laws of the State of Utah. The purposes of UCA are to establish, operate, and coordinate community action programs in order to prevent and alleviate poverty and its causes, and to cooperate with other organizations, and to secure and expend monies for these purposes. UCA operates primarily in Salt Lake and Tooele Counties in Utah.

UCA's principal programs comprise the following:

Head Start - The mission of this program is to provide health, education, and promote self-sufficiency to children and families facing adversity. The program serves low-income children and families in Salt Lake and Tooele Counties.

Weatherization - A grant program for home repairs, weatherization and rehabilitation to preserve and upgrade the homes of low income persons.

Community Service - This program offers client assistance to the needs of low income persons by providing and assisting with utilities, medical, dental, food, and housing needs of affected individuals.

Cash and Cash Equivalents

UCA 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 capital expenditures or other long-term purposes of UCA are excluded from this definition.

Receivables

Receivables consist primarily of noninterest-bearing amounts due under cost-reimbursement grants and from other nonprofit and governmental agencies. UCA determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Weatherization and Kitchen Supplies

Weatherization and kitchen supplies is comprised of program-related goods for use by Weatherization and in the Head Start and kitchen facility, and is stated at the lower of cost or market determined by the first-in first-out method.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at fair value at the date of the donation. Depreciation is computed using the straight-line method based on estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lessor of the useful life of the asset or the lease term.

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Acquisition, use and disposition of certain property and equipment may be subject to certain property management standards as outlined in the Uniform Guidance. Therefore, certain property and equipment is included in temporarily restricted net assets in the accompanying financial statements.

UCA reviews the carrying values of property and equipment 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 years ended June 30, 2017 and 2016.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within notes payable in the statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

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 of UCA and/or the passage of time.

UCA reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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 action of UCA. The restrictions stipulate that resources be maintained permanently but permit UCA to expend the income generated in accordance with the provisions of the agreements. As of June 30, 2017 and 2016 UCA did not have any permanently restricted net assets.

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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to UCA'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. UCA estimates the value of these donated services that are not recorded in the financial statements to be approximately \$2,060,000 and \$2,440,000 for the years ended June 30, 2017 and 2016, respectively. Certain grants require that UCA match the funds received with other funds in varying percentages. UCA may use in-kind contributions such as volunteer labor and space provided in order to meet the matching requirements. However, only those in-kind contributions that meet the recognition criteria prescribed by generally accepted accounting principles are reflected in the financial statements.

UCA records donated professional services at the respective fair values of the services received. Amounts reflected in the financial statements during the years ended June 30, 2017 and 2016 for donated medical and other services total \$255,899 and \$183,705, respectively. Amounts reflected in the financial statements during the years ended June 30, 2017 and 2016 for donated rent total \$955,140 and \$928,840, respectively. Contributed goods are recorded at fair value at the date of donation. During the years ended June 30, 2017 and 2016 UCA received donations of vehicles, equipment, inventory and software with a fair value of \$1,148,200 and \$351,090, respectively.

Income Taxes

UCA 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), that qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under section 509(a)(1). UCA is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, UCA is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. UCA has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

UCA believes that it 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. UCA 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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

UCA 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, UCA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give 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 UCA's mission.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

UCA has evaluated subsequent events through December 5, 2017, the date which the financial statements were available to be issued, and has not identified any subsequent events requiring disclosure or adjustment in the financial statements.

Note 2 - Restricted Cash

Restricted cash consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Cash restricted by board designation:		
Accrued termination benefits	\$ 129,633	\$ 203,960
Accrued vacation	147,485	146,137
Cafeteria and other employee benefits	54,019	82,706
New Markets Tax Credit project	131,536	146,174
Cash restricted by donor to building project	<u>2,000,000</u>	<u>-</u>
	<u><u>\$ 2,462,673</u></u>	<u><u>\$ 578,977</u></u>

Note 3 - Grants and Contracts Receivable

Grants and contracts receivable consist of the following at June 30:

	2017	2016
Utah Department of Workforce Services	\$ 1,425,850	\$ 644,507
U.S. Department of Health and Human Services	852,997	844,358
United Way	119,570	288,865
Salt Lake County	84,372	12,253
Salt Lake City	58,408	45,684
Questar	23,661	55,081
Utah State Office of Education	22,290	30,520
Other	49,419	30,420
	<u>\$ 2,636,567</u>	<u>\$ 1,951,688</u>

Note 4 - Notes Receivable

Notes receivable consists of a note receivable from Community Development Finance Alliance (CDFA), an unrelated entity involved in the financing of the Head Start and kitchen facility as described in Note 14 and are governed by a loan participation agreement entered into with CDFA and three other bank participants relating to a loan between CDFA and Twain Investment Fund 68, LLC totaling \$2,030,553. At the inception of the loan term which began December 31, 2014, UCA funded \$190,533 to CDFA representing all of "Tranche B" of the loan participation. Tranche B bears interest at 1 percent and is subordinate to "Tranche A." Tranche A bears interest at 4.5 percent. UCA also committed to purchase additional loan participation in Tranche A from the three bank participants. These payments are required to be made quarterly from March 2015 through September 2021 and range from \$7,318 to \$9,789 (a total of \$229,399). The principal portion of the note receivable is due at maturity on December 31, 2021. At the option of the participants they may sell additional participation interests to UCA, however, in no event shall UCA own a participation interest in the loans in excess of 95% of the original balance of the notes receivable. The notes receivable are secured by ownership interests in Alliance Finance Fund 6, LLC, the holder of certain notes receivable due from a qualifying portion of business of UCA (Note 10). At June 30, 2017 and 2016, UCA has purchased note receivable interests totaling \$77,003 and \$45,164 in the Tranche A loan, respectively. Notes receivable at June 30, 2017 and 2016 total \$267,536 and \$235,697, respectively.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30:

	2017	2016
Land	\$ 2,002,422	\$ 2,002,422
Buildings	11,180,481	11,180,481
Leasehold improvements	1,314,675	1,295,354
Furniture, equipment and software	5,436,675	4,118,911
Construction in progress	214,049	-
	<u>20,148,302</u>	<u>18,597,168</u>
Less accumulated depreciation	<u>(8,258,462)</u>	<u>(7,291,223)</u>
	<u><u>\$ 11,889,840</u></u>	<u><u>\$ 11,305,945</u></u>

Note 6 - Lease Commitments

UCA currently leases a variety of classrooms, offices, equipment, storage units, and food pantries under various long-term and month-to-month operating lease agreements. At June 30, 2017 and 2016, the total monthly cost for all of UCA's leased facilities and equipment is approximately \$24,000 and \$19,000, respectively. During the years ended June 30, 2017 and 2016, facilities and equipment lease expense totaled \$272,894 and \$232,100, respectively.

Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2018	\$ 252,977
2019	212,496
2020	168,583
2021	162,534
2022	158,163
Thereafter	<u>336,000</u>
	<u><u>\$ 1,290,753</u></u>

Note 7 - Retirement Plan

UCA sponsors a tax-deferred annuity plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. Effective July 1, 2008, UCA makes a matching contribution of 6 percent for employees employed prior to July 1, 2008 and 4 percent for employees starting employment subsequent to July 1, 2008 (6 percent after 5 years of employment) for employees who contribute to the plan. An employee must meet certain eligibility requirements in order to participate in the Plan. During the years ended June 30, 2017 and 2016, UCA made contributions to the Plan totaling \$313,474 and \$366,425, respectively.

Note 8 - Concentrations

UCA receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of this support, were this to occur, would have a significant effect on UCA's programs and activities.

Note 9 - Accrued Termination Benefits

UCA provided certain benefits to its employees upon termination under a non-qualified plan. These benefits were based on the employee's years of service and the employee's final compensation rate. UCA estimated the expense related to this benefit and charged the expense amounts to the related federal or state grants. Effective July 1, 2008, UCA discontinued accruing future benefits under this non-qualified plan. Accrued termination benefits total \$129,422 and \$203,727 at June 30, 2017 and 2016 and this amount is classified as a long-term liability. During the years ended June 30, 2017 and 2016, \$74,305 and \$65,957 was disbursed to terminated employees. UCA cannot reasonably estimate the amount, if any, that may be disbursed during the next fiscal year. In order to settle UCA's commitment to these employees upon their termination, UCA has established a separate cash account totaling \$129,633 and \$203,960 at June 30, 2017 and 2016. The funds in this account have been designated by the Board of Directors to be available to pay accrued termination benefits.

Note 10 - Notes Payable

Notes payable consist of the following at June 30:

	2017	2016
Note payable (Loan A) to Alliance Finance Fund 6, LLC, fixed interest at 2.9% quarterly interest-only payments beginning March 2015. No prepayment of this note permitted prior to the seven year NMTC compliance period. All principal and unpaid interest is due on December 10, 2021. Net of unamortized debt issuance costs of \$88,124 for 2017 and \$109,926 for 2016 (based upon an effective interest rate of 4.138%)	\$ 1,942,409	\$ 1,920,607
Note payable (Loan B) to Alliance Finance Fund 6, LLC, fixed interest at 2.9% quarterly interest-only payments beginning March 2015. No prepayment of this note permitted prior to the seven year NMTC compliance period. On June 10, 2022 the note requires quarterly payments of principal and interest at the new applicable interest rate of 5% plus the Prime Rate, such that the full amount of the note and any unpaid interest will be repaid by June 10, 2045. Secured by a trust deed on the property. The lender has the option to accelerate the repayment of this note payable to require the repayment of the note on December 10, 2021. If the lender accelerates the repayment of the note, the amount due will be (i) the outstanding balance of Loan A, (ii) \$1,000, and (iii) any other amounts due under the notes payable including accrued interest, other than the principal balance of Loan B. Net of unamortized debt issuance costs of \$38,820 for 2017 and \$48,424 for 2016 (based upon an effective interest rate of 4.138%)	855,647	846,043
Mortgage payable ("Shriver Building"), monthly principal and interest payments of \$5,163, variable interest based on 30- year Treasury Bond plus 0.5% adjusted every five years (3.97% at June 30, 2017), due August 1, 2030, secured by property.	574,368	606,278
Mortgage payable ("Magna Property"), monthly principal and interest payments of \$7,936, fixed interest at 6% due January 1, 2022, secured by property.	901,320	945,959
Mortgage payable ("West Valley Property"), monthly principal and interest payments of \$4,799, interest at five year LIBOR plus 2.5 % (4.17% at June 30, 2017) adjusting after five years, due September 1, 2025, secured by property.	263,673	295,962
Mortgage payable ("JRR Building"), annual principal and interest payments of \$78,331, variable interest based on Utah State Treasurer's Investment Fund as of June 30 of the preceding year (0.73% at June 30, 2017), due June 30, 2020, secured by property.	755,393	827,945
	<u>\$ 5,292,810</u>	<u>\$ 5,442,794</u>

Salt Lake Community Action Program
dba Utah Community Action
Notes to Financial Statements
June 30, 2017 and 2016

Future maturities of notes payable are as follows:

<u>Year ending June 30,</u>	
2018	\$ 183,144
2019	188,595
2020	731,941
2021	125,885
2022	2,831,729
Thereafter	1,358,460
Less unamortized debt issuance costs	<u>(126,944)</u>
	<u><u>\$ 5,292,810</u></u>

Note 11 - Line of Credit

UCA has entered into a revolving line of credit with Zions Bank that provides for available borrowings of \$500,000. The agreement matures on March 1, 2018. Borrowings under the line of credit bear interest at LIBOR plus 3.25 percent. There were no amounts outstanding on the line of credit at June 30, 2017 and 2016.

Note 12 - Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources currently available for use, but expendable only for the specific purposes as follows at June 30:

	<u>2017</u>	<u>2016</u>
Property and equipment, net of related mortgages payable	\$ 4,375,872	\$ 4,778,536
Community Service program	6,947	471,395
Building construction	2,000,000	-
Early Childhood	-	211,205
United Way grant	119,570	321,689
Weatherization and kitchen supplies	228,112	378,791
Fundraising	<u>201,444</u>	<u>-</u>
	<u><u>\$ 6,931,945</u></u>	<u><u>\$ 6,161,616</u></u>

Note 13 - Related Party Transactions

Certain members of UCA's Board of Directors are employed by lenders who have made loans to UCA or others who provide contributions to UCA.

Note 14 - New Markets Tax Credit Project

In connection with the construction of a new Head Start and kitchen facility in South Salt Lake (SSL), UCA has partnered with US Bancorp Community Development Corporation (US Bank) to obtain additional funding utilizing the New Markets Tax Credit Program (NMTC).

The NMTC permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDE). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to 5 percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is 6 percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

As part of the NMTC transaction to finance the Head Start and kitchen facility, UCA entered into note payable agreements with Alliance Finance Fund 6, LLC, the sub-CDE (the Lender), totaling \$2,030,533 (Loan A) and \$894,467 (Loan B) at both June 30, 2017 and 2016 (see Note 10). These notes payable were funded to UCA by means of an investment made in Alliance Finance Fund 6, LLC by Twain Investment Fund 68, LLC (Twain NMTC) (owned 100 percent by US Bank). Twain NMTC has a promissory note payable to Community Development Finance Alliance for \$2,030,533, representing the leveraged portion of the investment.

In addition and as part of the terms of the notes payable to Alliance Finance Fund 6, LLC, the lender has an option to accelerate the repayment of Loan B (see Note 10). If the lender accelerates the repayment of the note, the amount due will be (i) the outstanding balance of Loan A, (ii) \$1,000, and (iii) any other amounts due under the notes payable including accrued interest, other than the principal balance of Loan B. The lender is not required to exercise its option under this agreement.



Supplementary Information
June 30, 2017 and 2016

Salt Lake Community Action Program dba Utah Community Action

Salt Lake Community Action Program
dba Utah Community Action
Combining Statement of Financial Position
June 30, 2017

	SLCAP (excluding SSL Portion of Business)	SSL Portion of Business	Total
Assets			
Cash and cash equivalents	\$ 331,733	\$ 7,586	\$ 339,319
Grants and contracts receivable	2,532,292	104,275	2,636,567
Program receivables	149,945	-	149,945
Intercompany receivable/payable	(397,886)	397,886	-
Prepaid expenses and other assets	149,260	22,500	171,760
Weatherization and kitchen supplies	228,112	-	228,112
Restricted cash	2,338,704	123,969	2,462,673
Notes receivable	267,536	-	267,536
Property and equipment, net	9,054,527	2,835,313	11,889,840
	<u>\$ 14,654,223</u>	<u>\$ 3,491,529</u>	<u>\$ 18,145,752</u>
Liabilities and Net Assets			
Accounts payable	\$ 352,909	\$ 3,308	\$ 356,217
Accrued expenses	1,513,904	20,034	1,533,938
Accrued termination benefits	129,422	-	129,422
Government grant advance	258,588	-	258,588
Notes payable	2,494,754	2,798,056	5,292,810
	<u>4,749,577</u>	<u>2,821,398</u>	<u>7,570,975</u>
Net assets			
Unrestricted	915,744	632,874	1,548,618
Unrestricted – property and equipment	2,056,957	37,257	2,094,214
	<u>2,972,701</u>	<u>670,131</u>	<u>3,642,832</u>
Temporarily restricted	6,931,945	-	6,931,945
	<u>9,904,646</u>	<u>670,131</u>	<u>10,574,777</u>
	<u>\$ 14,654,223</u>	<u>\$ 3,491,529</u>	<u>\$ 18,145,752</u>

Salt Lake Community Action Program
Combining Statement of Financial Position
June 30, 2016

	SLCAP (excluding SSL Portion of Business)	SSL Portion of Business	Total
Assets			
Cash and cash equivalents	\$ 1,193,623	\$ 4,116	\$ 1,197,739
Grants and contracts receivable	1,842,004	109,684	1,951,688
Program receivables	110,251	-	110,251
Intercompany receivable/payable	(298,452)	298,452	-
Prepaid expenses and other assets	72,766	27,500	100,266
Weatherization and kitchen supplies	378,791	-	378,791
Restricted cash	436,919	142,058	578,977
Notes receivable	235,697	-	235,697
Property and equipment, net	8,350,568	2,955,377	11,305,945
	<u>\$ 12,322,167</u>	<u>\$ 3,537,187</u>	<u>\$ 15,859,354</u>
Liabilities and Net Assets			
Accounts payable	\$ 445,167	\$ 62,105	\$ 507,272
Accrued expenses	1,095,258	36,062	1,131,320
Accrued termination benefits	203,727	-	203,727
Government grant advance	-	-	-
Notes payable	2,676,144	2,766,650	5,442,794
	<u>4,420,296</u>	<u>2,864,817</u>	<u>7,285,113</u>
Net assets			
Unrestricted	686,018	641,993	1,328,011
Unrestricted – property and equipment	1,054,237	30,377	1,084,614
	<u>1,740,255</u>	<u>672,370</u>	<u>2,412,625</u>
Temporarily restricted	<u>6,161,616</u>	<u>-</u>	<u>6,161,616</u>
	<u>7,901,871</u>	<u>672,370</u>	<u>8,574,241</u>
	<u>\$ 12,322,167</u>	<u>\$ 3,537,187</u>	<u>\$ 15,859,354</u>

Salt Lake Community Action Program
dba Utah Community Action
Combining Statement of Activities
Year Ended June 30, 2017

	SLCAP (excluding SSL Portion of Business)	SSL Portion of Business	Total
Support and Revenue:			
Government grants	\$ 21,031,493	\$ 1,553,840	\$ 22,585,333
Public support	2,574,582	26,250	2,600,832
Program income	357,553	496,867	854,420
In-kind donations	2,359,239	-	2,359,239
Interest income	11,978	-	11,978
Other income	23,732	-	23,732
Special events	383,000	-	383,000
Less cost of direct benefits to donors	(164,744)		(164,744)
Net special events revenue	218,256	-	218,256
Loss on disposal of property and equipment	(181)	-	(181)
Total support and revenue	26,576,652	2,076,957	28,653,609
Expenses			
Program services			
Head Start	15,459,028	1,426,261	16,885,289
Weatherization	2,777,213	-	2,777,213
Community Service	4,596,107	643,870	5,239,977
Total program services	22,832,348	2,070,131	24,902,479
Supporting services			
Management and general	1,674,337	5,754	1,680,091
Fundraising	67,192	3,311	70,503
Total supporting services	1,741,529	9,065	1,750,594
Total expenses	24,573,877	2,079,196	26,653,073
Change in Net Assets	2,002,775	(2,239)	2,000,536
Net Assets, Beginning of Year	7,901,871	672,370	8,574,241
Net Assets, End of Year	\$ 9,904,646	\$ 670,131	\$ 10,574,777

Salt Lake Community Action Program
dba Utah Community Action
Combining Statement of Activities
Year Ended June 30, 2016

	SLCAP (excluding SSL Portion of Business)	SSL Portion of Business	Total
Support and Revenue:			
Government grants	\$ 20,437,346	\$ 1,731,588	\$ 22,168,934
Public support	1,418,797	95,000	1,513,797
Program income	267,226	377,051	644,277
In-kind donations	1,463,635	-	1,463,635
Interest income	4,054	-	4,054
Other income	554	-	554
Special events	392,337	-	392,337
Less cost of direct benefits to donors	(133,640)	-	(133,640)
Net special events revenue	258,697	-	258,697
Loss on disposal of property and equipment	(90)	-	(90)
Total support and revenue	23,850,219	2,203,639	26,053,858
Expenses			
Program services			
Head Start	15,294,067	1,724,857	17,018,924
Weatherization	2,042,045	-	2,042,045
Community Service	4,054,247	397,164	4,451,411
Total program services	21,390,359	2,122,021	23,512,380
Supporting services			
Management and general	1,575,423	82,917	1,658,340
Fundraising	79,891	14,729	94,620
Total supporting services	1,655,314	97,646	1,752,960
Total expenses	23,045,673	2,219,667	25,265,340
Change in Net Assets	804,546	(16,028)	788,518
Net Assets, Beginning of Year	7,097,325	688,398	7,785,723
Net Assets, End of Year	\$ 7,901,871	\$ 672,370	\$ 8,574,241

Salt Lake Community Action Program
dba Utah Community Action
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Passed Through from the State of Utah: Child Care Food Program	10.558	Not available	\$ 744,644	\$ -
Total U.S. Department of Agriculture			744,644	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through from the State of Utah: Housing Opportunities for People with AIDS	14.241	17-0436	19,500	-
Passed Through from Salt Lake City: Housing Opportunities for People with AIDS	14.241	725168375	172,560	-
			192,060	-
Passed Through from Salt Lake City: Community Development Block Grant	14.218	B-16-MC-49-0004	20,000	-
Passed Through from West Valley City: Community Development Block Grant	14.218	Not available	6,500	-
Passed Through from West Jordan City: Community Development Block Grant	14.218	Not available	16,000	-
Passed Through from South Jordan City: Community Development Block Grant	14.218	Not available	4,500	-
Passed Through from Sandy City: Community Development Block Grant	14.218	Not available	6,000	-
			53,000	
Passed Through from Salt Lake City: Emergency Solution Grants	14.231	Not available	22,000	-
Passed Through from Salt Lake County: Emergency Solution Grants	14.231	16-06642	40,000	-
			62,000	-
Passed Through from Salt Lake City: Home Investment Partnership Program	14.239	Not available	50,093	-
Passed Through from Salt Lake County/Murray/Holladay: Home Investment Partnership Program	14.239	BV16106	95,800	-
			145,893	-
Total U.S. Department of Housing and Urban Development			452,953	-

Salt Lake Community Action Program
dba Utah Community Action
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts Passed- Through to Subrecipients</u>
<u>U.S. Department of Energy</u>				
Passed Through from the State of Utah:				
Weatherization	81.042	17-0947, 17-0948	<u>\$ 711,162</u>	<u>\$ -</u>
Total U.S. Department of Energy			<u>711,162</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start Programs	93.600		15,516,047	579,663
Passed Through from the State of Utah:				
Temporary Assistance for Needy Families:				
Family Stability Project	93.558	15DWS0179	488,805	-
Family Stability Project	93.558	15-1437	413,546	-
Family Stability Project	93.558	16DWS0202	29,686	-
Teen Afterschool Prevention Project	93.558	14DWS0158	33,845	-
Homeless to Housing	93.558	17-1136	96,152	-
TANF II	93.558	17DWS0213	131,214	105,882
Passed through from Salt Lake County:				
TANF - Eligibility	93.558	1402UTTANFUCA	<u>107,408</u>	<u>-</u>
			1,300,656	105,882
Low Income Home Energy Assistance Program:				
LIHEAP / WZ	93.568	17-0563	617,457	-
LIHEAP / WZ	93.568	16-0026	666,809	-
LIHEAP - WZ TRI-COUNTY	93.568	16-0730	113,595	-
HEAT	93.568	16-1013, 17-1180	<u>877,336</u>	<u>-</u>
			2,275,197	-
Community Services Block Grant				
Emergency Food Services	93.569	16-1163	513,380	31,401
Emergency Food Services	93.569	17-1150	<u>444,456</u>	<u>-</u>
			957,836	31,401
Passed through from Salt Lake County:				
Social Services Block Grant	93.667	Not available	<u>30,938</u>	<u>-</u>
			<u>30,938</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>20,080,674</u>	<u>716,946</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through from Salt Lake County:				
ARRA - Emergency Food & Shelter	97.024	Phase 28	<u>30,000</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>30,000</u>	<u>-</u>
Total Federal Assistance			<u>\$ 22,019,433</u>	<u>\$ 716,946</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Salt Lake Community Action Program dba Utah Community Action (UCA), 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. UCA received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - 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 Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. UCA's summary of significant accounting policies is presented in Note 1 in UCA's basic financial statements.

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



**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 and Management of
Salt Lake Community Action Program dba Utah Community Action
Salt Lake City, Utah

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 Salt Lake Community Action Program dba Utah Community Action (UCA), which comprise the statement of financial position as of June 30, 2017, 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 December 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UCA'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 the UCA's internal control. Accordingly, we do not express an opinion on the effectiveness of UCA's 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 have not been 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 and significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as 2017-A to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2017-B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UCA'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

Responses to Findings

UCA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's corrective action plan. UCA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Salt Lake City, Utah
December 5, 2017



Independent Auditor's Report on Compliance for each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors and Management of
Salt Lake Community Action Program dba Utah Community Action
Salt Lake City, Utah

Report on Compliance for Each Major Federal Program

We have audited Salt Lake Community Action Program dba Utah Community Action's (UCA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of UCA's major federal programs for the year ended June 30, 2017. UCA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 UCA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 UCA'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of UCA's compliance.

Basis for Qualified Opinion on Head Start

As described in the accompanying schedule of findings and questioned costs, UCA did not comply with requirements regarding CFDA 93.600 Head Start as described in finding number 2017-001 for Allowable Activities and 2017-002 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for UCA to comply with requirements applicable to that program.

Qualified Opinion on Head Start

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, UCA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Head Start for the year ended June 30, 2017.

Opinion on Each of the Other Major Federal Programs

In our opinion, UCA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of

auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

UCA's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's corrective action plan. UCA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of UCA 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 UCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UCA'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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

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 2017-003 to be a significant deficiency.

UCA's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's corrective action plan. UCA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



Salt Lake City, Utah
December 5, 2017

Salt Lake Community Action Program
dba Utah Community Action
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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	Yes
Noncompliance material to financial statements noted	Yes

FEDERAL AWARDS

Internal control over major programs	
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 for all major programs except for Head Start
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>
U.S. Department of Health and Human Services:	
Head Start	93.600
Low Income Home Energy Assistance Program	93.568
Temporary Assistance for Needy Families	93.558
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2017-A Audit Adjustments and Preparation of the Financial Statements
Material Weakness

Criteria: Reconciliations of all significant account balances should be performed during the financial close process. The entity's financial reporting process should provide for the preparation of a complete set of financial statements without required adjustments.

Condition: The Organization's reconciliation process did not detect required adjustments to net assets and accrued expenses, resulting in audit adjustments. As part of the financial reporting process the auditors were engaged to draft the financial statements and accompanying notes to those financial statements.

Cause: The process for the reconciliation did not detect all necessary reconciling items resulting in necessary adjustments to the financial statements and indicating that the internal control structure that encompasses financial reporting in accordance with generally accepted accounting principles has not been fully implemented.

Effect: Audit adjustments were needed to correct financial statement accounts. The absence of controls over the preparation of financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the entity's internal controls.

Recommendation: We recommend that management review the policies and procedures for the financial close process to ensure that controls are operating effectively over the financial statement preparation process.

Views of Responsible Officials: Management agrees with the finding.

2017-B Reimbursement Approval
Significant Deficiency

Criteria: All employee reimbursements should be reviewed and approved by an assigned supervisor to ensure the reimbursement is for an approved business purpose.

Condition: In a selection of 17 employee reimbursements, we noted 4 reimbursements that were not reviewed and approved by an assigned supervisor or included questionable documentation of a business purpose. As such, the business purpose of these reimbursements is uncertain.

Cause: The reimbursement approval process was not appropriately followed.

Effect: Reimbursements could potentially be made to employees for personal expenses.

Recommendation: We recommend that management review the policies and procedures for reimbursement approval and ensure that employees are trained on the correct procedures.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2017-001 **U.S. Department of Health and Human Services**
CFDA # 93.600
Head Start

Activities Allowed or Unallowed

Material Weakness in Internal Control over Compliance and Compliance

Criteria: Federal awards should be used for activities allowed by the grantor.

Condition: During the year, the entity received additional funding availability from Head Start to expand its programs, including the construction of new facilities. Management reported to us that it had used federal awards which were specified by the grantor to be used for construction for other Head Start program expenses.

Cause: The organization used federal awards for purposes other than those intended by the grant agreement.

Effect: Restricted federal awards were used for otherwise allowable activities, but activities other than those intended by the grantor.

Questioned Costs: \$400,000

Repeat Finding from Prior Year: No

Recommendation: We note that management notified us of the use of federal awards for activities other than those intended by the grantor and initiated many responses already including the following: 1) performed an internal audit of questioned transactions and similar transactions, 2) hired a third-party forensic investigator to conduct an analysis to determine the extent of use of funds for activities other than those intended by the grantor and other potential concerns, and 3) informed Head Start of the use of the federal awards for purposes other than construction, who then initiated its own review 4) made changes to the management team. In addition to the steps already taken by management, we recommend that management review the policies and procedures over the expenditure of federal awards and ensure that controls are operating effectively to ensure that federal awards are used only for activities allowed by grantors.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2017-002 **U.S. Department of Health and Human Services**
CFDA # 93.600
Head Start

Allowable Costs/Cost Principles

Material Weakness in Internal Control over Compliance and Compliance

Criteria: Federal funds previously drawn down to pay accrued paid time-off benefits should be retained in a segregated cash account for use to pay those accrued benefits.

Condition: During the year, management reported to us that it liquidated its accrued paid time-off benefits segregated cash account during which time it still had accrued paid time-off benefits payable.

Cause: The organization originally believed the release and use of the cash was appropriate as individuals used their paid time-off.

Effect: The organization was not in compliance with the requirement to retain the federal funds that had been drawn down in an amount equal to its accrued paid time-off benefits payable.

Questioned Costs: \$144,706

Repeat Finding from Prior Year: No

Recommendation: We note that management notified us of the liquidation of the account prior to our audit and by June 30, 2017 had appropriately replenished the account. In addition to the steps already taken by management, we recommend that management ensure the paid time-off segregated cash account be maintained with a balance equal to or exceeding its paid time-off benefits liability.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2017-003 **U.S. Department of Health and Human Services**
CFDA # 93.600, Head Start; CFDA # 93.568, Low Income Home Energy Assistance Program;
CFDA # 93.558, Temporary Assistance for Needy Families

Allowable Costs/Cost Principles

Significant Deficiency in Internal Control over Compliance

Criteria: As a condition of receiving Federal awards, non-federal entities agree to comply with laws, regulations, and provisions of grant agreements and contracts, and to maintain internal controls to provide reasonable assurance with these requirements. One of the federal requirements applicable to the Organization's major programs is allowable costs identified in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) *Subpart E – Cost Principles*. Section 200.445 identifies general provisions of selected items of costs and disallows expenditures for goods or services for personal use.

Condition: The Organization did not have a documented plan in place to sufficiently separate employee morale costs, which are allowable under the grant and purchases of goods for personal use, which are specifically excluded from the allowable pool by the Uniform Guidance.

Cause: The Organization lacked clear understanding of the difference between employee morale costs and purchases of goods for personal use. The grant agreements were silent to that matter.

Effect: Without a formal written plan in place over these costs, unallowable costs could be charged to a federal award.

Questioned Costs: None reported.

Context/Sampling: A nonstatistical sample of 186 transactions was selected for testing, which accounted for \$229,303 of \$22,040,651 of federal program expenditures. Of the 186 disbursements selected for testing, one of these was found to be unallowable under Uniform Guidance. The noted disbursement totaled \$5,230 and was a purchase of gift cards provided to employees as part of an employee morale program, which disbursement is considered unallowable due to the absence of a formal written plan governing such a program.

Repeat Finding from Prior Year: No

Recommendation: The Organization should review the requirements of the Uniform Guidance and formally document a plan that distinguishes employee morale costs and those for personal use.

Views of Responsible Officials: Management agrees with the recommendation.



Management's Response to Auditor's Findings:
Corrective Action Plan
June 30, 2017

Prepared by Management of
Salt Lake Community
Action Program
dba Utah Community Action



Utah Community Action™

1307 South 900 West Salt Lake City, Utah 84104
(801) 972-1122 www.utahca.org

PRESIDENT, BOARD OF TRUSTEES
Rey Butcher

INTERIM CHIEF EXECUTIVE OFFICER
Jennifer Godfrey

December 6, 2017

To Whom It May Concern:

This letter is to address the findings in Utah Community Action's Financial Statements dated June 30, 2017. As the Board of Trustee and Management Team we would like to ensure funders, partners and community members that we agree with the Financial Statements and recommendations brought forth by Eide Bailly.

In June of 2017, the Board of Trustees was made aware of fiscal and ethical allegations and immediately took action, as is their fiduciary responsibility. A third party forensic auditing firm was engaged to examine the allegations and Eide Bailly was notified. Both the third-party independent forensic auditing firm and Eide Bailly came to the same conclusions as reported in this audit. It was determined that these were not systemic agency issues, rather isolated issues which control systems detected, allowing us to act immediately.

The following actions have been taken to prevent repeat findings:

- Processes for employee expense reimbursements were enhanced.
- Additional training was conducted to ensure employees are trained on correct expense reimbursement procedures and other Uniform Guidance requirements.
- Budget reports were revised to reflect more frequent, accurate, real time reports.
- Changes were made to the management team.
- The PTO restricted cash account was restored.

In addition, fiscal policies and procedures will be reviewed during the current fiscal year to ensure that controls are operating effectively and policies document formal plans for employee morale costs.

If there are any concerns, or you would like to discuss an issue with management or the Board of Trustees, please do not hesitate to reach out to us.

Rey Butcher
Utah Community Action
Board of Trustees Chair
Rey.Butcher@utahca.org

Jennifer Godfrey
Utah Community Action
Interim Chief Executive Officer
Jennifer.Godfrey@utahca.org

UTAH COMMUNITY ACTION IS PROUD TO BE AN
EQUAL OPPORTUNITY EMPLOYER

Corrective Action Plan

Finding 2017-A

<i>Finding Summary:</i>	The Organization's reconciliation process did not detect required adjustments to net assets and accrued expenses, resulting in audit adjustments. As part of the financial reporting process the auditors were engaged to draft the financial statements and accompanying notes to those financial statements.
<i>Responsible Individuals:</i>	Jennifer Godfrey, Interim Chief Executive Officer Stacy Weight, Chief Administration Officer
<i>Corrective Action Plan:</i>	Fiscal policies and procedures will be reviewed during the current fiscal year to ensure that controls are operating effectively.
<i>Anticipated Completion Date:</i>	June 30, 2018

Finding 2017-B

<i>Finding Summary:</i>	In a selection of 17 employee reimbursements, we noted 4 reimbursements that were not reviewed and approved by an assigned supervisor or included questionable documentation of a business purpose. As such, the business purpose of these reimbursements is uncertain.
<i>Responsible Individuals:</i>	Jennifer Godfrey, Interim Chief Executive Officer Stacy Weight, Chief Administration Officer
<i>Corrective Action Plan:</i>	Processes for employee expense reimbursements were enhanced. Fiscal policies and procedures will be reviewed during the current fiscal year to ensure that controls are operating effectively.
<i>Anticipated Completion Date:</i>	June 30, 2018

Corrective Action Plan

Finding 2017-001

Federal Agency Name: U.S. Department of Health and Human Services
Program Name: Head Start
CFDA # 93.600

Finding Summary: During the year, the entity received additional funding availability from Head Start to expand its programs, including the construction of new facilities. Management reported to us that it had used federal awards which were specified by the grantor to be used for construction for other Head Start program expenses.

Responsible Individuals: Jennifer Godfrey, Interim Chief Executive Officer
Stacy Weight, Chief Administration Officer

Corrective Action Plan: Additional training was conducted to ensure employees are trained on correct expense reimbursement procedures and other Uniform Guidance requirements. Budget reports were revised to reflect more frequent, accurate, real time reports. Changes were made to the management team.

Anticipated Completion Date: Completed

Finding 2017-002

Federal Agency Name: U.S. Department of Health and Human Services
Program Name: Head Start
CFDA # 93.600

Finding Summary: During the year, management reported to us that it liquidated its accrued paid time-off benefits segregated cash account during which time it still had accrued paid time-off benefits payable.

Responsible Individuals: Jennifer Godfrey, Interim Chief Executive Officer
Stacy Weight, Chief Administration Officer

Corrective Action Plan: Budget reports were revised to reflect more frequent, accurate, real time reports. Changes were made to the management team. The PTO restricted cash account was restored.

Anticipated Completion Date: Completed

Corrective Action Plan

Finding 2017-003

Federal Agency Name:

U.S. Department of Health and Human Services

Program Name:

Head Start; Low Income Home Energy Assistance Program; Temporary Assistance for Needy Families

CFDA #

93.600; 93.568; 93.558

Finding Summary:

The Organization did not have a documented plan in place to sufficiently separate employee morale costs, which are allowable under the grant and purchases of goods for personal use, which are specifically excluded from the allowable pool by the Uniform Guidance.

Responsible Individuals:

Jennifer Godfrey, Interim Chief Executive Officer
Stacy Weight, Chief Administration Officer

Corrective Action Plan:

Fiscal policies and procedures will be reviewed during the current fiscal year to ensure that controls are operating effectively and policies document formal plans for employee morale costs.

Anticipated Completion Date: June 30, 2018



August 1, 2018

Salt Lake County
Attn: Karen Crompton
2001 South State Street, Suite N3200
Salt Lake City, UT 84190

Dear Karen,

Thank you for your generous donation of \$1,75.00 to Salt Lake Head Start. We value your support as we work to build a brighter future for low-income children, and we are honored to count you as a key partner in our important efforts to help our most vulnerable children. The funds will support our continuing efforts to provide and promote education, health and self-sufficiency to children and families in the Head Start program.

Please allow this letter to serve as your receipt. Head Start is operated by Salt Lake Community Action Program, a non-profit organization with IRS 501(c)(3) status. Our tax identification number is 87-0269683.

Sincerely,

Joni Clark
Community Partnerships Manager
Salt Lake Head Start