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TANNER

Accountants & Advisors



Utah Community Action
Committed to Ending Poverty

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

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

As of and for the Years Ended June 30, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees and Management of Salt Lake Community Action Program (dba Utah Community Action)

Opinion

We have audited the accompanying financial statements of Salt Lake Community Action Program (dba Utah Community Action) (UCA), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Community Action Program (dba Utah Community Action) as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Recently Adopted Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 error or fraud.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2023, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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, 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 October 19, 2023, on our consideration of UCA's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 UCA'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 UCA's internal control over financial reporting and compliance.

Tanner LLC

October 19, 2023

Statements of Financial Position

As of June 30,

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,913,095	\$ 460,327
Grants and contracts receivable	5,297,508	5,448,972
Prepaid expenses and other assets	782,613	523,248
Weatherization and kitchen supplies	342,860	424,432
Restricted cash	355,365	71,021
Designated cash	703,569	468,799
Note receivable	3,218,040	3,218,040
Property and equipment, net	18,912,386	23,761,507
Operating right-of-use assets	2,834,999	-
Finance right-of-use assets	4,791,440	-
Total assets	<u>\$ 39,151,875</u>	<u>\$ 34,376,346</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 930,473	\$ 955,904
Accrued liabilities	2,932,618	1,381,942
Accrued termination benefits	-	42,025
Capital lease obligations	-	5,698,015
Notes payable, net	1,759,922	1,979,216
Operating lease liabilities	2,847,971	-
Finance lease liabilities	5,614,117	-
Other long-term liabilities	619,270	630,461
Total liabilities	<u>14,704,371</u>	<u>10,687,563</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	9,026,202	10,911,167
With donor restrictions	15,421,302	12,777,616
Total net assets	<u>24,447,504</u>	<u>23,688,783</u>
Total liabilities and net assets	<u>\$ 39,151,875</u>	<u>\$ 34,376,346</u>

Statement of Activities

Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Support and Revenue:			
Government grants	\$ -	\$ 46,422,498	\$ 46,422,498
Public support	243,903	693,707	937,610
Program income	1,363,732	-	1,363,732
In-kind donations	154,580	1,485,216	1,639,796
Interest income	-	41,445	41,445
Other income	79,363	-	79,363
Special events	278,384	-	278,384
Less cost of direct benefits to donors	(51,882)	-	(51,882)
Net special events revenue	226,502	-	226,502
Loss on disposal of property and equipment	(14,261)	-	(14,261)
Net assets released from restrictions	45,999,180	(45,999,180)	-
Total support and revenue	48,052,999	2,643,686	50,696,685
Expenses:			
Program services:			
Head Start	30,000,171	-	30,000,171
Weatherization	4,348,148	-	4,348,148
Community Service	11,363,634	-	11,363,634
Total program services	45,711,953	-	45,711,953
Supporting services:			
Management and general	4,050,421	-	4,050,421
Fundraising	175,590	-	175,590
Total supporting services	4,226,011	-	4,226,011
Total expenses	49,937,964	-	49,937,964
Change in Net Assets	(1,884,965)	2,643,686	758,721
Net Assets, Beginning of Year	10,911,167	12,777,616	23,688,783
Net Assets, End of Year	\$ 9,026,202	\$ 15,421,302	\$ 24,447,504

Statement of Activities

Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenue:			
Government grants	\$ -	\$ 42,382,727	\$ 42,382,727
Public support	79,117	713,453	792,570
Program income	885,182	-	885,182
In-kind donations	246,122	1,379,215	1,625,337
Interest income	-	42,157	42,157
Other income	44,828	-	44,828
Special events	141,007	-	141,007
Less cost of direct benefits to donors	(56,560)	-	(56,560)
Net special events revenue	84,447	-	84,447
Loss on disposal of property and equipment	(1,370)	-	(1,370)
Gain on debt forgiveness	893,467	-	893,467
Net assets released from restrictions	45,568,207	(45,568,207)	-
Total support and revenue	47,800,000	(1,050,655)	46,749,345
Expenses:			
Program services:			
Head Start	25,858,770	-	25,858,770
Weatherization	3,830,034	-	3,830,034
Community Service	11,207,990	-	11,207,990
Total program services	40,896,794	-	40,896,794
Supporting services:			
Management and general	3,603,975	-	3,603,975
Fundraising	100,031	-	100,031
Total supporting services	3,704,006	-	3,704,006
Total expenses	44,600,800	-	44,600,800
Change in Net Assets	3,199,200	(1,050,655)	2,148,545
Net Assets, Beginning of Year	7,711,967	13,828,271	21,540,238
Net Assets, End of Year	\$ 10,911,167	\$ 12,777,616	\$ 23,688,783

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Services			Total Expenses
	Head Start	Weatherization	Community Service	Total	Management and General	Fundraising	Total	
Personnel	\$ 17,085,824	\$ 2,037,342	\$ 5,159,064	\$ 24,282,230	\$ 2,680,600	31,444	\$ 2,712,044	\$ 26,994,274
Payroll taxes and benefits	4,241,498	533,112	1,276,252	6,050,862	539,373	3,955	543,328	6,594,190
Direct client assistance	928,697	555	3,605,115	4,534,367	-	-	-	4,534,367
Supplies and equipment	1,393,772	1,250,555	78,575	2,722,902	242,143	5,987	248,130	2,971,032
Space	1,684,709	206,521	234,382	2,125,612	122,520	-	122,520	2,248,132
Donated space and medical	1,573,215	7,388	21,323	1,601,926	16,129	-	16,129	1,618,055
Depreciation and amortization	1,096,634	92,157	365,550	1,554,341	-	-	-	1,554,341
Consultants	610,322	31,387	134,918	776,627	238,580	56,722	295,302	1,071,929
Grants - sub-recipients	717,860	-	320,533	1,038,393	-	-	-	1,038,393
Other	129,700	14,583	68,945	213,228	58,677	92,880	151,557	364,785
Travel	148,963	18,458	53,152	220,573	51,093	17,549	68,642	289,215
Insurance	179,320	58,725	15,157	253,202	52,161	-	52,161	305,363
Telephone	99,061	15,964	13,796	128,821	22,966	-	22,966	151,787
Vehicle	55,253	63,632	4,892	123,777	112	-	112	123,889
Copy and printing	53,873	16,023	9,490	79,386	18,418	18,926	37,344	116,730
Postage	1,470	1,746	2,490	5,706	4,892	9	4,901	10,607
Interest	-	-	-	-	2,757	-	2,757	2,757
Total expenses	30,000,171	4,348,148	11,363,634	45,711,953	4,050,421	227,472	4,277,893	49,989,846
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(51,882)	(51,882)	(51,882)
Total expenses included in the expense section on the statement of activities	\$ 30,000,171	\$ 4,348,148	\$ 11,363,634	\$ 45,711,953	\$ 4,050,421	\$ 175,590	\$ 4,226,011	\$ 49,937,964

See accompanying notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Supporting Services			Total Expenses
	Head Start	Weatherization	Community Service	Total	Management and General	Fundraising	Total	
Personnel	\$ 14,631,923	\$ 1,789,998	\$ 5,048,304	\$ 21,470,225	\$ 2,240,364	\$ 7,455	\$ 2,247,819	\$ 23,718,044
Payroll taxes and benefits	3,902,190	489,893	1,237,744	5,629,827	478,355	1,350	479,705	6,109,532
Direct client assistance	810,535	4,415	3,565,780	4,380,730	-	-	-	4,380,730
Supplies and equipment	954,168	1,046,269	179,217	2,179,654	233,555	931	234,486	2,414,140
Space	1,218,639	177,741	212,718	1,609,098	136,372	-	136,372	1,745,470
Donated space and medical	1,466,173	8,978	27,158	1,502,309	6,862	-	6,862	1,509,171
Depreciation and amortization	946,751	79,561	315,588	1,341,900	-	-	-	1,341,900
Consultants	561,287	34,566	139,057	734,910	299,140	45,808	344,948	1,079,858
Grants - sub-recipients	629,997	-	293,911	923,908	-	-	-	923,908
Other	153,860	17,715	88,160	259,735	59,604	74,398	134,002	393,737
Travel	166,424	30,924	38,938	236,286	27,398	10,091	37,489	273,775
Insurance	154,399	51,327	14,923	220,649	43,521	-	43,521	264,170
Telephone	110,066	11,274	22,053	143,393	24,324	-	24,324	167,717
Vehicle	85,872	65,523	10,117	161,512	2,957	-	2,957	164,469
Copy and printing	65,110	19,136	12,865	97,111	39,019	16,507	55,526	152,637
Postage	1,376	2,714	1,457	5,547	8,591	51	8,642	14,189
Interest	-	-	-	-	3,913	-	3,913	3,913
Total expenses	25,858,770	3,830,034	11,207,990	40,896,794	3,603,975	156,591	3,760,566	44,657,360
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors	-	-	-	-	-	(56,560)	(56,560)	(56,560)
Total expenses included in the expense section on the statement of activities	\$ 25,858,770	\$ 3,830,034	\$ 11,207,990	\$ 40,896,794	\$ 3,603,975	\$ 100,031	\$ 3,704,006	\$ 44,600,800

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 758,721	\$ 2,148,545
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,228,054	1,341,900
Interest expense attributable to amortization of debt issuance costs	1,641	547
Amortization of operating lease right-of-use assets	237,027	-
Amortization of finance lease right-of-use assets	326,287	-
Loss (gain) on disposal of property and equipment	14,261	1,370
Gain on debt forgiveness	-	(893,467)
Changes in operating assets and liabilities:		
Grants and contracts receivable	151,464	69,056
Prepaid expenses and other assets	(259,365)	(119,035)
Weatherization and kitchen supplies	81,572	(14,495)
Accounts payable	(25,431)	32,065
Accrued liabilities	1,550,676	(712,924)
Accrued termination benefits	(42,025)	(21,457)
Operating lease liability	(224,055)	-
Net cash provided by operating activities	<u>3,798,827</u>	<u>1,832,105</u>
Cash flows from investing activities:		
Proceeds from notes receivable	-	410,143
Proceeds from sale of property and equipment	11,372	-
Purchases of property and equipment	(1,522,293)	(3,075,124)
Net cash used in investing activities	<u>(1,510,921)</u>	<u>(2,664,981)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	-	2,060,725
Debt issuance costs	-	(8,204)
Principal payments on capital leases	-	(82,155)
Principal payments on finance lease liabilities	(83,898)	-
Principal payments on notes payable	(232,126)	(2,586,799)
Net cash used in financing activities	<u>(316,024)</u>	<u>(616,433)</u>
Net change in cash and restricted cash	<u>1,971,882</u>	<u>(1,449,309)</u>
Cash (including designated and restricted), beginning of the year	<u>1,000,147</u>	<u>2,449,456</u>
Cash (including designated and restricted), end of the year	<u>\$ 2,972,029</u>	<u>\$ 1,000,147</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 50,554</u>	<u>\$ 68,819</u>
Supplemental schedules of non-cash investing and financing activities:		
Adoption of ASC 842 operating lease right-of-use asset and lease obligation	\$ 3,072,026	\$ -
Reclassification of property and equipment to finance lease right-of-use asset	\$ 5,117,727	\$ -
Reclassification of capital lease obligation to finance lease obligation	\$ 5,698,015	\$ -

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

Salt Lake Community Action Program dba Utah Community Action (UCA or the Organization) 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, 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 assistance with the needs of low-income persons by providing and assisting with utilities, medical, dental, food, and housing needs of affected individuals.

Basis of Presentation

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

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

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include the useful lives of property and equipment, and the allocation of program and supporting service expenses.

Concentrations of Credit Risk and Revenue Sources

UCA maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. To date, UCA has not experienced a loss or lack of access to its cash; however, no assurance can be provided that access to UCA's cash will not be impacted by adverse conditions in the financial markets.

A significant portion of UCA's support, revenue, and receivables is from federal, state, and local governments. As of and for the years ended June 30, 2023 and 2022, government funds represented approximately 92% and 91% of support and revenue, respectively, and 96% and 98% of grants and contracts receivable, respectively. A future reduction of the revenue from government agencies, due to either amendment of contract terms or the cancellation of contracts, or a possible delay in payments resulting from government shutdown, could have a very significant impact on UCA's operations.

Grants and Contracts Receivable

Grants and contracts receivable consist primarily of non-interest bearing amounts due under cost-reimbursement grants and from other nonprofit and governmental agencies. Management determines an allowance for doubtful accounts by using historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. Recoveries of receivables previously written off are recorded when received. As of June 30, 2023, and 2022, management determined that no allowance was necessary.

Weatherization and Kitchen Supplies

Weatherization and kitchen supplies comprise program-related goods for use by Weatherization and in the Head Start and kitchen facility. Inventories are recorded at the lower of cost or net realizable value, with cost being determined on a first-in, first-out method. UCA periodically reviews inventories for excess supply, obsolescence, and valuations above estimated realizable amounts, and provides a reserve to cover these items. Management determined that no reserve for obsolete inventory was necessary as of June 30, 2023 and 2022.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of the donation. Minor replacements, maintenance, and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from 3 to 30 years.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Acquisition, use, and disposition of certain property and equipment may be subject to property management standards as outlined in the Uniform Guidance.

Impairment of Long-Lived Assets

UCA reviews its property and equipment, and other long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future net cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset. Management did not identify any events or changes in circumstances requiring an impairment review during the years ended June 30, 2023 and 2022.

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 statement of activities.

Recently Adopted Accounting Pronouncement

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization accounted for its existing capital leases as finance leases and existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under Topic 842, (b) whether classification of the leases would be different in accordance with Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability at the carrying amount of the capital lease obligations on June 30, 2022, of \$5,698,015 and a right-of-use asset at the carrying amount of the capital lease assets of \$5,117,727. For operating leases, the Organization recognized on July 1, 2022 a lease liability of \$3,072,026, which represents the present value of the remaining lease payments of \$3,525,167, discounted using the risk-free rate of 3.17%, and a right-of-use asset of \$3,072,026.

Lease Commitments

The Organization leases classrooms, office facilities, equipment, storage units, and equipment. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use assets and lease liabilities are recorded within the statement of financial position as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the implicit rate determined from the contract or the risk-free rate. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the right-of-use asset and lease liability as the Organization does not separate lease and non-lease components.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The exercise of lease renewal options is at the Organization's sole discretion.

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Many of the Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Where commensurate value is not exchanged, revenues from contracts and grants with federal and state governments are recorded as contributions (included in government grants revenue).

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. To achieve revenue recognition the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the entire transaction price to the single performance obligation in the contract and (5) recognized revenue when the performance obligation has been satisfied.

Program income and other contracts – The Organization recognizes revenue for services provided to individuals or organizations over time (most services span only one day) in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The Organization has a contract with each organization or individual before services are provided. Cash received in advance of performing services is recorded as unearned revenue. Contract liabilities (unearned revenue) are recognized as revenue when services are performed.

Donated Property, Equipment and Services

Many individuals volunteer their time and perform a variety of tasks that assist UCA with specific programs and assignments. Donated services are reflected in the financial statements when such services create or enhance a nonfinancial asset, or when the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. UCA does not have a practice of monetizing the contributions of nonfinancial assets.

Donations of property and equipment and supplies are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, UCA reports expirations of donor restrictions when the donated or acquired assets are placed in service. UCA reclassifies these net assets with donor restrictions to net assets without donor restrictions at that time.

Expense Allocation

The costs of providing various programs and other activities have been presented on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. The Organization uses departmental surveys to allocate costs based on time and resources used. The expenses that are allocated include the following:

Expense	Allocation Method
Personnel	Time
Payroll taxes and benefits	Time
Space	Square Footage
Insurance	Square Footage
Other	Square Footage
Depreciation and amortization	Square Footage

Income Taxes

UCA is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations. As such, UCA is not subject to federal or state income taxes on exempt purpose income.

UCA accounts for uncertain tax positions, if any, when it is more-likely-than-not the position will not be sustained upon examination by the tax authorities. As of June 30, 2023, UCA had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. UCA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform with current year presentation.

Subsequent Events

UCA has evaluated subsequent events through October 19, 2023, the date on which the financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, comprised the following as of June 30:

	2023	2022
Cash	\$ 1,913,095	\$ 460,327
Receivables	5,297,508	5,448,972
	<u>7,210,603</u>	<u>5,909,299</u>
Less amounts not available to be used within one year:		
Funds subject to donor-imposed purpose restrictions	<u>1,111,191</u>	<u>970,860</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 6,099,412</u>	<u>\$ 4,938,439</u>

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

Operations are funded primarily from federal, state, local, and private grants for program services. The Organization's receivables are due directly or indirectly from governmental entities, private donors, and individual clients. The Organization has implemented processes and procedures that are performed prior to submitting the grant reimbursement requests to minimize payment delays. Credit risk associated with receivables is considered to be limited because the amounts are due primarily from governmental entities.

As described in Note 10, the Organization has \$500,000 available under its line of credit agreement with a bank through December 20, 2023.

The statements of cash flows identify the sources and uses of the Organization's cash that generated positive cash flows from operating activities during the years ended June 30, 2023 and 2022 of approximately \$3,799,000 and \$1,829,000, respectively.

3. Grants and Contracts Receivable

Grants and contracts receivable consisted of the following as of June 30:

	2023	2022
Utah Department of Workforce Services	\$ 2,517,638	\$ 2,041,662
U.S. Department of Health and Human Services	1,235,302	1,886,311
Salt Lake County	687,517	277,587
Salt Lake City	557,936	1,052,040
Other	193,737	97,167
Utah State Office of Education	<u>105,378</u>	<u>94,205</u>
	<u>\$ 5,297,508</u>	<u>\$ 5,448,972</u>

4. Restricted and Designated Cash

Restricted and designated cash consisted of the following as of June 30:

	2023	2022
Cash designated by the board for:		
Accrued vacation	\$ 703,569	\$ 426,530
Accrued termination benefits	-	42,269
Cash restricted for cafeteria and other employee benefits	15,708	71,021
Cash restricted for Salt Lake County grant	339,657	-
	<u>\$ 1,058,934</u>	<u>\$ 539,820</u>

5. Note Receivable

The note receivable consists of amounts receivable from Community Development Finance Alliance (CDFA), an unrelated entity involved in the financing of Head Start and kitchen facilities as further described in Note 16. The note receivable is secured by property, bears interest at 1%, and matures on December 15, 2053. Principal payments to UCA on this note receivable are due as follows:

<u>Years ending June 30,</u>	
2024	\$ -
2025	-
2026	-
2027	-
2028	-
Thereafter	<u>3,218,040</u>
	<u>\$ 3,218,040</u>

6. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2023	2022
Buildings	\$ 18,343,992	\$ 24,203,273
Furniture, equipment and software	5,234,354	4,894,040
Land	3,161,142	3,161,142
Leasehold improvements	1,719,837	1,510,939
Construction in progress	664,728	160,624
	<u>29,124,053</u>	<u>33,930,018</u>
Less accumulated depreciation and amortization	<u>(10,211,667)</u>	<u>(10,168,511)</u>
	<u>\$ 18,912,386</u>	<u>\$ 23,761,507</u>

Depreciation and amortization expense on property and equipment for the years ended June 30, 2023 and 2022 totaled \$1,228,054 and \$1,341,900, respectively.

7. Accrued Liabilities

Accrued liabilities consisted of the following as of June 30:

	2023	2022
Payroll and related costs	\$ 1,608,149	\$ 1,144,654
Deferred revenue	1,283,830	179,276
Other	40,639	58,012
	<u>\$ 2,932,618</u>	<u>\$ 1,381,942</u>

8. Accrued Termination Benefits

UCA provided certain benefits to its employees upon termination under a non-qualified plan. These benefits were based on the employees' years of service and the employees' 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 \$0 and \$42,025 as of June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, \$42,025 and \$21,457 was disbursed to terminated employees, respectively. As of June 30, 2023, all accrued termination benefit payments had been paid by UCA.

9. Notes Payable

Notes payable consisted of the following as of June 30:

	2023	2022
Note payable to Community Development Finance Alliance, fixed interest at 3.2%, monthly principal and interest payments of \$15,980, due January 27, 2027, unsecured. Net of unamortized debt issuance costs of \$6,016 for 2023.	\$ 1,444,916	\$ 1,586,422
Mortgage payable ("JRR Building"), annual principal and interest payments of \$79,648, payable to a financial institution with a variable interest rate equal to the 12 month average rate of return for the Utah State Treasurer's Investment Fund for the year prior to that for which the interest accrues, resulting in a rate of 0.4931% for the year ended June 30, 2023, due June 30, 2027, secured by property.	315,006	392,794
	<u>\$ 1,759,922</u>	<u>\$ 1,979,216</u>

Amortization of debt issuance costs for the years ended June 30, 2023 and 2022 was \$1,641 and \$547, respectively. Future maturities of notes payable are as follows:

<u>Years ending June 30,</u>	
2024	\$ 225,944
2025	231,090
2026	236,392
2027	1,072,512
Less unamortized debt issuance costs	<u>(6,016)</u>
	<u>\$ 1,759,922</u>

10. Line of Credit

On December 29, 2022, UCA entered into a revolving line of credit with a bank that provides for available borrowings of \$500,000. The agreement matures on December 20, 2023. Borrowings under the line of credit bear interest at PRIME plus 1.50%. As of June 30, 2023, the Organization had not drawn on this line of credit.

11. Net Assets with Donor Restrictions

The purpose restrictions pertaining to net assets with donor restrictions were as follows as of June 30:

	2023	2022
Property and equipment, net of related debt	\$ 14,047,466	\$ 11,381,506
Community Service program	1,001,365	868,224
Weatherization and kitchen supplies and funds	262,645	425,250
Fundraising	105,602	97,136
Administration	4,224	5,500
	\$ 15,421,302	\$ 12,777,616

The restricted property and equipment, net of related debt, relates to property that was purchased with federal grant funds. This property is held in trust by UCA as trustee for the beneficiaries of the program under which the property was acquired or improved. Although UCA has all privileges of ownership for the life of these assets, in the event the assets are sold, the proceeds from the sale would be divided between UCA and the federal agency that provided funding, according to the percentage of funds each party provided toward the purchase or construction of the assets.

12. In-Kind Contributions

Amounts reflected in the statements of activities for donated nonfinancial assets were as follows for the years ended June 30:

	2023	2022
Use of space	\$ 1,294,057	\$ 1,219,148
Medical services	185,320	160,067
Building and equipment	-	116,165
Other	160,419	129,957
	\$ 1,639,796	\$ 1,625,337

Contributed use of space, building, and medical services were used primarily by the Head Start Program. In valuing the use of space and a contributed building, an appraisal was obtained from a licensed third party consultant. Equipment was valued based on the comparison to listed sale amounts. For contributed medical services, UCA estimates the fair value on the basis of the professionals' billable hourly rate times the hours contributed. Other than contributions of the use of space, which is used for Head Start and Early Head Start Programs, contributed nonfinancial assets did not have donor-imposed restrictions.

UCA receives a significant amount of donated services that do not meet the recognition criteria prescribed by US GAAP. UCA estimates the value of these donated services that are not recorded in the financial statements to be approximately \$4,017,000 and \$4,162,000 for the years ended June 30, 2023 and 2022, 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 US GAAP are reflected in the financial statements.

13. Commitments and Contingencies

Litigation and Other Claims

In the normal course of operations, the Organization may become party to claims and/or lawsuits. Management believes losses above amounts already accrued, if any, resulting from claims are adequately insured and/or will not have a material adverse effect on the Organization's financial position. However, such losses are difficult to estimate and the impact from uninsured losses could have a material impact on the Organization's financial position in a future period.

Leases

UCA leases classrooms, office facilities, equipment, and storage units under non-cancelable operating and finance lease agreements. The weighted average remaining lease terms and interest rates were as follows as of June 30, 2023:

Lease Term and Discount Rate	
Weighted Average Remaining Lease Term (years)	
Operating leases	7.4
Finance leases	16.4
Weighted Average Discount Rate	
Operating leases	3.17%
Finance leases	1.03%

Total lease cost under operating leases approximated \$322,000 and \$509,000 for the years ended June 30, 2023 and 2022, respectively. For finance leases, total cost was approximately \$376,000 and \$387,000, of which \$58,845 and \$60,466 represented interest expense for the years ended June 30, 2023 and 2022, respectively. These costs are reflected in the space and depreciation and amortization line items in the statements of functional expenses. The following table reconciles the undiscounted future cash flows for the next five years and thereafter to the operating and finance lease liabilities recorded within the statement of financial position as of June 30, 2023:

Maturities of Lease Liabilities		
Years ending June 30:	Operating	Finance
2024	\$ 429,695	\$ 142,450
2025	415,568	325,166
2026	423,067	412,600
2027	427,484	412,600
2028	432,305	412,600
Thereafter	1,065,795	4,411,928
Total lease payments	3,193,914	6,117,344
Less: interest	(345,943)	(503,227)
Present value of lease liabilities	\$ 2,847,971	\$ 5,614,117

14. Retirement Plan

UCA (the Employer) sponsors a tax-deferred annuity plan (the Plan), qualified under Section 401(k) of the Internal Revenue Code, covering substantially all employees. For employees age 18 or older, the Employer contributes to the Plan an amount equal to 100% of employee contributions that do not exceed 5% of eligible compensation. In addition, the employer match is subject to a vesting schedule, wherein the account balances vests 20% per year after the initial eligibility year, such that the balance is 100% vested after six years. During the years ended June 30, 2023 and 2022, UCA made contributions to the Plan totaling approximately \$1,255,000 and \$1,091,000, respectively. The fiscal year 2023 and 2022 amounts include a discretionary contribution of approximately \$690,000 and \$499,000, respectively.

15. Related Party Transactions

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

UCA Development, a non-consolidated affiliate, was established in a prior year in connection with obtaining financing and constructing a building utilizing the New Markets Tax Credit Program (NMTC) (see further information in Note 16), for the benefit of UCA. UCA has appointed two of the five members of the UCA Development Board of Directors.

During each of the fiscal years ended June 30, 2023 and 2022, the following transactions took place between UCA Development and UCA:

- 1) UCA has an agreement to lease certain playground and facility equipment from UCA Development for \$1 per year.
- 2) UCA paid \$156,546 and \$115,200 in rent to UCA Development under a lease agreement for a building, respectively.

16. New Markets Tax Credit Projects

In connection with the construction, in prior years, of a Head Start and kitchen facility in South Salt Lake, Utah, and a Head Start facility in Kearns, Utah, UCA obtained funding utilizing the New Market Tax Credit (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 investments must, in turn, be used by the CDE to provide investments in low-income communities. Investors may not redeem their investments in CDEs prior to the conclusion of a seven-year period.

As a scheduled part of the NMTC transaction to finance the Head Start and kitchen facility, UCA entered into note payable agreements totaling \$2,030,533 (Loan A) and \$894,467 (Loan B). During January 2022, Loan A was refinanced into an unsecured loan totaling \$2,060,725. As part of the unwind of the transactions, the balance of Loan B was forgiven in full during the year ended June 30, 2022, less \$1,000, and a corresponding gain of \$893,467 was recognized in the statement of activities.

In connection with the other NMTC transaction, UCA advanced funds to another party of that NMTC transaction in the amount of \$3,218,040 in exchange for a note receivable (see note 5). Under the terms of that agreement, UCA received a development fee and will also recognize land usage rent over the expected term of the agreement.

Supplementary Information
As of and for the Years Ended June 30, 2023 and 2022
Salt Lake Community Action Program
dba Utah Community Action

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

	Federal AL Number	Award Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients	CARES Act Funds Expended (Portion of Federal Expenditures)
<u>U.S. Department of Agriculture</u>					
Passed Through from the State of Utah:					
Child Care Food Program	10.558	F9	\$ 1,057,189	\$ -	\$ -
Total U.S. Department of Agriculture			1,057,189	-	-
<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	22-DWS-0222	37,931	-	-
Passed Through from Salt Lake City:					
Housing Opportunities for People with AIDS	14.241	72-5-23-4569	185,835	-	-
			223,766	-	-
Passed Through from West Jordan City:					
COVID-19 - Community Development Block Grant	14.218	CV-19.4804-473454	2,654	-	2,654
Community Development Block Grant	14.218	4801-473454	12,080	-	-
Passed Through from Sandy City:					
Community Development Block Grant	14.218		4,562	-	-
			19,296	-	2,654
Passed Through from Salt Lake City:					
Emergency Solutions Grants	14.231	72-5-21-3251	105,375	-	-
COVID-19 - Emergency Solutions Grants	14.231	72-5-21-3252	83,904	-	83,904
Emergency Solutions Grants	14.231	72-5-23-4431	46,021	-	-
			235,300	-	83,904
Passed Through from Salt Lake City:					
Home Investment Partnership Program	14.239	72-5-23-4427	167,669	-	-
Passed Through from Salt Lake County:					
Home Investment Partnership Program	14.239	HCD21102HM	140,000	-	-
			307,669	-	-

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

	Federal AL Number	Award Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients	CARES Act Funds Expended (Portion of Federal Expenditures)
<u>U.S. Department of Housing and Urban Development continued</u>					
Passed Through from Salt Lake County:					
Healthy Homes Demonstration Grants	14.901	2021-18403	\$ 87,119	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			873,150	-	86,558
<u>U.S. Department of Energy</u>					
Passed Through from the State of Utah:					
Weatherization Assistance for Low Income Persons	81.042	23-DWS-0493	585,074	-	-
Weatherization Assistance for Low Income Persons	81.042	23-DWS-0219	837,489		
Total U.S. Department of Energy			1,422,563	-	-
<u>U.S. Department of Health and Human Services</u>					
Direct Programs					
Head Start Programs	93.600	08HP000278	\$ 1,334,535	\$ 717,860	\$ -
COVID-19 - Head Start Programs	93.600	08HET001795	1,349,585	-	1,349,585
Head Start Programs	93.600	08CH011914	28,229,961	-	-
			30,914,081	717,860	1,349,585
Passed Through from the State of Utah:					
Temporary Assistance for Needy Families	93.558	22-DWS-0319	364,620	-	-
Temporary Assistance for Needy Families	93.558	21-0955-3	76,589	-	-
			441,209	-	-

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

	Federal AL Number	Award Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients	CARES Act Funds Expended (Portion of Federal Expenditures)
<u>U.S. Department of Health and Human Services continued</u>					
Low Income Home Energy Assistance Program					
Weatherization Assistance Program (HEAT)	93.568	21-1796	\$ 8,279	\$ -	\$ -
Weatherization Assistance Program (HEAT)	93.568	21-2785	1,830,995	-	-
Weatherization Assistance Program (HEAT)	93.568	22-DWS-0245	120,796	-	-
Weatherization Assistance Program (HEAT)	93.568	23-DWS-0451	845,564	-	-
Weatherization Assistance Program	93.568	21-0368	105,187	-	-
Weatherization Assistance Program	93.568	21-2785	588,827	-	-
Weatherization Assistance Program	93.568	23-DWS-0236	1,762,543	-	-
			5,262,191	-	-
Community Services Block Grant					
COVID-19 - Community Services Block Grant	93.569	20-3641	1,260	-	1,260
COVID-19 - Community Services Block Grant	93.569	21-1870	212,702	-	212,702
Community Services Block Grant	93.569	21-2220	675,451	287,349	-
Community Services Block Grant	93.569	22-DWS-0205	973,342	-	-
COVID-19 - Community Services Block Grant	93.569	22-DWS-0132	59,667	12,913	59,667
Community Services Block Grant	93.569	23-DWS-0358	21,811	-	-
			1,944,233	300,262	273,629
Children's Health Insurance Program					
Children's Health Insurance Program	93.767		55,904	-	-
			55,904	-	-
Total U.S. Department of Health and Human Services			38,617,618	1,018,122	1,623,214

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

	Federal AL Number	Award Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients	CARES Act Funds Expended (Portion of Federal Expenditures)
<i>U.S. Department of Treasury</i>					
Passed through from Salt Lake County:					
COVID-19 - Emergency Rental Assistance Program	21.023	2988	\$ 201,522	\$ -	\$ 201,522
COVID-19 - Emergency Rental Assistance Program	21.023	3174	1,724,331	-	1,724,331
Passed Through from the State of Utah:					
COVID-19 - Emergency Rental Assistance Program	21.023	23-DWS-0428	142,190	-	142,190
COVID-19 - Emergency Rental Assistance Program	21.023	23-DWS-0427	96,751	-	96,751
			<u>2,164,794</u>	-	<u>2,164,794</u>
Total U.S. Department of Treasury			<u>2,164,794</u>	-	<u>2,164,794</u>
Total Federal Expenditures			<u>\$44,135,314</u>	<u>\$ 1,018,122</u>	<u>\$ 3,874,566</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Salt Lake Community Action Program (dba Utah Community Action) (UCA) under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of UCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of UCA. UCA did not elect to use the 10% de minimis indirect cost rate.

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. Pass-through entity identifying numbers are presented where available.

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

**To the Board of Trustees of
Salt Lake Community Action Program
(dba Utah Community Action)**

We have audited 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, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated October 19, 2023. We conducted our audit 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.

Report on 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 UCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of UCA'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 UCA'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 were not identified.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Tanner LLC

October 19, 2023



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

**To the Board of Trustees of
Salt Lake Community Action Program
(dba Utah Community Action)**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salt Lake Community Action Program (dba Utah Community Action) (UCA)'s compliance with the types of compliance requirements identified as subject to audit 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, 2023. UCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, UCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of UCA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of UCA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to UCA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on UCA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about UCA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding UCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of UCA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 UCA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tanner LLC

October 19, 2023

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) yes no

Major programs:

<u>AL (CFDA) Number</u>	<u>Name of Federal Program</u>
21.023	Emergency Rental Assistance Program
81.042	Weatherization Assistance for Low-Income Persons
93.568	Weatherization Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$1,324,059

Auditee qualified as low-risk auditee? yes no

***Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2023***

FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted for the year ended June 30, 2023.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

No findings or questioned costs were noted for the year ended June 30, 2023.

Summary Schedule of Prior Audit Findings

FINANCIAL STATEMENT FINDINGS

No findings were noted for the year ended June 30, 2022.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

No findings or questioned costs were noted for the year ended June 30, 2022.