

**SALT LAKE**  
**COMMUNITY ACTION PROGRAM**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

SALT LAKE COMMUNITY ACTION PROGRAM

CONTENTS

	<u>PAGE</u>
• Independent Auditors' Report	1
• Financial Statements	2-12
• Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2007	14-15
• Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16
• Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	17-18
• Schedule of Findings and Questioned Costs	19
• Summary Schedule of Prior Audit Findings	20
• Corrective Action Plan	21



A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

6695 South 1300 East  
Salt Lake City, Utah 84121  
Voice: (801) 947-7500 Fax: (801) 947-7609

INDEPENDENT AUDITORS' REPORT

October 18, 2007

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

We have audited the accompanying statement of financial position of Salt Lake Community Action Program (a nonprofit organization) as of June 30, 2007 and the related statement of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Community Action Program as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 on our consideration of Salt Lake Community Action Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on pages 14-15 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lake, Hill & Myers*

SALT LAKE COMMUNITY ACTION PROGRAM

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2007

ASSETS

Current assets:

Cash	\$1,765,483
Restricted cash	161,628
Grants and contracts receivable	1,245,497
Other receivables	54,465
Deposits and prepaid expenses	122,803
Weatherization supplies	<u>97,390</u>

Total current assets 3,447,266

Property and equipment, net 5,447,431

\$8,894,697

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 386,146
Accrued expenses	810,139
Current portion of mortgages payable	<u>120,281</u>

Total current liabilities 1,316,566

Long-term liabilities:

Accrued termination benefits	1,172,864
Mortgages payable, less current portion	<u>2,383,227</u>

Total long-term liabilities 3,556,091

Net assets:

Unrestricted	1,441,888
Temporarily restricted	<u>2,580,152</u>

Total net assets 4,022,040

\$8,894,697

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Government grants	\$ -	\$ 15,252,665	\$15,252,665
Public support	-	1,290,257	1,290,257
Program income	268,253	-	268,253
In-kind donations	-	1,292,171	1,292,171
Interest income	-	70,588	70,588
Gain on sale of assets	21,655	-	21,655
Other income	41,609	-	41,609
Special events	129,600	-	129,600
less direct costs	(54,983)	-	(54,983)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>17,655,535</u>	<u>(17,655,535)</u>	<u>-</u>
Total revenue	<u>18,061,669</u>	<u>250,146</u>	<u>18,311,815</u>
Expenses:			
Head Start	11,493,528	-	11,493,528
Weatherization	1,398,906	-	1,398,906
Community Service	<u>3,800,337</u>	<u>-</u>	<u>3,800,337</u>
Total program services	<u>16,692,771</u>	<u>-</u>	<u>16,692,771</u>
Management and general	1,011,097	-	1,011,097
Fundraising	<u>74,976</u>	<u>-</u>	<u>74,976</u>
Total supporting services	<u>1,086,073</u>	<u>-</u>	<u>1,086,073</u>
Total expenses	<u>17,778,844</u>	<u>-</u>	<u>17,778,844</u>
Change in net assets	282,825	250,146	532,971
Net assets, June 30, 2006	<u>1,159,063</u>	<u>2,330,006</u>	<u>3,489,069</u>
Net assets, June 30, 2007	<u>\$ 1,441,888</u>	<u>\$ 2,580,152</u>	<u>\$ 4,022,040</u>

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007

	Program Services Expenses				Supporting Services Expenses			Total expenses
	Head Start	Weatherization	Community service	Total	Management and general	Fundraising	Total	
Personnel	\$ 6,378,092	\$ 585,008	\$ 1,321,436	\$ 8,284,536	\$ 614,787	\$ 49,639	\$ 664,426	\$ 8,948,962
Fringe benefits	1,931,512	206,875	314,178	2,452,565	164,586	9,943	174,529	2,627,094
Consultants	10,932	(27)	39,612	50,517	108,764	2,648	111,412	161,929
Travel	78,864	3,135	35,349	117,348	15,868	855	16,723	134,071
Vehicle	6,655	33,327	-	39,982	-	-	-	39,982
Space	490,667	25,509	250,235	766,411	44,413	2,859	47,272	813,683
Donated space	1,181,916	-	-	1,181,916	-	-	-	1,181,916
Copy and printing	106,837	4,163	13,189	124,189	16,650	508	17,158	141,347
Supplies and equipment	304,879	458,341	51,299	814,519	16,011	2,591	18,602	833,121
Telephone	90,656	7,289	35,061	133,006	7,847	728	8,575	141,581
Postage	4,506	2,278	8,235	15,019	9,582	-	9,582	24,601
Direct client assistance	442,984	754	1,522,716	1,966,454	-	795	795	1,967,249
Insurance	92,515	31,873	3,918	128,306	8,987	-	8,987	137,293
Other	72,707	7,109	54,870	134,686	1,733	4,202	5,935	140,621
Grants - sub-recipients	-	-	107,816	107,816	-	-	-	107,816
Depreciation	299,806	33,272	42,423	375,501	1,869	208	2,077	377,578
<b>Total Expenses</b>	<b>\$ 11,493,528</b>	<b>\$ 1,398,906</b>	<b>\$ 3,800,337</b>	<b>\$ 16,692,771</b>	<b>\$ 1,011,097</b>	<b>\$ 74,976</b>	<b>\$ 1,086,073</b>	<b>\$ 17,778,844</b>

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Cash received from contributions, government, contracts and clients	\$ 17,284,286
Interest received	70,588
Cash paid to vendors and employees	(15,893,896)
Interest paid	<u>(163,204)</u>
Net cash provided by operating activities	<u>1,297,774</u>
Cash flows from investing activities:	
Purchase of property and equipment, net	(407,448)
Increase in restricted cash	(29,643)
Proceeds from sale of assets	<u>50,809</u>
Net cash used in investing activities	<u>(386,282)</u>
Cash flows from financing activities:	
Principal payments on mortgages	<u>(294,483)</u>
Net cash used in financing activities	<u>(294,483)</u>
Net increase in cash	617,009
Cash at beginning of year	<u>1,148,474</u>
Cash at end of year	<u>\$ 1,765,483</u>

(continued)

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

(continued)

Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 532,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	377,578
Gain on sale of assets	(21,655)
In-kind contribution of fixed assets	(94,730)
Change in assets and liabilities:	
Decrease in grants receivable	227,652
Increase in other receivables	(28,696)
Increase in deposits and prepaid expenses	(3,274)
Increase in Weatherization supplies	(16,104)
Increase in accounts payable	179,870
Decrease in accrued expenses	(8,838)
Increase in accrued termination benefits	<u>153,000</u>
Net cash provided by operating activities	<u>\$1,297,774</u>

Schedule of non-cash investing and financing activities:

During the year ended June 30, 2007, the Organization received in-kind contributions of land and leasehold improvements totaling \$94,730.

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational Purpose

Salt Lake Community Action Program (SLCAP) is a nonprofit corporation organized under the laws of the State of Utah. The purposes of SLCAP 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. SLCAP operates primarily in Salt Lake and Tooele Counties in Utah.

SLCAP's principal programs comprise the following:

Head Start - The mission of this program is to nurture and educate young children, empower families, and partner with communities through professional and valued staff. 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 medical, dental, food, and housing needs of affected individuals.

Financial Statement Presentation

The accompanying financial statements of SLCAP have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

SLCAP reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the organization's operations. Assets designated by the Board of Directors for a specific purpose also are accounted for in this fund.

Temporarily Restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently Restricted - accounts for gifts requiring in perpetuity that the principal be invested and the income only be used.

## Property and Equipment

Property and equipment are recorded at acquisition cost or, where donated, at estimated market value at the date of the donation. Depreciation is computed using the straight-line method based on estimated useful lives ranging from 3 to 30 years. Expenditures for repairs and maintenance are charged to expense as incurred. Acquisition, use and disposition of certain property and equipment may be subject to certain property management standards as outlined in OMB Circular No. A-110. Therefore, certain property and equipment is included in temporarily restricted net assets in the accompanying financial statements.

## Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and highly liquid investments with original maturities of three months or less. Restricted cash is not considered a cash equivalent.

## Donated Services

Amounts for donated services are reflected in the financial statements if the services create or enhance nonfinancial assets or if SLCAP would be required to pay for the services if not donated. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist SLCAP with specific assistance programs, campaign solicitations, and various committee assignments. SLCAP estimates the value of these donated services that are not recorded in the financial statements to be approximately \$2,600,000.

## Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor.

## Nonprofit Status

SLCAP was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code.

## Government Contracts and Grants

SLCAP is generally funded by federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, accounts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred.

Certain grants require that SLCAP match the funds received with other funds in varying percentages. SLCAP may use in-kind contributions such as volunteer labor and space provided in order to meet the matching requirements. Such in-kind contributions are recognized only for regulatory accounting purposes and are not included in the accompanying financial statements.

## Functional Expenses

SLCAP allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are directly classified to that program or service. Other expenses that are common to several functions are allocated on a reasonable and systematic basis.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consist of the following at June 30, 2007:

U.S. Department of Health and Human Services	\$ 655,798
Utah Community and Economic Development	241,881
U.S. Department of Agriculture	4,152
U.S. Department of Housing and Urban Development	47,429
U.S. Department of Energy	32,015
Salt Lake County	38,202
Salt Lake City	34,337
Tooele City	1,164
United Way	161,200
Questar	22,162
Rocky Mountain Power	3,397
Other	<u>3,760</u>
	<u>\$1,245,497</u>

## NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2007:

Land	\$ 842,721
Buildings	5,200,555
Leasehold improvements	565,125
Furniture and equipment	<u>1,716,199</u>
	8,324,600
Less accumulated depreciation	<u>(2,877,169)</u>
	<u>\$ 5,447,431</u>

NOTE 4 - LEASE COMMITMENTS:

SLCAP currently leases a variety of classrooms, offices, storage units, and food pantries that have long-term and month-to-month lease agreements. At June 30, 2007, the total monthly amount for all of the Organization's leased facilities is \$20,132. During the year ended June 30, 2007, facilities lease expense totaled \$207,463.

Future minimum lease payments for long-term lease commitments are as follows:

<u>Year ending June 30,</u>	
2008	\$123,164
2009	102,944
2010	102,944
2011	67,942
2012	47,092
Thereafter	<u>43,642</u>
	<u>\$487,728</u>

NOTE 5 - RETIREMENT PLAN:

SLCAP established a defined contribution retirement plan (the Plan) for the benefit of its employees. The Plan's investments are held in funds managed by Charles Schwab. Under the Plan, SLCAP makes a matching contribution of up to 4 percent of the employee's salary. An employee must meet certain eligibility requirements in order to participate in the Plan. During the year ended June 30, 2007, SLCAP made contributions to the Plan totaling \$228,901.

NOTE 6 - CONCENTRATIONS:

The majority of SLCAP's support is provided through the Head Start Program from the U.S. Department of Health and Human Services. A loss of this support would have a materially adverse effect on SLCAP.

SLCAP has a concentration of credit risk to the extent cash held in bank accounts exceeds federally insured limits. At June 30, 2007, SLCAP had approximately \$1,723,000 held in bank accounts in excess of federally insured limits. Management does not believe the credit risk associated with this concentration is significant.

NOTE 7 - ACCRUED TERMINATION BENEFIT:

SLCAP provides certain benefits to its employees upon termination under a non-qualified plan. These benefits are based on the employee's years of service and the employee's final compensation rate. SLCAP estimates the expense related to this benefit and charges the expense amounts to the related federal or state grants. During the year ended June 30, 2007, \$252,422 was expensed to various federal and state grants and \$48,722 was paid to terminated employees. Accrued termination benefits total \$1,172,864 at June 30, 2007 and this amount is classified as a long-term liability. SLCAP cannot reasonably estimate the amount, if any, that may be paid during the next fiscal year.

NOTE 8 - MORTGAGES PAYABLE:

Mortgages payable at June 30, 2007 consist of the following:

Mortgage payable, monthly principal and interest payments of \$7,301, variable interest based on 30-year Treasury Bond plus 0.5 percent, adjusted every five years (4.72 percent at June 30, 2007), due August 1, 2030, secured by property.	\$ 955,928
Mortgage payable, monthly principal and interest payments of \$3,148, variable interest ranging from 5.00 percent to 9.75 percent (5.59 percent at June 30, 2007), due February 1, 2022 with a lender's option to call the mortgage due on March 1, 2012, secured by property.	233,862
Mortgage payable, monthly principal and interest payments of \$7,270, interest at 5-year LIBOR plus 2.5 percent (6.74 percent at June 30, 2007) adjusting after five years, due September 1, 2015, secured by property.	764,993
Mortgage payable, monthly principal and interest payments of \$4,892, interest at 7.99 percent, due May 1, 2016, secured by property.	<u>548,725</u>
	2,503,508
Less current portion	<u>(120,281)</u>
	<u>\$2,383,227</u>

Future maturities of mortgages payable are as follows:

Year ending June 30,

2008	\$ 120,281
2009	128,022
2010	135,860
2011	144,196
2012	152,849
Thereafter	<u>1,822,300</u>
	<u>\$2,503,508</u>

During the year ended June 30, 2007, interest expense totaled \$163,204. In the statement of functional expenses, interest expense is included in the “space” expense classification, which encompasses occupancy related expenditures and costs.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2007 represent resources currently available for use, but expendable only for the specific purposes as follows:

Property and equipment, net of related mortgages payable	\$1,989,215
Head Start program	76,218
Community services program	75,739
United Way grant	193,375
Weatherization inventory	97,390
Early childhood services	52,190
Fundraising	<u>96,025</u>
	<u>\$2,580,152</u>

## **ADDITIONAL INFORMATION**

SALT LAKE COMMUNITY ACTION PROGRAM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Federal grantor/Pass-through grantor/Program title	Federal CFDA number	Pass-through entity identifying number	Total awards for programs involving pass-through entities	Expenditures
U.S. Department of Agriculture Passed through from the State of Utah: Child Care Food Program	10.558			\$ 372,544
U.S. Department of Housing and Urban Development Direct programs:				
Supportive Housing Program (Note C)	14.235	UT01B500011-56026	170,719	125,931
Housing Counseling	14.169	HC06-0898-084		30,498
Passed through from the State of Utah:				
Emergency Shelter Grants	14.231			5,000
Housing Opportunities for People with AIDS	14.241			569
Passed through from Salt Lake County:				
Community Development Block Grant	14.218	BV03104C		25,000
Community Development Block Grant	14.218	BV03106C		20,000
Community Development Block Grant	14.218	BV03105C		10,000
Community Development Block Grant - SL County	14.218	BV03123C		14,000
Community Development Block Grant - Holladay	14.218	BV03123C		1,000
Community Development Block Grant - Murray	14.218	BV03123C		10,000
Community Development Block Grant	14.218	BV03117C		12,025
Emergency Shelter Grants	14.231	BV05502C		18,500
Home	14.239	BV03106C		60,445
Home	14.239	BV03204C		42,986
Passed through from Salt Lake City:				
Community Development Block Grant	14.218			30,000
Community Development Block Grant	14.218			25,000
Community Development Block Grant	14.218			10,000
Home	14.239			30,889
Emergency Shelter Grants	14.231			15,000
Housing Opportunities for People with AIDS	14.241			45,681
Housing Opportunities for People with AIDS	14.241			70,673
Passed through from West Valley City:				
Community Development Block Grant	14.218			3,000
Passed through from West Jordan City:				
Community Development Block Grant	14.218			4,000
Passed through from Sandy City:				
Community Development Block Grant	14.218			4,200
Total Department of Housing and Urban Development				<u>614,397</u>
U.S. Department of Energy Passed through from the State of Utah: Weatherization*	81.042	07-0016		<u>526,909</u>
Federal Emergency Management Agency Emergency Food and Shelter	83.523			<u>51,022</u>
U.S. Department of Health and Human Services Direct programs:				
Head Start*	93.600			10,844,235
Passed through from the State of Utah:				
Low Income Home Energy Assistance Program*	93.568	07-1621		366,175
Low Income Home Energy Assistance Program*	93.568	05-1355		385,910
Low Income Home Energy Assistance Program*	93.568	06-1172		626,584
Low Income Home Energy Assistance Program*	93.568	06-0968		157,959
Community Services Block Grant (Note C)	93.569	06-0995	297,569	240,935
Community Services Block Grant (Note C)	93.569	07-1087	717,271	710,877
Child Care and Development Block Grant	93.600	MECC		14,280
Utah Department of Health Child Care	93.580			8,413
Passed through from Salt Lake County:				
HIV Care Formula Grant	93.917			9,806
SSBG through The Road Home	93.670			19,459
Total Department of Health and Human Services				<u>13,384,633</u>
Department of Education Passed through from the State of Utah: Parent Teacher Association	84.310A			<u>8,162</u>
Total Department of Education				<u>8,162</u>
Total Federal Assistance				<u>\$ 14,957,667</u>

\* - Denotes a major program.

SALT LAKE COMMUNITY ACTION PROGRAM  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2007

NOTE A - GENERAL:

The schedule of expenditures of federal awards presents the activity of all federal award programs of Salt Lake Community Action Program (SLCAP). The SLCAP reporting entity is defined in Note 1 to the SLCAP's financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE B - BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards is presented using grant accounting principles. Certain government and other grants require that an other comprehensive basis of accounting be followed. The differences from accounting principles generally accepted in the United States of America are as follows: acquisition of capital assets are recorded as expenses rather than being capitalized and depreciated, and supporting services are reflected with program expenses rather than reflected separately.

NOTE C - SUB-RECIPIENTS:

Salt Lake Community Action Program provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through identifying number</u>	<u>Amount provided</u>
Community Services Block Grant	93.569	06-0995	\$ 56,634
Community Services Block Grant	93.569	07-1087	6,394
Supportive Housing Program	14.235	-	<u>44,788</u>
Total federal awards to sub-recipients			<u>\$107,816</u>

# ▶ Lake, Hill & Myers

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

6695 South 1300 East  
Salt Lake City, Utah 84121  
Voice: (801) 947-7500 Fax: (801) 947-7609

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 18, 2007

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

We have audited the financial statements of Salt Lake Community Action Program as of and for the year ended June 30, 2007, and have issued our report thereon dated October 18, 2007. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake Community Action Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Salt Lake Community Action Program in a separate letter dated October 18, 2007.

### Compliance

As part of obtaining reasonable assurance about whether Salt Lake Community Action Program's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lake, Hill & Myers*

## ▶ Lake, Hill & Myers

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

6695 South 1300 East  
Salt Lake City, Utah 84121  
Voice: (801) 947-7500 Fax: (801) 947-7609

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 18, 2007

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

#### Compliance

We have audited the compliance of Salt Lake Community Action Program (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Salt Lake Community Action Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Salt Lake Community Action Program's management. Our responsibility is to express an opinion on Salt Lake Community Action Program's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salt Lake Community Action Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salt Lake Community Action Program's compliance with those requirements.

In our opinion, Salt Lake Community Action Program complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

## Internal Control Over Compliance

The management of Salt Lake Community Action Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Salt Lake Community Action Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lake, Hill & Myers*

SALT LAKE COMMUNITY ACTION PROGRAM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

Summary of Auditors' Results

- i. The auditor issued an unqualified opinion on the financial statements of the Organization.
- ii. There are no significant deficiencies or material weaknesses in internal control over the financial statements disclosed as a result of the audit of the financial statements.
- iii. The auditor noted no noncompliance which is material to the financial statements of the Organization.
- iv. There are no significant deficiencies or material weaknesses in internal control over major programs disclosed as a result of the audit of the financial statements.
- v. The auditor issued an unqualified opinion on compliance with requirements applicable to each major program.
- vi. The auditor identified no findings reported under the caption of Audit Findings.
- vii. Major program consists of:

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
United States Department of Health and Human Services:		
Direct Programs:		
Head Start Program	93.600	\$10,844,235
Passed through from the State of Utah:		
Low Income Home Energy Assistance Program	93.568	\$ 1,536,628
United States Department of Energy:		
Weatherization Program	81.042	\$ 526,909

- viii. The Organization had four Type A programs for the year ended June 30, 2007. The dollar threshold to distinguish Type A and Type B programs was \$448,700. Programs were selected to meet the percentage coverage rule of OMB Circular A-133 paragraph \_\_\_\_\_.520(f).
- ix. The Organization qualifies as a low risk auditee under paragraph .530 of OMB Circular A-133.

Audit Findings

There are no audit findings resulting from the audit.

SALT LAKE COMMUNITY ACTION PROGRAM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006

Ref

Finding

There are no prior audit findings.

SALT LAKE COMMUNITY ACTION PROGRAM  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2007

Ref

Corrective Action

There are no current year audit findings and therefore, no corrective action plan comments.