United Community Housing Coalition

Financial Statements and Supplementary Information

July 31, 2017 and 2016

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
United Community Housing Coalition
Detroit, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of United Community Housing Coalition (a nonprofit organization) which comprise the statements of financial position as of July 31, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Community Housing Coalition as of July 31, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018 on our consideration of United Community Housing Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 United Community Housing Coalition's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 4, 2018

United Community Housing Coalition
Statements of Financial Position
July 31, 2017 and 2016

Assets

		2017	2016
Current assets:			
Cash	$	479,822	449,958
Grants receivable		312,440	302,462
Other receivables		26,060	8,803
Restricted cash:			
Tenants' withholding account		273,185	221,832
FEMA Emergency Food and Shelter Program		15,783	11,685
Prepaid expenses		16,713	13,473
Total current assets		1,124,003	1,008,213
Property and equipment:			
Office equipment and furniture		106,505	102,422
Less accumulated depreciation		(92,979)	(85,186)
Property and equipment, net		13,526	17,236
Property held for sale		783,827	784,001
Noncurrent assets:			
Deposits		10,297	10,297
Client loans, net of allowance for doubtful loans of $171,572 and $170,982 at July 31, 2017 and 2016, respectively		114,382	139,900
Total noncurrent assets		124,679	150,197
Total assets	$	2,046,035	1,959,647

Liabilities and Net Assets

		2017	2016
Current liabilities:			
Line of credit	$	41,172	38,429
Conditional loan payable, current portion		-	15,000
Accounts payable and accrued liabilities		26,810	20,346
Tenants' withholding account		273,185	221,832
Due to other agency		9,107	20,530
Deferred revenue		3,410	-
Total current liabilities		353,684	316,137
Noncurrent liabilities:			
Long term debt		504,000	504,000
Total liabilities		857,684	820,137
Net assets:			
Unrestricted		1,167,567	1,101,436
Temporarily restricted		20,784	38,074
Total net assets		1,188,351	1,139,510
Total liabilities and net assets	$	2,046,035	1,959,647

See accompanying notes to the financial statements.

	Unrestricted	Temporarily Restricted	Totals 2017	Totals 2016
Support and revenue:				
Grants	$ 1,752,324	-	1,752,324	1,625,193
United Way	178,694	-	178,694	129,987
In-kind contributions	214,600	-	214,600	-
Donations	39,993	-	39,993	271,815
Other revenue	44,690	-	44,690	66,456
Forgiveness of debt	15,000	-	15,000	-
Net assets released from restrictions	17,290	(17,290)	-	-
Total support and revenue	2,262,591	(17,290)	2,245,301	2,093,451
Expenses:				
Program services	2,060,030	-	2,060,030	1,590,043
Management and general	135,891	-	135,891	143,970
Fundraising	539	-	539	1,601
Total expenses	2,196,460	-	2,196,460	1,735,614
Change in net assets	66,131	(17,290)	48,841	357,837
Net assets, beginning of year	1,101,436	38,074	1,139,510	781,673
Net assets, end of year	$ 1,167,567	20,784	1,188,351	1,139,510

See accompanying notes to the financial statements.

United Community Housing Coalition
Statement of Activities and Changes in Net Assets
Year Ended July 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Grants	$ 1,625,193	-	1,625,193
United Way	129,987	-	129,987
Donations	271,815	-	271,815
Other revenue	66,456	-	66,456
Net assets released from restrictions	56,028	(56,028)	-
Total support and revenue	2,149,479	(56,028)	2,093,451
Expenses:			
Program services	1,590,043	-	1,590,043
Management and general	143,970	-	143,970
Fundraising	1,601	-	1,601
Total expenses	1,735,614	-	1,735,614
Change in net assets	413,865	(56,028)	357,837
Net assets, beginning of year	687,571	94,102	781,673
Net assets, end of year	$ 1,101,436	38,074	1,139,510

See accompanying notes to the financial statements.

United Community Housing Coalition
Statement of Functional Expenses
Year Ended July 31, 2017

		Program Services		Total	Management		
		Housing	Foreclosure	Program	and General	Fundraising	Total
Salaries	$	422,174	148,102	570,276	85,313	-	655,589
Contract services		116,837	95,455	212,292	-	-	212,292
Taxes and fringes		148,912	69,327	218,239	33,861	-	252,100
Operating expenses		165,914	38,414	204,328	16,446	539	221,313
Client assistance		546,736	93,559	640,295	271	-	640,566
Client assistance in-kind		214,600	-	214,600	-	-	214,600
Total expenses	$	1,615,173	444,857	2,060,030	135,891	539	2,196,460

See accompanying notes to the financial statements.

		Program Services		Total	Management		
		Housing	Foreclosure	Program	and General	Fundraising	Total
Salaries	$	358,468	146,255	504,723	85,313	-	590,036
Contract services		101,984	100,942	202,926	-	-	202,926
Taxes and fringes		97,566	49,351	146,917	38,862	-	185,779
Operating expenses		140,909	27,618	168,527	17,695	1,601	187,823
Client assistance		398,514	168,436	566,950	2,100	-	569,050
Total expenses	$	1,097,441	492,602	1,590,043	143,970	1,601	1,735,614

United Community Housing Coalition
Statements of Cash Flows
Years Ended July 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	48,841	357,837
Adjustment to reconcile change in net assets to cash flows from operating activities			
Depreciation		7,793	7,694
Provision for doubtful client loans		64,956	-
Forgiveness of debt		(15,000)	-
Effects of change in operating assets and liabilities:			
Grants receivable		(9,978)	140,254
Other receivables		(17,257)	11,759
Prepaid expenses		(3,240)	(4,513)
Accounts payable and accrued liabilities		6,464	(5,526)
Due to other agency		(11,423)	(133,097)
Deferred revenue		3,410	-
Net cash from operating activities		74,566	374,408
Cash flows from investing activities:			
Net change in restricted cash and tenants' withholding account		(4,098)	498
Capital expenditures		(4,083)	-
Net change in property held for sale		174	(784,001)
Collection on client loans		171,328	255,704
Loans made		(210,766)	(200,407)
Net cash from investing activities		(47,445)	(728,206)
Cash flows from financing activities:			
Proceeds from long term debt		-	504,000
Net proceeds (payments) on line of credit		2,743	(14,759)
Payments on conditional loan payable		-	(20,000)
Net cash from financing activities		2,743	469,241
Net change in cash		29,864	115,443
Cash, beginning of year		449,958	334,515
Cash, end of year	$	479,822	449,958
Supplemental disclosure of cash flow information:			
Interest paid	$	2,250	2,964
Supplemental disclosure of non-cash information:			
Contributed property acquired and donated	$	214,600	-
Conditional loan payable forgiven	$	15,000	-

See accompanying notes to the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements.

Description of organization

United Community Housing Coalition (Organization) is a not-for-profit organization, formed in 1973, for the purpose of improving housing for low to moderate-income people. The Organization works with tenants, homesteaders, homeowners, the homeless, community groups, churches, and advocacy organizations to fight to improve and preserve affordable housing for people. The Organization serves the Detroit, Michigan area.

Program descriptions

Housing – Housing Placement Counselors work with individuals and families to find housing and place the family into a home. Placement services are provided to persons who are homeless or in jeopardy of becoming homeless to enable them to live as independently as possible. Landlord Tenant Counselors work with individuals and families that are facing eviction, have been illegally evicted or need legal help getting repairs made to their home or apartment.

Foreclosure prevention assistance – Through the use of housing counselors and attorneys the Organization provides assistance to households at risk of or in mortgage or tax foreclosure.

Financial statement presentation

The Organization is required to report, where applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purposes of determining cash flows, cash includes cash on hand and amounts in demand deposits.

Restricted cash

Restricted cash includes the tenants' withholding account for clients in the Organization's programs and grant designated cash that is required to be kept in a separate account and therefore, has been excluded from cash in the accompanying statements of financial position and for statements of cash flow purposes.

Client loans

Client loans are recorded at unpaid principal balances, less an allowance for loan losses. Payments on the loans are to be made out of available cash by the clients. Due to uncertainty of interest repayment or service fees that the Organization charges, revenue on client loans is recorded when received.

Allowance, grants receivable and client loans

Grants receivable are stated at their net realizable value and are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided.

The allowance for client loans is established, as losses are estimated to have occurred by management based on their assessment of the current status of individual accounts and charged against the allowance when uncollectability of a loan balance is confirmed. The loans' principal is evaluated for collectability to determine whether it is impaired. A loan is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect all amounts due according to the existing contractual terms. The amount owed is then written off against the allowance. Due to the programmatic nature of the client loans, related bad debt expense is reported as client assistance in the statements of functional expenses for reporting purposes.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value if donated. Major expenditures for property and equipment and expenditures, which substantially increase useful lives of property and equipment, are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

	Years
Office equipment and furniture	3 - 7

Revenue recognition

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization and are measured at their fair values. Grants received or services billed in advance are recorded as deferred revenue and recognized in the period in which the related services are rendered.

Donated services and in-kind support

Volunteers have donated a significant number of hours assisting the Organization by providing program services in addition to general and administration work. The Organization received approximately 4,000 to 6,000 volunteer hours during 2017 and 2016. The value of this contributed time is not reflected in the accompanying financial statements since they do not qualify for recognition under GAAP. During the years ended July 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

The Organization received contributed property with an estimated fair value of $214,600 and $0 for the years ended July 31, 2017 and 2016, respectively. Such amounts have been reported as in-kind contributions in the accompanying financial statements.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Accounting for uncertainty in income taxes

Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization's reporting returns are subject to audit by federal and state taxing authorities. No income tax provision has been included in the financial statements as the Organization has determined it does not have unrelated business income subject to taxation.

Property held for sale

Property is classified as held for sale if its carrying amount will be principally recovered through a sale transaction rather than through continuing use. This requires that the asset must be available for immediate sale in its present condition and its sale must be highly probable. It also requires the Organization to be actively marketing the assets for a sale price that is reasonable in relation to its fair value. The Organization must be committed to a plan to sell the asset and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If all of the above criteria are met, the Organization classifies the property as held for sale. Property classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Any subsequent increases in fair value less costs to sell are recognized as a gain but not in excess of the cumulative impairment loss that has been recognized previously. A gain or loss on the date of the sale not previously recognized is recorded at the date of derecognition.

Reclassification of financial statement presentation

Reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. Such reclassifications have had no effect on change in net assets as previously reported.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 4, 2018, the date the financial statements were available to be issued.

2. CLIENT LOANS:

The Organization has secured and unsecured loans to clients that are served in the Organization's programs. Repayment is based on the financial position of the client and repayment terms are typically less than 12 months. The loans anticipated maturity dates range through July 2020. Most loans are secured by real property.

Management makes an assessment of the ultimate realization of client loans on a quarterly basis and estimates an allowance for doubtful loans based upon the financial condition and recent payments of the clients and the valuation of the real property securing the loan. Based on the Organization's review, an allowance for uncollectible accounts in the amount of $171,572 and $170,982 has been recorded at July 31, 2017 and 2016, respectively. Due to the financial uncertainty of the clients and maturity length of these loans, actual amounts received from these loans could differ materially from the amounts recorded in the statements of financial position in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

3. FINANCING RECEIVABLES AND THE ALLOWANCE FOR CREDIT LOSSES:

The Organization considers the loan program as a service to clients and as such engages in non-traditional loans that may not be collected in full. Accordingly, the entire portfolio of loans in Note 2 to clients in the Organization's programs is impaired due to the uncertainty in repayment and the programmatic aspect of the loans.

4. PROPERTY HELD FOR SALE:

Property held for sale consisted of 15 single family homes located in Detroit, Michigan. The carrying value of the homes was $783,827 and $784,001 at July 31, 2017 and 2016, respectively. The median carrying value at July 31, 2017 and 2016 was $52,267.

5. DUE TO OTHER AGENCY:

As of July 31, 2017 and 2016, $9,107 and $20,530, respectively, were due to service providers under the Continuum of Care Program. The Organization is the lead agency of the grant and is responsible for distributing funds received from U.S. Department of Housing and Urban Development.

6. LINE OF CREDIT:

	2017	2016
Prime rate plus 2% (5.25%), $55,000 line of credit, payable on demand to JPMorgan Chase. Interest is payable monthly; secured by grants receivable.	$ 41,172	38,429

7. CONDITIONAL LOAN PAYABLE:

On February 27, 2012, the Organization was awarded a conditional loan in the amount of $75,000 from Local Initiatives Support Corporation to support foreclosure assistance. The loan matured on February 29, 2016 and the remaining balance of $15,000 was forgiven during 2017. As of July 31, 2017 and 2016, the conditional loan balance was $0 and $15,000, respectively.

8. LONG TERM DEBT:

The Organization entered into four loans totaling $504,000 in order to purchase the property described in Note 4. The notes are unsecured, bear no interest and are to be repaid as the properties described in Note 4 are sold. Management has deemed the loans long term due to their programmatic nature. The balance of the loans at July 31, 2017 and 2016 was $504,000.

9. TEMPORARILY RESTRICTED NET ASSETS:

The Organization has classified its net assets (see Note 1) as to donor restrictions. As of July 31, 2017 and 2016, the Organization maintains temporarily restricted net asset balances as follows:

	2017	2016
Restricted revolving loan fund	$ 20,784	38,074

10. LEASES:

Beginning June 1, 2015, the Organization entered into a lease agreement for office space. The lease term is 60 months. The minimum noncancellable lease payments due in the next years are calculated at $15.50 per square foot, increasing $0.50 per square foot per year, for the 7,972 square foot space. The Organization also leases storage space in the building for $6.00 per month, increasing to $6.50 per month in the fourth year of the lease. The Organization subleases office space to another non-profit organization for 30% of the total monthly cost. Minimum required lease payments under the above agreement amounts to $101,732 for 2018, $104,747 for 2019, and $89,406 for 2020.

Rent expense for office space for the years ended July 31, 2017 and 2016 was $100,557 and $94,241, respectively.

11. CONTINGENCY:

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

The City of Detroit has exited bankruptcy protection and is subject to oversight by the Detroit Financial Review Commission. For the years ended July 31, 2017 and 2016 the Organization received $295,165 and $115,825, respectively, in funding passed through the City of Detroit. Management does not believe the bankruptcy will have a material financial effect on the Organization.

12. CONCENTRATION OF RISK:

During fiscal years 2017 and 2016, the Organization received $1,931,018 and $1,755,180, respectively, in grants and contributions from fewer than ten funding sources that includes governmental entities, pass-through agencies and private foundations. The continued existence of the Organization is dependent upon the continued support of these agencies.

The Organization maintains its cash in a regional financial institution, which is insured by the Federal Deposit Insurance Corporation up to $250,000. At various times during the year, the Organization may have had funds in excess of $250,000.

The credit risk for client loans is concentrated because the loans are provided to clients located in the same geographical region.

13. FAIR VALUE MEASUREMENTS:

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities.
Level 2 inputs are based on significant other observable inputs.
Level 3 inputs are based on significant unobservable inputs.

	Fair Value Measurements at Reporting Date Using			
Nonrecurring fair value measurements	07/31/2017	(Level 1)	(Level 2)	(Level 3)
Assets:				
Contributed property	$ 214,600	-	214,600	-
	07/31/2016			
Assets:				
Contributed property	$ -	-	-	-

The Organization recorded contributed property based on the Wayne County, Michigan appraised value, third party appraisals or similar other observable inputs.

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Passed through to Subrecipients
U.S. Department of Housing and Urban Development			
Direct			
Continuum of Care Program	14.267	$ 1,079,336	117,250
Pass-through			
CDBG-Entitlement Grants Cluster			
City of Detroit			
Community Development Block Grant	14.218	73,790	-
City of Detroit			
Emergency Shelter Grant	14.231	221,375	-
Total U.S. Department of Housing and Urban Development		1,374,501	117,250
U.S. Department of Homeland Security			
Pass-through			
United Way			
Emergency Food and Shelter National Board Program	97.024	85,716	-
Total U.S. Department of Homeland Security		85,716	-
Total Expenditures of Federal Awards		$ 1,460,217	117,250

See accompanying 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 United Community Housing Coalition under programs of the federal government for the year ended July 31, 2016. The information in this 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 United Community Housing Coalition, it is not intended to and does not present the financial position, changes in net assets, or cash flows of United Community Housing Coalition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(2) United Community Housing Coalition has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Amounts passed through to subrecipients are reported on the cash basis in accordance with the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

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

Board of Trustees
United Community Housing Coalition
Detroit, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Community Housing Coalition, which comprise the statement of financial position as of July 31, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Community Housing Coalition'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 United Community Housing Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Community Housing Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 4, 2018

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

Board of Trustees
United Community Housing Coalition
Detroit, Michigan

Report on Compliance for Each Major Federal Program
We have audited United Community Housing Coalition's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Community Housing Coalition's major federal programs for the year ended July 31, 2017. United Community Housing Coalition's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of United Community Housing Coalition's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 United Community Housing Coalition's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Community Housing Coalition's compliance.

Opinion on Each Major Federal Program
In our opinion, United Community Housing Coalition 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 July 31, 2017.

Report on Internal Control Over Compliance

Management of United Community Housing Coalition is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Community Housing Coalition's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Community Housing Coalition's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 4, 2018

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	*unmodified*			
Internal control over financial reporting:				
Material weakness identified?	____	Yes	X	No
Significant deficiency identified not considered to be material weaknesses?	____	Yes	X	No
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Type of auditors' report issued on compliance for major programs:	*unmodified*			
Internal control over major programs:				
Material weakness identified?	____	Yes	X	No
Significant deficiency identified not considered to be material weaknesses?	____	Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with CFR Section 200.516(a)?	____	Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

Financial Statement Findings

There were no findings or questioned costs relative to the financial statements.

Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards.

Prior Year Findings

None reported.