CLARK SCHAEFER HACKETT
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January 17, 2020

Board of Trustees
United Community Housing Coalition
Detroit, Michigan

We have audited the financial statements of United Community Housing Coalition (the Organization) for the years ended July 31, 2019 and 2018, and have issued our report thereon dated January 17, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated August 23, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. The Organization adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the collection of client receivables. We evaluated the key factors and assumptions used to develop the estimate for allowance for doubtful client loans in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the schedule of expenditures of federal awards accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of management of the Organization and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Clark, Schaefer, Hackett & Co.

Springfield, Ohio

United Community Housing Coalition

Financial Statements and Supplementary Information

July 31, 2019 and 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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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, 2019 and 2018 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, 2019 and 2018, 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 17, 2020 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 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 United Community Housing Coalition'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 United Community Housing Coalition's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 17, 2020

United Community Housing Coalition
Statements of Financial Position
July 31, 2019 and 2018

Assets

	2019	2018
Current assets:		
Cash	$ 3,029,408	2,563,020
Grants receivable	502,130	469,369
Other receivables	81,800	50,033
Restricted cash:		
Tenants' withholding account	500,571	467,422
FEMA Emergency Food and Shelter Program	29,499	5,449
Prepaid expenses	26,567	18,859
Total current assets	4,169,975	3,574,152
Property and equipment:		
Office equipment and furniture	109,061	106,505
Less accumulated depreciation	(100,682)	(98,292)
Property and equipment, net	8,379	8,213
Property held for sale	588,855	786,233
Noncurrent assets:		
Deposits	10,297	10,297
Client loans, net of allowance for doubtful loans of $177,522 and $144,266 at July 31, 2019 and 2018, respectively	564,248	248,449
Total noncurrent assets	574,545	258,746
Total assets	$ 5,341,754	4,627,344

Liabilities and Net Assets

	2019	2018
Current liabilities:		
Line of credit	$ 4,191	4,975
Accounts payable and accrued liabilities	65,625	113,306
Tenants' withholding account	500,571	467,422
Due to other agency	3,887	26,987
Deferred revenue	1,431,936	1,001,184
Total current liabilities	2,006,210	1,613,874
Noncurrent liabilities:		
Conditional loan payable	939,985	1,000,000
Long term debt	470,000	470,000
Total noncurrent liabilities	1,409,985	1,470,000
Total liabilities	3,416,195	3,083,874
Net assets:		
Without donor restrictions	1,906,832	1,523,924
With donor restrictions	18,727	19,546
Total net assets	1,925,559	1,543,470
Total liabilities and net assets	$ 5,341,754	4,627,344

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Support and revenue:				
Grants	$ 2,887,186	-	2,887,186	2,095,064
United Way	165,000	-	165,000	179,722
Donations	126,984	-	126,984	209,422
Other revenue	260,049	-	260,049	69,658
Net assets released from restrictions	819	(819)	-	-
Total support and revenue	3,440,038	(819)	3,439,219	2,553,866
Expenses:				
Program services	2,924,747	-	2,924,747	2,061,029
Management and general	130,225	-	130,225	134,136
Fundraising	2,158	-	2,158	3,582
Total expenses	3,057,130	-	3,057,130	2,198,747
Change in net assets	382,908	(819)	382,089	355,119
Net assets, beginning of year	1,523,924	19,546	1,543,470	1,188,351
Net assets, end of year	$ 1,906,832	18,727	1,925,559	1,543,470

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	$ 2,095,064	-	2,095,064
United Way	179,722	-	179,722
Donations	209,422	-	209,422
Other revenue	69,658	-	69,658
Net assets released from restrictions	1,238	(1,238)	-
Total support and revenue	2,555,104	(1,238)	2,553,866
Expenses:			
Program services	2,061,029	-	2,061,029
Management and general	134,136	-	134,136
Fundraising	3,582	-	3,582
Total expenses	2,198,747	-	2,198,747
Change in net assets	356,357	(1,238)	355,119
Net assets, beginning of year	1,167,567	20,784	1,188,351
Net assets, end of year	$ 1,523,924	19,546	1,543,470

See accompanying notes to the financial statements.

		Program Services						
		Housing	Foreclosure	Tenant Organizing	Total Program	Management and General	Fundraising	Total
Salaries	$	306,880	514,531	27,665	849,076	86,081	-	935,157
Contract services		94,376	12,943	6,979	114,298	300	-	114,598
Taxes and fringes		114,810	190,793	10,548	316,151	37,128	-	353,279
Operating expenses		111,745	122,145	2,468	236,358	6,692	2,158	245,208
Client assistance		549,198	829,640	30,026	1,408,864	24	-	1,408,888
Total expenses	$	1,177,009	1,670,052	77,686	2,924,747	130,225	2,158	3,057,130

See accompanying notes to the financial statements.

	Program Services		Total	Management		
	Housing	Foreclosure	Program	and General	Fundraising	Total
Salaries	$ 369,929	287,686	657,615	85,353	-	742,968
Contract services	145,114	27,937	173,051	-	-	173,051
Taxes and fringes	129,305	104,434	233,739	30,356	-	264,095
Operating expenses	154,222	49,331	203,553	15,015	3,582	222,150
Client assistance	631,319	161,752	793,071	3,412	-	796,483
Total expenses	$ 1,429,889	631,140	2,061,029	134,136	3,582	2,198,747

United Community Housing Coalition
Statements of Cash Flows
Years Ended July 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	382,089	355,119
Adjustment to reconcile change in net assets to cash flows from operating activities			
Depreciation		2,390	5,313
Provision for doubtful client loans		78,561	-
Forgiveness of conditional loan payable		(60,015)	-
Effects of change in operating assets and liabilities:			
Grants receivable		(32,761)	(156,929)
Other receivables		(31,767)	(23,973)
Prepaid expenses		(7,708)	(2,146)
Accounts payable and accrued liabilities		(7,068)	31,835
Due to other agency		(23,100)	17,880
Deferred revenue		430,752	997,774
Net cash from operating activities		731,373	1,224,873
Cash flows from investing activities:			
Net change in restricted cash and tenants' withholding account		(24,050)	10,334
Capital expenditures		(2,556)	-
Collection on client loans		773,409	382,313
Loans made		(1,011,004)	(464,125)
Net cash from investing activities		(264,201)	(71,478)
Cash flows from financing activities:			
Net proceeds from conditional loan payable		-	1,000,000
Net payments on long term debt		-	(34,000)
Net payments on line of credit		(784)	(36,197)
Net cash from financing activities		(784)	929,803
Net change in cash		466,388	2,083,198
Cash, beginning of year		2,563,020	479,822
Cash, end of year	$	3,029,408	2,563,020
Supplemental disclosure of cash flow information:			
Interest paid	$	493	1,658
Supplemental disclosure of non-cash information:			
Conditional loan payable forgiven	$	60,015	-
Land contract issued on property held for sale	$	156,765	52,255
Increase (decrease) in accounts payable and accrued liabilities included in properties held for sale	$	(40,613)	54,661

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.

Tenant Organizing – Helping tenants organize to resolve problems with building owners and government agencies, including action to obtain repairs or improve housing conditions.

Net assets

In accordance with the Not-for-Profit Entities Topic 958 of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) the Organization is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions..

Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions.

Net assets with donor restrictions consists of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Awards, grants and other funding which the Organization considers an exchange transaction is reported as deferred revenue when received in advance of revenue recognition.

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 zero-interest loans are to be made out of available cash by the clients. Due to uncertainty of repayment of service fees that the Organization charges, revenue on client loans is recorded when paid.

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 4,100 volunteer hours during 2019 and 2018. 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, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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. The Organization charges identifiable costs directly to programs benefited. Indirect costs not specifically attributable to a program are allocated based on an appropriate basis for the cost amongst all programs, management and general, and fundraising. Wages and salaries and related costs are directly charged to a functional area based on the actual hours worked.

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 or 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.

Real estate sales

Real estate sales are recorded using the cost recovery method under which gains are deferred until the buyer's total payments exceed the cost of the property. The buyer's payments are considered first to be recovery of cost. Payments received in excess of cost are then recorded as gains.

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 17, 2020, 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 have anticipated maturity dates through July 2022. 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 $177,522 and $144,266 has been recorded at July 31, 2019 and 2018, 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:

As of July 31, 2019 and 2018, property held for sale consisted of 11 and 14, respectively, single family homes located in Detroit, Michigan. The carrying value of the homes was $588,855 and $786,233 at July 31, 2019 and 2018, respectively. The average carrying value at July 31, 2019 and 2018 was $53,532 and $56,160, respectively.

As of July 31, 2019 and 2018, the Organization has entered into 4 and 1 land contract(s), respectively, totaling $214,105 and $55,255, respectively, requiring 60 interest-free monthly payments with the balance due at maturity. The Organization retains ownership of the properties under the land contracts. At the end of the land contracts, the residents are responsible for obtaining permanent financing. The balance owed to the Organization at July 31, 2019 and 2018 was $143,376 and $25,057, respectively, and is reported as client loans in the statements of financial position.

5. DUE TO OTHER AGENCY:

As of July 31, 2019 and 2018, $3,887 and $26,987, respectively, were due to service providers under various programs. The Organization is the lead agency of the grants and is responsible for distributing funds received from federal agencies.

6. LINE OF CREDIT:

		2019	2018
Prime rate plus 2% (7.00% at July 31, 2019), $55,000 line of credit, payable on demand to JPMorgan Chase. Interest is payable monthly; secured by grants receivable.	$	4,191	4,975

7. CONDITIONAL LOAN PAYABLE:

During 2018, the Organization entered into a loan in the amount of $1,000,000 in order to purchase homes for qualified individuals. The loan is unsecured, bears no interest and is to be repaid based on payments received from qualified individuals who purchase the homes less any administrative fees. Management has deemed the loan long term due to its programmatic nature. The balance of the loan at July 31, 2019 and 2018 was $939,985 and $1,000,000, respectively.

8. LONG TERM DEBT:

During 2016, 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, 2019 and 2018 was $470,000. The amount required to be paid during 2020 is $120,000. The Organization has been notified that $300,000 of the balance will be forgiven in 2020. The remaining balance of $50,000 has no maturity date.

9. NET ASSETS WITH DONOR RESTRICTIONS:

The Organization has classified its net assets (see Note 1) as to donor restrictions. As of July 31, 2019 and 2018, the Organization maintains net asset with donor restrictions that are temporary in nature as follows:

		2019	2018
Restricted revolving loan fund	$	18,727	19,546

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 spaces in the building totaling $696 per month, increasing to $750 per month in the fourth year of the lease, and parking spaces totaling $360 per month. The Organization subleases a portion of this office space to another non-profit organization for 30% of the total monthly cost.

Beginning June 1, 2017 through December 31, 2019, the Organization entered into a sublease agreement for additional office space in the amount of $918 per month.

Minimum required lease payments under the above agreements amount to $106,974 for 2020.

Rent expense for office space for the years ended July 31, 2019 and 2018 was $121,346 and $112,620, 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. In April 2018, the City was released from financial oversight. For the years ended July 31, 2019 and 2018 the Organization received $866,941 and $538,178, 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 2019 and 2018, the Organization received $3,052,186 and $2,017,343, respectively, in grants and contributions from approximately 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. AVAILABILITY AND LIQUIDITY:

The Organization is substantially supported by grants and contributions. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. The following table presents the financial assets available to meet cash needs for general expenditures within one year at July 31:

		2019	2018
Financial assets:			
Cash	$	3,029,408	2,563,020
Grants receivable		502,130	469,369
Other receivables		81,800	50,033
Financial assets available at year end		3,613,338	3,082,422
Less limitations on available resources:			
Net assets with donor restrictions		18,727	19,546
Financial assets available to meet general expenditures over the next twelve months	$	3,594,611	3,062,876

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	$ 298,923	55,331
Pass-through			
CDBG-Entitlement Grants Cluster			
City of Detroit			
Community Development Block Grant	14.218	398,516	-
Michigan Legal Services			
Community Development Block Grant	14.218	50,000	-
		448,516	-
City of Detroit			
Emergency Solutions Grant Program	14.231	383,802	-
Total U.S. Department of Housing and Urban Development		1,131,241	55,331
U.S. Department of Health and Human Services			
Pass-through			
Wayne Metropolitan Community Action Agency			
Community Services Block Grant	93.569	78,224	-
Total U.S. Department of Health and Human Services		78,224	-
U.S. Department of Homeland Security			
Pass-through			
United Way			
Emergency Food and Shelter National Board Program	97.024	41,102	-
Total U.S. Department of Homeland Security		41,102	-
Total Expenditures of Federal Awards		$ 1,250,567	55,331

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, 2019. 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.

CLARK SCHAEFER HACKETT
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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, 2019, 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 17, 2020.

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 17, 2020

CLARK SCHAEFER HACKETT
CPAS & ADVISORS
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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, 2019. 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, 2019.

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 17, 2020

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
14.218	Community Development Block Grant

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.