

January 24, 2022

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, 2021 and 2020, and have issued our report thereon dated January 24, 2022. 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 October 17, 2021. 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) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and ASU 2014-09, *Revenue from Contracts with Customers* in 2021, which did not have a material impact to the financial statements. 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



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

United Community Housing Coalition

Financial Statements and Supplementary Information

July 31, 2021 and 2020

with Independent Auditors' Report

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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, 2021 and 2020 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, 2021 and 2020, 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 24, 2022 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 24, 2022

United Community Housing Coalition
 Statements of Financial Position
 July 31, 2021 and 2020

Assets

	2021	2020
Current assets:		
Cash	\$ 8,320,377	2,923,932
Grants receivable	1,797,581	781,344
Other receivables	415,550	138,040
Restricted cash:		
FEMA Emergency Food and Shelter Program	130,558	74,173
Tenants' withholding account	301,074	240,177
Prepaid expenses	52,734	25,506
Total current assets	11,017,874	4,183,172
Property and equipment:		
Office equipment and furniture	157,491	125,651
Less accumulated depreciation	(113,929)	(104,120)
Property and equipment, net	43,562	21,531
Property held for sale	572,577	546,213
Noncurrent assets:		
Deposits	10,297	10,297
Client loans, net of allowance for doubtful loans of \$365,951 and \$392,884 at July 31, 2021 and 2020, respectively	498,742	632,452
Total noncurrent assets	509,039	642,749
Total assets	\$ 12,143,052	5,393,665
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 677,710	123,339
Escrow funds, ERA	269,450	-
Tenants' withholding account	301,074	240,177
Deferred revenue	42,835	58,048
Refundable advance	7,087,233	1,488,531
Total current liabilities	8,378,302	1,910,095
Noncurrent liabilities:		
Conditional loan payable	723,361	723,361
Long term debt	50,000	50,000
Total noncurrent liabilities	773,361	773,361
Total liabilities	9,151,663	2,683,456
Net assets:		
Without donor restrictions	2,973,716	2,691,970
With donor restrictions	17,673	18,239
Total net assets	2,991,389	2,710,209
Total liabilities and net assets	\$ 12,143,052	5,393,665

See accompanying notes to the financial statements.

United Community Housing Coalition
 Statements of Activities and Changes in Net Assets
 Year Ended July 31, 2021 with Summarized Information for the Year Ended July 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			2021	2020
Support and revenue:				
Grants	\$ 18,618,533	-	18,618,533	3,566,014
United Way	454,063	-	454,063	275,000
Donations	216,698	-	216,698	406,499
Other revenue	194,665	-	194,665	472,942
Net assets released from restrictions	<u>566</u>	<u>(566)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>19,484,525</u>	<u>(566)</u>	<u>19,483,959</u>	<u>4,720,455</u>
Expenses:				
Program services	18,927,224	-	18,927,224	3,633,013
Management and general	274,755	-	274,755	299,112
Fundraising	<u>800</u>	<u>-</u>	<u>800</u>	<u>3,680</u>
Total expenses	<u>19,202,779</u>	<u>-</u>	<u>19,202,779</u>	<u>3,935,805</u>
Change in net assets	281,746	(566)	281,180	784,650
Net assets, beginning of year	<u>2,691,970</u>	<u>18,239</u>	<u>2,710,209</u>	<u>1,925,559</u>
Net assets, end of year	\$ <u>2,973,716</u>	<u>17,673</u>	<u>2,991,389</u>	<u>2,710,209</u>

See accompanying notes to the financial statements.

United Community Housing Coalition
Statement of Activities and Changes in Net Assets
Year Ended July 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 3,566,014	-	3,566,014
United Way	275,000	-	275,000
Donations	406,499	-	406,499
Other revenue	472,942	-	472,942
Net assets released from restrictions	<u>488</u>	<u>(488)</u>	<u>-</u>
Total support and revenue	<u>4,720,943</u>	<u>(488)</u>	<u>4,720,455</u>
Expenses:			
Program services	3,633,013	-	3,633,013
Management and general	299,112	-	299,112
Fundraising	<u>3,680</u>	<u>-</u>	<u>3,680</u>
Total expenses	<u>3,935,805</u>	<u>-</u>	<u>3,935,805</u>
Change in net assets	785,138	(488)	784,650
Net assets, beginning of year	<u>1,906,832</u>	<u>18,727</u>	<u>1,925,559</u>
Net assets, end of year	\$ <u>2,691,970</u>	<u>18,239</u>	<u>2,710,209</u>

See accompanying notes to the financial statements.

United Community Housing Coalition
Statement of Functional Expenses
Year Ended July 31, 2021

	<u>Program Services</u>			<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Prevention</u>	<u>Foreclosure</u>	<u>Tenant Organizing</u>				
Salaries	\$ 1,543,192	595,130	98,631	2,236,953	190,002	-	2,426,955
Contract services	1,236,551	13,175	500	1,250,226	-	-	1,250,226
Taxes and fringes	350,973	178,549	23,324	552,846	51,887	-	604,733
Operating expenses	271,184	142,284	9,201	422,669	32,811	800	456,280
Client assistance	<u>12,566,274</u>	<u>1,765,041</u>	<u>133,215</u>	<u>14,464,530</u>	<u>55</u>	<u>-</u>	<u>14,464,585</u>
 Total expenses	 \$ <u>15,968,174</u>	 <u>2,694,179</u>	 <u>264,871</u>	 <u>18,927,224</u>	 <u>274,755</u>	 <u>800</u>	 <u>19,202,779</u>

See accompanying notes to the financial statements.

United Community Housing Coalition
Statement of Functional Expenses
Year Ended July 31, 2020

	<u>Program Services</u>			<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Prevention</u>	<u>Foreclosure</u>	<u>Tenant Organizing</u>				
Salaries	\$ 299,479	668,899	46,542	1,014,920	212,743	-	1,227,663
Contract services	41,210	4,257	18,929	64,396	3,006	-	67,402
Taxes and fringes	96,337	221,988	12,935	331,260	31,775	-	363,035
Operating expenses	84,959	145,196	5,838	235,993	51,313	3,680	290,986
Client assistance	<u>555,844</u>	<u>1,397,678</u>	<u>32,922</u>	<u>1,986,444</u>	<u>275</u>	<u>-</u>	<u>1,986,719</u>
 Total expenses	 \$ <u>1,077,829</u>	 <u>2,438,018</u>	 <u>117,166</u>	 <u>3,633,013</u>	 <u>299,112</u>	 <u>3,680</u>	 <u>3,935,805</u>

See accompanying notes to the financial statements.

United Community Housing Coalition
Statements of Cash Flows
Years Ended July 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 281,180	784,650
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	9,809	3,438
Provision for doubtful client loans	-	242,800
Forgiveness of conditional loan payable	-	(216,624)
Forgiveness of long term debt	-	(300,000)
Effects of change in operating assets and liabilities:		
Grants receivable	(1,016,237)	(279,214)
Other receivables	(277,510)	(56,240)
Prepaid expenses	(27,228)	1,061
Accounts payable and accrued liabilities	528,007	44,214
Escrow funds, ERA	269,450	-
Deferred revenue	(15,213)	25,744
Refundable advance	<u>5,598,702</u>	<u>88,899</u>
Net cash from operating activities	<u>5,350,960</u>	<u>338,728</u>
Cash flows from investing activities:		
Capital expenditures	(31,840)	(16,590)
Net change in property held for sale	-	52,255
Collection on client loans	585,513	1,395,526
Loans made	<u>(451,803)</u>	<u>(1,706,530)</u>
Net cash from investing activities	<u>101,870</u>	<u>(275,339)</u>
Cash flows from financing activities:		
Net payments on long term debt	-	(120,000)
Net payments on line of credit	<u>-</u>	<u>(4,191)</u>
Net cash from financing activities	<u>-</u>	<u>(124,191)</u>
Net change in cash and restricted cash	5,452,830	(60,802)
Cash and restricted cash, beginning of year	<u>2,998,105</u>	<u>3,058,907</u>
Cash and restricted cash, end of year	\$ <u>8,450,935</u>	<u>2,998,105</u>
Cash within the Statement of Financial Position		
Cash	\$ 8,320,377	2,923,932
Restricted cash	<u>130,558</u>	<u>74,173</u>
Cash shown in the Statement of Cash Flows	\$ <u>8,450,935</u>	<u>2,998,105</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u>-</u>	<u>101</u>
Supplemental disclosure of non-cash information:		
Debt forgiveness	\$ <u>-</u>	<u>516,624</u>
Increase in accounts payable and accrued liabilities included in properties held for sale	\$ <u>26,364</u>	<u>9,613</u>

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

Prevention – Housing Counselors work with individuals and families to resolve rent arrearages and when that is not feasible, 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. Counselors and attorneys also 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 – Counselors and attorneys provide assistance to households at risk of or in mortgage, land contract 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 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 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.

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:

	<u>Years</u>
Office equipment and furniture	3 – 7

Revenue recognition

Contributions

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At July 31, 2021 and 2020, conditional donations of \$24,110,987 were received by the Organization, for which the Organization has not yet incurred related expenditures.

Performance obligations satisfied at a point in time

The Organization derecognizes real estate and recognizes a gain or loss when a contract exists, and control of the property has transferred to the buyer. Control of the property, including controlling financial interest, is generally considered to transfer upon closing through transfer of the legal title and possession of the property, at which point the Organization recognizes a gain or loss equal to the difference between the transaction price and the carrying amount of the property. The Organization follows the cost recovery method when recovery of the seller's investment is uncertain and profit is deferred until the Organization's cost is recovered and then recognized based on historical collection rates.

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 2021 and 2020. 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, 2021 and 2020, 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.

Adoption of new accounting standards

On August 1, 2020, the Organization adopted FASB Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. The Organization adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of August 1, 2020. Results for reporting periods beginning after August 1, 2020 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy generally accepted accounting principles. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

Reclassifications

Certain reclassifications may have been made in the prior year's amounts to conform to the current year financial statement presentation.

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 24, 2022, 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 2026. 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 \$365,951 and \$392,884 has been recorded at July 31, 2021 and 2020, 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, 2021 and 2020, property held for sale consisted of 10 single family homes located in Detroit, Michigan. The carrying value of the homes was \$572,577 and \$546,213 at July 31, 2021 and 2020, respectively. The average carrying value at July 31, 2021 and 2020 was \$57,258 and \$54,621, respectively.

As of July 31, 2021 and 2020, the Organization has entered into 4 land contract(s) totaling \$214,105 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, 2021 and 2020 was \$100,996 and \$113,859, respectively, and is reported as client loans in the statements of financial position.

5. ESCROW FUNDS, ERA:

As part of the emergency rental assistance program, landlords must be in full compliance with the law. There is a City of Detroit ordinance that requires landlords to hold a Certificate of Compliance (CoC) in order to rent a property. If not, 20% of the rental assistance is held in escrow. When there are repairs to a property that impact the habitability of the property, 50% of the rental assistance is held in escrow. In both cases, once a Conditional Dismissal is entered into the court records, the Organization forwards those escrow funds to the court who holds the funds pending the outcome of the CoC and/or repairs at which time the funds are disbursed directly from the court to the landlord or tenant. At July 31, 2021 and 2020 the escrow balance was \$269,450 and \$0, respectively.

6. LINE OF CREDIT:

	<u>2021</u>	<u>2020</u>
Prime rate plus 1% (4.25% at July 31, 2021), \$5,000,000 line of credit, outstanding principal and interest due to Lake Trust Credit Union at maturity on April 5, 2023. Secured by property.	\$ <u> -</u>	<u> -</u>

7. PAYCHECK PROTECTION PROGRAM:

During 2020, the Organization executed a loan of \$267,200 under the U.S. Small Business Administration’s (SBA) Paycheck Protection Program (PPP). The conditions of the loan stipulated funds be expended on eligible payroll and other expenses to keep Americans employed through the COVID-19 pandemic to obtain forgiveness. During 2021, and 2020, the Organization incurred eligible expenses to qualify for full forgiveness and attained formal forgiveness of the loan from the SBA on April 2, 2021. For the years ended July 31, 2021 and 2020, the Organization recognized revenue on the statement of activities and changes in net assets of \$88,899 and \$178,301, respectively, related to the forgiveness.

8. 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, 2021 and 2020 was \$723,361 and \$723,361, respectively.

9. 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, 2021 and 2020 was \$50,000 and \$50,000, respectively. During 2020, the Organization was been notified that \$300,000 of the balance was forgiven. The remaining balance of \$50,000 has no maturity date.

10. NET ASSETS WITH DONOR RESTRICTIONS:

The Organization has classified its net assets (see Note 1) as to donor restrictions. As of July 31, 2021 and 2020, the Organization maintains net asset with donor restrictions as follows:

		<u>2021</u>	<u>2020</u>
Restricted revolving loan fund	\$	<u>17,673</u>	<u>18,239</u>

11. REVENUE FROM CONTRACTS:

A portion of the Organization's revenue comes from grants, donations and lease income which are outside the scope of ASC 606. Revenue recognized from contracts with customers follows:

		2021	2020
Performance obligations satisfied at a point in time	\$	-	-
Performance obligations satisfied over time		<u>15,213</u>	<u>198,657</u>
Revenue recognized from contracts with customers	\$	<u><u>15,213</u></u>	<u><u>198,657</u></u>

As of July 31, 2021 and 2020, contract assets (accrued revenue that has not yet been billed to the customers due to certain contractual terms other than the passage of time) and contract liabilities (payments received in advance of providing services) from contracts with customers was \$0. Contract receivables totaled \$0 as of July 31, 2021 and 2020. Impairment losses on contracts with customers was \$0 for the years ended July 31, 2021 and 2020.

12. LEASES:

The Organization leases office space, storage space and parking at a cost of approximately \$14,500 per month, increasing annually. The lease term is 36 months. The Organization subleases a portion of this office space to another non-profit organization for 30% of the total monthly cost.

Minimum required lease payments under the above agreements amount to \$262,135 for 2022 and \$233,858 for 2023.

Rent expense for office space for the years ended July 31, 2021 and 2020 was \$171,840 and \$134,079, respectively.

13. 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.

During fiscal year 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of July 31, 2021.

14. CONCENTRATION OF RISK:

During fiscal years 2021 and 2020, the Organization received \$19,072,596 and \$3,841,014, 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.

15. 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:

	2021	2020
Financial assets:		
Cash	\$ 8,320,377	2,923,932
Grants receivable	1,797,581	781,344
Other receivables	415,550	138,040
Financial assets available at year end	10,533,508	3,843,316
Less limitations on available resources:		
Escrow funds, ERA	269,450	-
Deferred revenue - ERA advance	5,551,847	-
Net assets with donor restrictions	17,673	18,239
Financial assets available to meet general expenditures over the next twelve months	\$ 4,694,538	3,825,077

United Community Housing Coalition
Schedule of Expenditures of Federal Awards
Year Ended July 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Federal Expenditures	Passed through to Subrecipients
U.S. Department of Housing and Urban Development			
<i>Pass-through</i>			
CDBG-Entitlement Grants Cluster			
<i>City of Detroit</i>			
Community Development Block Grant	14.218	\$ 487,384	-
COVID-19 - Community Development Block Grant	14.218	<u>1,187,705</u>	<u>865,264</u>
Total CDBG Entitlement Grants Cluster		<u>1,675,089</u>	<u>865,264</u>
<i>Enterprise Community Partners, Inc.</i>			
Neighborhood Stabilization Program	14.256	17,265	-
<i>City of Detroit</i>			
Emergency Solutions Grant Program	14.231	191,780	-
COVID-19 - Emergency Solutions Grant Program	14.231	<u>192,834</u>	<u>-</u>
		<u>384,614</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>2,076,968</u>	<u>865,264</u>
U.S. Department of Health and Human Services			
<i>Pass-through</i>			
<i>Wayne Metropolitan Community Action Agency</i>			
Community Services Block Grant	93.569	<u>63,574</u>	<u>2,470</u>
Total U.S. Department of Health and Human Services		<u>63,574</u>	<u>2,470</u>
U.S. Department of Homeland Security			
<i>Pass-through</i>			
<i>United Way</i>			
Emergency Food and Shelter National Board Program	97.024	<u>63,308</u>	<u>-</u>
Total U.S. Department of Homeland Security		<u>63,308</u>	<u>-</u>
U.S. Department of Treasury			
<i>Pass-through</i>			
<i>Michigan State Housing Development Authority and Homeless Action Network of Detroit</i>			
COVID-19 - Coronavirus Relief Fund	21.019	<u>6,132,768</u>	<u>-</u>
COVID-19 - Emergency Rental Assistance Program	21.023	<u>6,916,430</u>	<u>-</u>
<i>Michigan State Housing Development Authority and Michigan Legal Services</i>			
COVID-19 - Coronavirus Relief Fund	21.019	<u>160,077</u>	<u>-</u>
Total U.S. Department of Treasury		<u>13,209,275</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 15,413,125</u>	<u>867,734</u>

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, 2021. 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.

**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, 2021, 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 24, 2022.

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) as a basis for designing 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 financial statements. 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 24, 2022

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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2021.

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 24, 2022

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_	None reported

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_	None reported

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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
21.023	Emergency Rental Assistance 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.

