

## **United Community Housing Coalition**

Financial Statements and Supplementary Information

July 31, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019, 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 February 15, 2021 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  
February 15, 2021

United Community Housing Coalition  
 Statements of Financial Position  
 July 31, 2020 and 2019

Assets

	2020	2019
Current assets:		
Cash	\$ 2,923,932	3,029,408
Grants receivable	781,344	502,130
Other receivables	138,040	81,800
Restricted cash:		
FEMA Emergency Food and Shelter Program	74,173	29,499
Tenants' withholding account	240,177	500,571
Prepaid expenses	25,506	26,567
Total current assets	4,183,172	4,169,975
Property and equipment:		
Office equipment and furniture	125,651	109,061
Less accumulated depreciation	(104,120)	(100,682)
Property and equipment, net	21,531	8,379
Property held for sale	546,213	588,855
Noncurrent assets:		
Deposits	10,297	10,297
Client loans, net of allowance for doubtful loans of \$392,884 and \$177,522 at July 31, 2020 and 2019, respectively	632,452	564,248
Total noncurrent assets	642,749	574,545
Total assets	\$ 5,393,665	5,341,754
Liabilities and Net Assets		
Current liabilities:		
Line of credit	\$ -	4,191
Accounts payable and accrued liabilities	115,970	65,625
Tenants' withholding account	240,177	500,571
Due to other agency	7,369	3,887
Deferred revenue	1,457,680	1,431,936
Refundable advance	88,899	-
Total current liabilities	1,910,095	2,006,210
Noncurrent liabilities:		
Conditional loan payable	723,361	939,985
Long term debt	50,000	470,000
Total noncurrent liabilities	773,361	1,409,985
Total liabilities	2,683,456	3,416,195
Net assets:		
Without donor restrictions	2,691,970	1,906,832
With donor restrictions	18,239	18,727
Total net assets	2,710,209	1,925,559
Total liabilities and net assets	\$ 5,393,665	5,341,754

See accompanying notes to the financial statements.

United Community Housing Coalition  
 Statements of Activities and Changes in Net Assets  
 Year Ended July 31, 2020 with Summarized Information for the Year Ended July 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	
			2020	2019
Support and revenue:				
Grants	\$ 3,566,014	-	3,566,014	2,887,186
United Way	275,000	-	275,000	165,000
Donations	406,499	-	406,499	126,984
Other revenue	472,942	-	472,942	260,049
Net assets released from restrictions	<u>488</u>	<u>(488)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>4,720,943</u>	 <u>(488)</u>	 <u>4,720,455</u>	 <u>3,439,219</u>
Expenses:				
Program services	3,633,013	-	3,633,013	2,924,747
Management and general	299,112	-	299,112	130,225
Fundraising	<u>3,680</u>	<u>-</u>	<u>3,680</u>	<u>2,158</u>
 Total expenses	 <u>3,935,805</u>	 <u>-</u>	 <u>3,935,805</u>	 <u>3,057,130</u>
 Change in net assets	 785,138	 (488)	 784,650	 382,089
 Net assets, beginning of year	 <u>1,906,832</u>	 <u>18,727</u>	 <u>1,925,559</u>	 <u>1,543,470</u>
 Net assets, end of year	 \$ <u>2,691,970</u>	 <u>18,239</u>	 <u>2,710,209</u>	 <u>1,925,559</u>

See accompanying notes to the financial statements.

United Community Housing Coalition  
Statement of Activities and Changes in Net Assets  
Year Ended July 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Grants	\$ 2,887,186	-	2,887,186
United Way	165,000	-	165,000
Donations	126,984	-	126,984
Other revenue	260,049	-	260,049
Net assets released from restrictions	<u>819</u>	<u>(819)</u>	<u>-</u>
Total support and revenue	<u>3,440,038</u>	<u>(819)</u>	<u>3,439,219</u>
Expenses:			
Program services	2,924,747	-	2,924,747
Management and general	130,225	-	130,225
Fundraising	<u>2,158</u>	<u>-</u>	<u>2,158</u>
Total expenses	<u>3,057,130</u>	<u>-</u>	<u>3,057,130</u>
Change in net assets	382,908	(819)	382,089
Net assets, beginning of year	<u>1,523,924</u>	<u>19,546</u>	<u>1,543,470</u>
Net assets, end of year	\$ <u>1,906,832</u>	<u>18,727</u>	<u>1,925,559</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>Housing</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  
Statement of Functional Expenses  
Year Ended July 31, 2019

	<u>Program Services</u>			<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Housing</u>	<u>Foreclosure</u>	<u>Tenant Organizing</u>				
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	<u>549,198</u>	<u>829,640</u>	<u>30,026</u>	<u>1,408,864</u>	<u>24</u>	<u>-</u>	<u>1,408,888</u>
 Total expenses	 \$ <u>1,177,009</u>	 <u>1,670,052</u>	 <u>77,686</u>	 <u>2,924,747</u>	 <u>130,225</u>	 <u>2,158</u>	 <u>3,057,130</u>

See accompanying notes to the financial statements.

United Community Housing Coalition  
Statements of Cash Flows  
Years Ended July 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 784,650	382,089
Adjustment to reconcile change in net assets to cash flows from operating activities		
Depreciation	3,438	2,390
Provision for doubtful client loans	242,800	78,561
Forgiveness of conditional loan payable	(216,624)	(60,015)
Forgiveness of long term debt	(300,000)	-
Effects of change in operating assets and liabilities:		
Grants receivable	(279,214)	(32,761)
Other receivables	(56,240)	(31,767)
Prepaid expenses	1,061	(7,708)
Accounts payable and accrued liabilities	40,732	(7,068)
Due to other agency	3,482	(23,100)
Deferred revenue	25,744	430,752
Refundable advance	88,899	-
	<u>338,728</u>	<u>731,373</u>
Net cash from operating activities		
Cash flows from investing activities:		
Capital expenditures	(16,590)	(2,556)
Net change in property held for sale	52,255	-
Collection on client loans	1,395,526	773,409
Loans made	(1,706,530)	(1,011,004)
	<u>(275,339)</u>	<u>(240,151)</u>
Net cash from investing activities		
Cash flows from financing activities:		
Net payments on long term debt	(120,000)	-
Net payments on line of credit	(4,191)	(784)
	<u>(124,191)</u>	<u>(784)</u>
Net cash from financing activities		
Net change in cash and restricted cash	(60,802)	490,438
Cash and restricted cash, beginning of year	<u>3,058,907</u>	<u>2,568,469</u>
Cash and restricted cash, end of year	<u>\$ 2,998,105</u>	<u>3,058,907</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u>101</u>	<u>493</u>
Supplemental disclosure of non-cash information:		
Debt forgiveness	\$ <u>516,624</u>	<u>60,015</u>
Land contract issued on property held for sale	\$ <u>-</u>	<u>156,765</u>
Increase (decrease) in accounts payable and accrued liabilities included in properties held for sale	\$ <u>9,613</u>	<u>(40,613)</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**

*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.

### **Adoption of new accounting standards**

The Organization adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal) transaction or as an exchange (reciprocal) transaction. The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Organization has applied this standard on a modified prospective basis for the period beginning August 1, 2019. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in net assets.

### **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 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**

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 2020 and 2019. 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, 2020 and 2019, 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 February 15, 2021, 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 2023. 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 \$392,884 and \$177,522 has been recorded at July 31, 2020 and 2019, 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, 2020 and 2019, property held for sale consisted of 10 and 11, respectively, single family homes located in Detroit, Michigan. The carrying value of the homes was \$546,213 and \$588,855 at July 31, 2020 and 2019, respectively. The average carrying value at July 31, 2020 and 2019 was \$54,621 and \$53,532, respectively.

As of July 31, 2020 and 2019, 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, 2020 and 2019 was \$113,859 and \$143,376, respectively, and is reported as client loans in the statements of financial position.

**5. DUE TO OTHER AGENCY:**

As of July 31, 2020 and 2019, \$7,369 and \$3,887, 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:**

	<u>2020</u>	<u>2019</u>
Prime rate plus 2% (5.25% at July 31, 2020), \$55,000 line of credit, payable on demand to JPMorgan Chase. Interest is payable monthly; secured by grants receivable.	\$ <u>      -</u>	<u>4,191</u>

**7. PAYCHECK PROTECTION PROGRAM:**

As part of the Organization’s response to the Coronavirus Disease (COVID-19) pandemic (see Note 12), it received a loan through the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) of \$267,200. The SBA may forgive all or part of the loan if the Organization satisfies and complies with the terms and conditions for loan forgiveness under the Coronavirus Aide, Relief, and Economic Security Act and the rules of the PPP. Any expenditures that do not meet the terms and conditions for loan forgiveness will convert to a loan at interest of 1% with principal and interest payments due monthly pursuant to the review of the loan forgiveness application by the SBA. The Organization has not submitted the loan forgiveness application but expects to meet all terms and conditions for loan forgiveness and has elected to treat the PPP funding as a conditional grant. As of July 31, 2020, the Organization spent \$178,301 of PPP funding and has met the conditions of the funding and therefore recognized it as revenue in the statement of activities and changes in net assets. PPP funding of \$88,899 that is expected to be earned but has not met the conditions of the PPP is recorded as refundable advance on the statements of financial position at July 31, 2020.

**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, 2020 and 2019 was \$723,361 and \$939,985, 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, 2020 and 2019 was \$50,000 and \$470,000, 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, 2020 and 2019, the Organization maintains net asset with donor restrictions as follows:

	<u>2020</u>	<u>2019</u>
Restricted revolving loan fund	\$ <u>18,239</u>	<u>18,727</u>

**11. 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 \$200,182 for 2021, \$206,003 for 2022 and \$176,251 for 2023.

Rent expense for office space for the years ended July 31, 2020 and 2019 was \$134,079 and \$121,346, respectively.

**12. 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, 2020.

**13. CONCENTRATION OF RISK:**

During fiscal years 2020 and 2019, the Organization received \$3,841,014 and \$3,052,186, 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.



**14. 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:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 2,923,932	3,029,408
Grants receivable	781,344	502,130
Other receivables	<u>138,040</u>	<u>81,800</u>
Financial assets available at year end	3,843,316	3,613,338
Less limitations on available resources:		
Net assets with donor restrictions	<u>18,239</u>	<u>18,727</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,825,077</u>	<u>3,594,611</u>

United Community Housing Coalition  
Schedule of Expenditures of Federal Awards  
Year Ended July 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
<i><b>Pass-through</b></i>		
CDBG-Entitlement Grants Cluster		
<i>City of Detroit</i>		
Community Development Block Grant	14.218	\$ <u>443,874</u>
Total CDBG Entitlement Grants Cluster		<u>443,874</u>
<i>Enterprise Community Partners, Inc.</i>		
Section 4	14.252	12,690
<i>City of Detroit</i>		
Emergency Solutions Grant Program	14.231	<u>420,763</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>877,327</u>
<b>U.S. Department of Health and Human Services</b>		
<i><b>Pass-through</b></i>		
<i>Wayne Metropolitan Community Action Agency</i>		
Community Services Block Grant	93.569	<u>105,815</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>105,815</u>
<b>U.S. Department of Homeland Security</b>		
<i><b>Pass-through</b></i>		
<i>United Way</i>		
Emergency Food and Shelter National Board Program	97.024	<u>75,071</u>
<b>Total U.S. Department of Homeland Security</b>		<u>75,071</u>
<b>Total Expenditures of Federal Awards</b>		\$ <u><u>1,058,213</u></u>

**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, 2020. 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, 2020, 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 February 15, 2021.

**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  
February 15, 2021

## **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, 2020. 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, 2020.

## **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  
February 15, 2021

**Summary of Auditors' Results**

***Financial Statements***

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

***Federal Awards***

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency Shelter Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No	
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**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.

