



UNITED PLANNING ORGANIZATION

Financial Statements

For the Year Ended September 30, 2020



**and
Report Thereon**



**Reports Required in Accordance with the
Uniform Guidance**

For the Year Ended September 30, 2020



UNITED PLANNING ORGANIZATION
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For the Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
United Planning Organization

Report on the Financial Statements

We have audited the accompanying financial statements of the United Planning Organization (UPO), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 UPO as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in United States of America.

Other Matters

Prior Period Adjustment

As discussed in Note 15 to the financial statements, management inaccurately determined in the prior year that it over billed certain grants during the year. As a result, revenue was understated and refundable advances were overstated in the prior year. Accordingly, beginning of the year net assets have been restated to correct this misstatement. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 26-27, 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 October 28, 2021, on our consideration of UPO'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 UPO'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 UPO's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
October 28, 2021

UNITED PLANNING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
September 30, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 7,497,445
Contracts and grants receivable, net, Note 3	7,793,724
Inventory	618,074
Prepaid expenses and other assets	<u>149,719</u>

Total Current Assets 16,058,962

Property and equipment, net, Note 4 7,193,165

TOTAL ASSETS \$ 23,252,127

LIABILITIES AND NET ASSETS

Liabilities

Current liabilities

Accounts payable and accrued expenses	\$ 4,233,726
Deferred revenue – contracts, Note 6	428,613
Refundable advances, Note 6	6,463,679
Bonds payable, current portion, Note 8	<u>688,657</u>

Total Current Liabilities 11,814,675

Bonds payable, net of current portion, Note 8 3,924,223

TOTAL LIABILITIES 15,738,898

Net Assets

Without donor restrictions, Note 11 7,513,229

TOTAL NET ASSETS 7,513,229

TOTAL LIABILITIES AND NET ASSETS \$ 23,252,127

The accompanying notes are an integral part of these financial statements.

UNITED PLANNING ORGANIZATION
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

REVENUE AND SUPPORT	
Pass-through grants and contracts	\$ 14,923,736
Direct D.C. grants and contracts	9,128,442
Direct federal grants and contracts	8,594,317
Private and general grants and contributions	3,662,534
Fees and contributions	<u>48,365</u>
TOTAL REVENUE AND SUPPORT	<u><u>36,357,394</u></u>
EXPENSES	
Program Services:	
Community services	10,900,370
Head Start and Early Head Start	6,627,128
Preschool and day care	5,130,829
Homeless	3,363,830
Special Emphasis	2,499,824
Private and general	2,260,350
Other programs	<u>774,703</u>
Total Program Services	31,557,034
Supporting Service	
General and administrative	<u>4,186,809</u>
TOTAL EXPENSES	<u><u>35,743,843</u></u>
Change in net assets before capitalization of program expenses	613,551
Capitalization of program expenses	<u>39,392</u>
CHANGES IN NET ASSETS	652,943
NET ASSETS, BEGINNING OF YEAR, as restated	<u>6,860,286</u>
NET ASSETS, END OF YEAR	<u><u>\$ 7,513,229</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED PLANNING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020

	Program Services									
	Community Services	Head Start and Early Head Start	Preschool and Day Care	Homeless	Special Emphasis	Private and General	Other Programs	Total Program Services	General and Administrative	Total
Personnel	\$ 5,565,558	\$ 4,000,503	\$ 2,722,951	\$ 2,067,275	\$ 722,498	\$ 816,491	\$ 241,985	\$ 16,137,261	\$ 2,976,804	\$ 19,114,065
Purchase of services	2,048,866	648,609	716,462	164,256	205,361	425,791	43,613	4,252,958	291,721	4,544,679
Fringe benefits	1,280,078	920,115	626,279	475,473	166,175	187,793	55,657	3,711,570	616,439	4,328,009
Client assistance	107,944	29,744	217,348	51,539	1,101,147	257,710	401,528	2,166,960	-	2,166,960
Supplies and construction	419,702	22,255	666,981	28,919	83,016	180,151	21,492	1,422,516	50,014	1,472,530
Occupancy	460,769	165,094	65,185	238,356	167,490	147,384	8,022	1,252,300	51,078	1,303,378
Delegate agencies expenses	-	814,444	-	-	-	-	-	814,444	-	814,444
Depreciation and amortization	578,215	-	-	-	-	-	-	578,215	51,679	629,894
Equipment	201,948	14,393	106,541	15,359	19,992	178,878	780	537,891	85,678	623,569
Travel and transportation	38,078	11,971	9,082	322,653	34,145	2,801	1,626	420,356	35,356	455,712
Interest and fees	186,567	-	-	-	-	103	-	186,670	-	186,670
Other expenses	12,645	-	-	-	-	63,248	-	75,893	28,040	103,933
TOTAL EXPENSES	\$ 10,900,370	\$ 6,627,128	\$ 5,130,829	\$ 3,363,830	\$ 2,499,824	\$ 2,260,350	\$ 774,703	\$ 31,557,034	\$ 4,186,809	\$ 35,743,843

The accompanying notes are an integral part of these financial statements.

UNITED PLANNING ORGANIZATION
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2020

CASH FLOW FROM OPERATING ACTIVITIES	
Change in net assets	\$ 652,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	902,328
Changes in assets and liabilities:	
Contracts and grants receivable	(2,962,646)
Inventory	(598,800)
Prepaid expenses and other assets	281,731
Accounts payable and accrued expenses	2,276,703
Accrued delegate agency expenses	(271,482)
Deferred revenue - contracts	268,435
Refundable advances	<u>1,851,906</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,401,118</u>
 CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(91,866)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(91,866)</u>
 CASH FLOW FROM FINANCING ACTIVITIES	
Principal payments on bonds payable	<u>(663,246)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(663,246)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,646,006
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,851,439</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,497,445</u></u>
 SUPPLEMENTAL CASH FLOW INFORMATION ON FINANCING TRANSACTIONS:	
Interest paid	<u><u>\$ 103,933</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1 – ORGANIZATION

The United Planning Organization (UPO) is a private, nonprofit corporation whose major functions are to plan, coordinate and implement human service programs in the District of Columbia (DC). The agency was founded in 1962 as a charitable and educational organization. Following passage of the Economic Opportunity Act of 1964, UPO was designated as the Community Action Agency (CAA) for the Washington metropolitan area. Today, as the designated CAA for the District of Columbia, UPO is responsible for providing leadership, support and advocacy to low-income residents as a means of attaining and maintaining self-sufficiency. These services are provided through community service and preschool and day care networks.

The community service network includes three community service centers and seven contractors providing community-based services for youth; health care initiatives; immigrant populations; the elderly; the homeless; and housing, employment and education programs. UPO works with community organizations, businesses and governmental agencies to plan and implement Community Services Block Grant (CSBG) programs. These programs are designed to have an influence on the quality of life of low-income residents in the areas of education; housing; income management; emergency services; nutrition; self-sufficiency; health; and coordination and linkages to other UPO, private and government support service programs. Programs complemented by CSBG support include Head Start, day care, homeless programs and services, and youth and community outreach and advocacy programs.

UPO's Head Start program was initiated in 1964 and was one of the first pilot programs in the country. UPO continues to support a rapidly expanding Head Start operation and is one of DC's largest service providers of daycare programs. In DC neighborhoods where poverty is most highly concentrated, this delegate agency and the Early Childhood Development Centers provide children ages five and under with child care services; age-appropriate, curriculum-based educational programs; health screenings; and nutritional meals. Parents participate in the parent policy council, in parenting classes, and as center volunteers. Coordination with and linkages to other UPO private and governmental support services are also provided.

Today, UPO's Early Head Start (EHS) program gives infants and toddlers the tools to develop their social-emotional, physical, cognitive, and language skills — steering them toward happiness and success. UPO serves 86 families in their Home-based program and operates 15 Early Learning Centers throughout the city, serving over 1,200 children and their families. In addition, UPO's Office of Early Learning partners with five other nonprofit child care providers that have EHS service agreements. UPO's Office of Early Learning is also a Hub for the Quality Improvement Network (QIN) of the DC Office of the State Superintendent of Education. The Hub is a multi-year effort to boost outcomes for infants and toddlers. UPO oversees 16 child development centers serving 566 children and families to ensure that they meet the Head Start Performance Standards and continue to improve.

A significant portion of UPO's programs is included in a category called Special Emphasis. These programs are funded by the District of Columbia and the United States federal government (the federal government). They include the UPO In-School Youth Program, the Foster Grandparents Program and the Comprehensive Treatment Center. Other programs include the Housing Counseling Program, the Home Savers Program and the Emergency Rental Assistance Program.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1 – ORGANIZATION (continued)

The activities of UPO are primarily funded through federal direct and pass-through grants and grants from the District of Columbia. All employees, excluding supervisors and confidential and managerial staff, are employed in accordance with the terms of UPO's collective bargaining agreement with the Communications Workers of America and American Federation of Labor and Congress of Industrial Organizations (CWA AFL-CIO) Local 2336. Approximately 50% of UPO's employees are covered by the collective bargaining agreement.

UPO is related to UPO Inspire and UPO Community Development Corporation (UPO CDC). UPO Inspire is organized exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (the IRC). UPO Inspire was formed to support, complement and fulfill certain purposes and objectives of UPO, including but not limited to:

- Supporting and improving educational opportunities for Washington, D.C., residents;
- Supporting research directed toward alleviating poverty, homelessness and other issues confronting low-income citizens of Washington, D.C.;
- Facilitating forums that address various civic issues; and
- Engaging in any lawful acts or activity for which corporations may be organized under the District of Columbia Nonprofit Corporation Act.

UPO Community Development Corporation (UPO CDC) is organized exclusively for charitable, scientific, literary and educational purposes within the meaning of Section 501 (c)(3) of the IRC and engages in efforts to develop and implement economic and other special programs which (1) are directed to the solution of the critical problems existing within the District of Columbia and surrounding areas having concentrations of substantial numbers of low-income persons; (2) are of sufficient size, scope and duration to have an appreciable impact in such communities and neighborhoods in arresting tendencies toward dependency, chronic unemployment and community deterioration; or (3) provide financial and other assistance to start, expand or locate enterprises in or near the area to be served so as to provide employment and/or ownership opportunities for residents of such areas, including those who are disadvantaged in the labor market, including but not limited to persons of limited speaking, reading and writing abilities in the English language.

UPO CDC is organized and is operated exclusively for the benefit of, to perform the functions of and to carry out the purposes of UPO.

UPO Inspire and UPO CDC are required to be consolidated with UPO. However, due to the insignificance of the operations and account balances of UPO Inspire and UPO CDC as of and for the year ended September 30, 2020, the accounts and transactions of UPO Inspire and UPO CDC have not been consolidated with those of UPO as of September 30, 2020, and for the year then ended.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 1 – ORGANIZATION (continued)

UPO Inspire and UPO CDC did not reimburse UPO for any services for the year ended September 30, 2020, as UPO Inspire and UPO CDC had minimal activity. As of September 30, 2020, UPO Inspire and UPO CDC had no amount due to UPO for these services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred, without regard to the date of receipt or payment of cash.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted, highly liquid investments with maturities of three months or less at the time of acquisition.

Contracts and Grants Receivable

Reimbursable expenditures for which payment has not been received as of the financial statement date are recorded as contracts and grants receivable at net realizable value. Receivables that are past due are individually analyzed for collectibility. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible.

Inventory

Inventory is stated at net realizable value on a first-in, first-out (FIFO) basis and consists of computers to be distributed as part of UPO's Coronavirus Aid Relief Security (CARES) Act, Digital Inclusion Program, gift cards and metro tokens used within other programs.

Property and Equipment and Related Depreciation and Amortization

Property and equipment with a unit cost of \$5,000 and above and an economic life in excess of one year are recorded at acquisition cost if purchased or estimated fair value if donated. Assets purchased with federal funds are subject to appropriate federal and local government regulations regarding their acquisitions and dispositions. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

depreciation or amortization are eliminated from the respective accounts, and the resulting gain or loss is included in revenue and support or expenses. Depreciation and amortization of assets are calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 to 30 years
Furniture and equipment	5 to 9 years
Vehicles	5 years
Leasehold improvements	5 years

Property and equipment also include capitalized interest. These costs are being amortized on a straight-line basis over the life of the assets to which the costs apply.

Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10, *Property, Plant and Equipment*, UPO reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There has been no impairment loss recognized as of September 30, 2020.

Revenue Recognition

Unconditional contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions that are met during the fiscal year are recorded as net assets without donor restrictions.

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. UPO reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Contributions of long-lived assets or of cash and other assets restricted for the purchase of long-lived assets are reported as restricted support that increases net assets with donor restrictions. The net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions when placed in service, upon satisfaction of the restricted use periods of the assets and upon final approval by the donor that the restriction has been lifted.

Contributions of vehicles and equipment or of cash and other assets restricted to the purchase of vehicles and equipment are reported as restricted support that increases net assets with donor restrictions. The net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions when placed in service.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

UPO has contracts and grants with the federal government and the District of Columbia in which fees are received in exchange for services under fixed price contracts and revenue from cooperative contracts based on cost reimbursements. Revenue from cost-reimbursable contracts and grants is conditional upon certain performance requirements and is recognized as revenue over the period of time that the performance obligation is met on the basis of direct costs plus allowable indirect expenses. Revenue from fixed price contracts is recognized at the point in time that the performance obligations are satisfied. Revenue recognized on contracts and grants for which payments have not been received is reflected as contracts and grants receivable in the accompanying statement of financial position. Contracts and grant awards received in advance, but not yet expended, are reflected as deferred revenue and refundable advances revenue in the accompanying statement of financial position.

UPO's deferred revenue is short-term in nature and recognized as revenue in the following year when the performance obligations are met.

Classification of Net Assets

The net assets of UPO are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of UPO's operations. Board-designated net assets represent a portion of net assets without donor restrictions designated for the Martin Luther King, Jr. Breakfast Scholarship Award.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors for a specific purpose or use in future periods. As of September 30, 2020, UPO had no net assets with donor restrictions that are required to be maintained in perpetuity.

Functional Allocation of Expenses

The costs to UPO of providing the various programs and other activities have been presented on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the square footage occupied or number of hours charged to the programs or supporting activities. Indirect costs including occupancy and information technology expenses are allocated by the square footage used by the related department.

Capitalization of Program Expenses

Grant funds used to purchase property and equipment and recorded as expense for grant reimbursement purposes are included in property and equipment in the statements of financial position and reclassified to capitalization of program expenses in the accompanying statement of activities.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

New Accounting Pronouncements

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. UPO adopted ASU 2018-08 on October 1, 2019, using the modified prospective basis and the adoption of the standard did not impact UPO's results of operations or change in net assets.

New Accounting Pronouncements to be Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. UPO will adopt ASU 2014-09 and related amendments on October 1, 2020, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. UPO is evaluating the impact this ASU will have on its financial statements.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*. This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on UPO is projected to be limited to contract and grants receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. UPO is evaluating the impact this ASU will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements to be Adopted (continued)

the right to use the underlying asset for the lease term. The new standard is effective for the fiscal years beginning after December 15, 2021, and early adoption is permitted. UPO expects the impact of this new guidance to be limited to its financial statements, which will be assessed prior to the adoption of the standard.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU will now require separate line items for contributed nonfinancial assets on the statement of activities and a disaggregation by type if there are many different kinds of nonfinancial assets that are received in the notes. The guidance also requires qualitative information about whether gifts-in-kind were either monetized or held and used, policy requirements for monetizing gifts-in-kind rather than utilizing them, descriptions of donor-imposed restrictions, description of valuation techniques used to estimate fair value at initial recognition, and principal or most advantageous market used to arrive at a fair value only if the donor restricts the sale or use of the assets in that market. The guidance will be effective for the fiscal year beginning after June 15, 2021, and early adoption is permitted. UPO is evaluating the impact this ASU will have on its financial statements

NOTE 3 – CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable consisted of the following as of September 30:

D.C. Department of Human Services	\$ 3,887,126
Office of the State Superintendent of Education (OSSE)	1,594,530
U.S. Department of Health and Human Services	957,280
D.C. Department of Behavioral Health	458,949
U.S. Department of Housing and Urban Development	376,687
Corporation for National and Community Service	245,162
Fidelity National Information Services (FIS) Global	147,030
D.C. Department of Housing and Community Development (DCDHCD)	62,509
U.S. Department of Justice	13,328
The Community Partnership for the Prevention of Homelessness (TCP)	11,705
Other	<u>66,763</u>
Total Contracts and Grants Receivable	7,821,069
Less: Provision for Bad Debts	<u>(27,345)</u>
Contracts and Grants Receivable, Net	<u>\$ 7,793,724</u>

As of September 30, 2020, cost-reimbursable grants and contracts of \$11,956,737, have not been recognized as revenue in the accompanying statement of activities because the conditions on which they depend have not yet been met. The conditions consist of qualifying expenditures that have not yet been incurred.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 4 – PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

Property and equipment consisted of the following as of September 30:

Land	\$ 1,295,520
Buildings	15,276,453
Vehicles	1,958,400
Furniture and equipment	1,221,836
Leasehold improvements	774,484
Capitalized interest	<u>366,778</u>
Total Property and Equipment	20,839,471
Less: Accumulated Depreciation and Amortization	<u>(13,700,304)</u>
Property and Equipment, Net	<u>\$ 7,193,165</u>

Depreciation and amortization expense for the year ended September 30, 2020, totaled \$902,328.

Included in buildings are four properties acquired with grant funds from the U.S. Department of Housing and Urban Development (HUD) of \$38,214 in 1989, \$69,968 in 1990 and \$769,000 in 2003. These buildings are restricted as to disposition and use for periods ranging between 20 and 30 years. The building purchased with the \$38,214 HUD assistance is restricted for not less than 30 years, while the other two buildings have a restriction of not less than 20 years. UPO's headquarters building, located at 301 Rhode Island Avenue, N.W., Washington, D.C., was purchased with the help of a \$975,000 grant received from the D.C. Department of Housing and Community Development (DC DHCD) in 2002. The headquarters building is restricted as to disposition and use for a period of not less than 10 years.

The restrictions imposed by the grantor will be lifted when properties are placed in service, upon expiration of the period of restrictive use or repayment of the grant proceeds, whichever occurs first, and upon written approval to release by the grantor. As of September 30, 2020, while the restricted periods have lapsed for certain properties, UPO has not received formal approval to release the restrictions from the funders. Amounts relating to unexpired restricted periods of service was insignificant and were reported as net assets without donor restriction in the accompanying statement of activities. Similarly, properties whose expired time restricted period elapsed but there is no formal release by the grantor are reported as net assets without donor restrictions in the accompanying statement of activities.

Also included in property and equipment are vehicles totaling \$1,137,449 and other equipment totaling \$126,721 purchased with grant funds. The vehicles and equipment will remain in use for the duration of the programs and were classified as net assets without donor restriction when placed in service.

UPO recorded the grant funds used to purchase property and vehicles as revenue with donor restrictions upon award of the grants. UPO releases such funds from restriction upon satisfaction of the restricted use periods of the property and upon approval of the grantor, or when placed in service if no donor conditions apply within the grant agreements.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 5 – ACCRUED ANNUAL LEAVE

In accordance with UPO’s collective bargaining agreement with CWA AFL-CIO and its policy for management personnel, annual leave is accrued at the rate of 117 hours per year for full-time employees with less than four years of service and 156 hours per year for full-time employees with four or more years of service. All employees, except executive management staff and those who work at the ECDCs, are allowed to carry over the maximum 37.5 hours of annual leave earned during the calendar year to December 31 of the following year. UPO’s policy does, however, allow employees hired before March 15, 2001, to carry forward a maximum of 225 hours of annual leave earned prior to that date (grandfathered leave) from year to year. The annual leave liability is determined accordingly.

In fiscal year 2015, UPO amended its leave policy. The amended policy awards 43.5 hours of flexible leave for ECDC staff with over four years of service and 4.5 hours for those employed under four years.

Flexible leave unused at the end of the calendar year will be carried over up to the maximum of 37.5 hours. Carried-over flexible days have to be used by December 31 or they will be lost.

UPO’s predetermined vacation/annual leave policy for 2020 allowed for 15 days (112.5 hours) for all of the ECDC staff. Predetermined vacations are taken during the year when the ECDCs are scheduled to close.

In March 2010, UPO’s Board of Directors authorized executive management staff to carry over annual leave up to the maximum of 350 hours from year to year. However, upon separation from UPO, executive management staff would be paid for the annual leave balance they have on the books, not to exceed 156 hours, unless the grandfathered leave policy applies.

Accrued annual leave totaled \$837,852 as of September 30, 2020, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 6 – DEFERRED REVENUE AND REFUNDABLE ADVANCES

Deferred revenue and refundable advances consisted of the following as of September 30:

<i>Refundable Advances:</i>	
Community Services Block Grant	\$ 3,541,175
Community Services CARES Grant	<u>2,922,504</u>
Total Refundable Advances	6,463,679
Deferred revenue – contracts	<u>428,613</u>
Total Deferred Contracts and Grants Revenue	<u>\$ 6,892,292</u>

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 7 – LINE OF CREDIT

On September 1, 2005, United Bank of Virginia, as part of a bond refinancing, provided UPO with a working capital line of credit of up to \$1,500,000, limited to 75% of the value of UPO's total contracts and grants receivable outstanding less than 91 days. The line of credit was secured by a blanket first lien on all assets of UPO and a second deed of trust on office properties of UPO. Funds drawn on the line bore interest at a floating daily rate of 1% over the Prime Rate as published in the Wall Street Journal. Any unpaid principal and accrued interest were due on the maturity date of October 31, 2019.

On October 31, 2019, UPO signed an amendment of renewal of this line of credit extending the maturity to February 28, 2021. Funds drawn on this line continued to bear interest at a floating daily rate of 1% over the Prime Rate as published in the Wall Street Journal, which was 4.5% at September 30, 2020. The line of credit is collateralized by a second deed of trust on three UPO properties and a blanket first lien on all UPO assets. The line of credit agreement requires UPO to maintain certain covenants measured at the end of the fiscal year, including a debt service coverage of at least 1.0 times; current ratio of at least 1.25 times; debt to worth ratio of no more than 5 times and total net assets of at least \$3,500,000. UPO is also required to submit to the bank quarterly unaudited financial statements within 45 days and annual audited financial statements within 180 days of the end of the fiscal year. As of September 30, 2020, UPO had not met the required current ratio of 1.25 and has not submitted the quarterly unaudited and audited financial statements. The bank issued a waiver for noncompliance with these requirements. UPO is in compliance with all other financial loan covenants. There was no outstanding balance on the line of credit as of September 30, 2020.

On February 28, 2021, UPO signed an amendment to the line of the agreement with the bank extending the maturity date to June 28, 2022. All other terms remained the same.

NOTE 8 – BONDS PAYABLE

On September 1, 2010, UPO refinanced its Enterprise Zone Facility Revenue Bonds (EZ Bonds) with United Bank of Virginia. The original bond proceeds were used to purchase UPO's headquarters property at 301 Rhode Island Avenue, N.W., under a turn-key agreement and also to construct two new community service centers at 2907-2913 Martin Luther King Jr. Avenue, S.E., and 1647-1649 Good Hope Road, S.E. Monthly principal and interest payments on the obligation began in October 2010. The obligation is amortized over a period of 16 years at an interest rate of 3.64% per annum, with monthly payments of principal and interest of \$70,607. The interest rate is variable based on the tax-exempt equivalent of the average yield on U.S. Treasury obligations maturing in five years, plus 2.5%. The rate is fixed for five years on each fifth anniversary of the bond issue date. The interest rate was 3.64% as of September 30, 2020. The EZ Bonds are callable at the option of the holder on every fifth anniversary of the bond issue date with a six-month advance notice required. The EZ Bonds are secured by a first deed of trust on the properties, including any personal property attached to the real estate, and an assignment of leases and rents. The bond payable agreement requires UPO to comply with certain financial covenants which consist of submission to the bank quarterly unaudited financial statements within 45 days and annual audited financial statements within 180 days of the end of fiscal year. As of September 30, 2020, UPO had not submitted the quarterly unaudited and audited financial statements within the required timeline. The bank issued a waiver for noncompliance with these requirements.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 8 – BONDS PAYABLE (continued)

The following is a schedule of the bond amortization for the next five years and thereafter:

<u>Fiscal Year Ending September 30,</u>	<u>Required Principal Payments</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 688,657	\$ 158,631	\$ 847,288
2022	714,507	132,781	847,288
2023	704,931	142,357	847,288
2024	768,932	78,356	847,288
2025	798,016	49,272	847,288
Thereafter	<u>937,837</u>	<u>19,540</u>	<u>957,377</u>
Total	<u>\$ 4,612,880</u>	<u>\$ 580,937</u>	<u>\$ 5,193,817</u>

NOTE 9 – CONCENTRATION OF CREDIT RISK

UPO maintains cash and cash equivalents at several banks. As of September 30, 2020, balances in UPO's deposit accounts were insured by the Federal Deposit Insurance Corporation (the FDIC) up to \$250,000 per depositor per bank. As of September 2020, UPO had cash balances on deposit that exceeded the balance insured by the FDIC by approximately \$7,439,000. Management does not expect any risk of loss from the concentration.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Compliance Audit

UPO has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualifying expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although UPO expects such amounts, if any, to be insignificant.

Operating Leases

UPO has operating leases for certain equipment and facilities at several locations. The lease terms range from two to seven years and expire at various dates through 2025. The terms of the leases require UPO to pay normal maintenance expenses and maintain minimum insurance coverage.

Future minimum lease payments under these leases are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 225,957
2022	217,584
2023	180,459
2024	88,487
2025	<u>91,141</u>
Total	<u>\$ 803,628</u>

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Rental expense related to these leases and other leases that are on a month-to-month basis for the year ended September 30, 2020 totaled \$270,351.

Global Pandemic

The novel coronavirus (COVID-19) outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. UPO has been able to continue most of its operations in a remote environment; however, at this point, the extent to which COVID-19 may impact UPO's financial condition or results of operations is uncertain.

NOTE 11 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include board-designated cash set aside from the Martin Luther King, Jr. Breakfast program to award scholarships to students in need. The board-designated net assets totaled \$294,665 as of September 30, 2020.

NOTE 12 – AVAILABILITY AND LIQUIDITY

UPO regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. UPO's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2020, were as follows:

Cash and cash equivalents	\$ 7,497,445
Contracts and grants receivable	<u>7,793,724</u>
Total Financial Assets	
Available Within One Year	15,291,169
Less:	
Amounts unavailable to management	
without Board approval:	
Board-designated for Martin Luther King, Jr.	
Breakfast program	<u>(294,665)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 14,996,504</u>

UPO has various sources of liquidity at its disposal, including cash and cash equivalents which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of UPO throughout the year. This is done through monitoring and reviewing UPO's cash flow needs on a weekly basis. As a result,

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 12 – AVAILABILITY AND LIQUIDITY (continued)

management is aware of the cyclical nature of UPO's cash flow related to UPO's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, UPO has a committed line of credit of up to \$1,500,000, all of which was unused and available to draw upon as of September 30, 2020. Additionally, UPO has board-designated net assets that could be available for current operations with Board approval, if necessary.

NOTE 13 – PENSION PLAN

UPO has a defined contribution pension plan in accordance with Section 401(k) of the IRC. Full-time and part-time employees working more than 21 hours per week are eligible to participate in the plan upon completion of six months of service. Employees have the option to make voluntary contributions on a pre-tax and or post-tax basis. UPO contributes 5.5% of an employee's basic earnings for all eligible employees. UPO also matches employee pre-tax contributions to the plan on a dollar-for-dollar basis up to 1% of earnings as an additional contribution. UPO contributed \$1,032,815 for the fiscal year ended September 30, 2020.

In addition, UPO has a voluntary Tax Sheltered Annuity Plan in accordance with Section 403(b) of the IRC. UPO does not contribute to this plan.

UPO also offers a 457(b) Deferred Compensation Plan for management and highly compensated employees. Participation is voluntary and UPO does not contribute to the plan.

NOTE 14 – INCOME TAXES

UPO is exempt from federal and local income tax in accordance with IRC Section 501(c)(3). However, income from certain activities not directly related to UPO's tax-exempt purpose is subject to taxation as unrelated business income. UPO did not have significant unrelated business income for the year ended September 30, 2020. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

UPO follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. UPO performed an evaluation of uncertainty in income taxes for the year ended September 30, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2020, the statute of limitations for certain tax years remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which UPO files tax returns, however, no examinations are currently in progress. It is UPO's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense. As of September 30, 2020, UPO had no accruals for interest and/or penalties.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 15 – CORRECTION OF AN ERROR – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2020, UPO restated its without donor restriction net asset balance as of September 30, 2019, to properly account for recoveries on certain grant awards. In the prior year, UPO incorrectly concluded that it overbilled certain grants. As a result, at September 30, 2019, UPO accrued \$992,864 for the amount management believed had been overbilled to the individual funders. However, during the year ended September 30, 2020, management determined that it had, in fact, billed at the proper rates in the prior year. As a result, grant revenue for the year ended September 30, 2019, was understated and refundable advances as of September 30, 2019 were overstated by \$992,864. Accordingly, an adjustment was made to correct this error. The effect of this adjustment on the net assets of UPO as of September 30, 2019, as previously reported, was to increase net assets without donor restrictions and decrease refundable advances by \$992,864. The effect on the total change in net assets for the year ended September 30, 2019, as previously reported, was an increase of \$992,864.

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements, UPO has evaluated for potential recognition or disclosure, events and transactions, through October 28, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 7, there were no subsequent events that require recognition or disclosure in the financial statements.

**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**

To the Board of Directors of
United Planning Organization

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 Planning Organization (UPO), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, 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 October 28, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned as items 2020-001, 2020-002 and 2020-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-004 to be a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether UPO'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003 and 2020-004.

UPO's Response to Findings

UPO's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. UPO response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Marcum LLP

Washington, DC
October 28, 2021

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

To the Board of Directors of
United Planning Organization

Report on Compliance for Each Major Federal Program

We have audited United Planning Organization's (UPO) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on UPO's major federal programs for the year ended September 30, 2020. UPO'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 UPO'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 UPO'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 UPO's major federal programs. However, our audit does not provide a legal determination of UPO's compliance.

Opinion on Each Major Federal Program

In our opinion, UPO complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2020.

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Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-005 and 2020-006. Our opinion on each major federal program is not modified with respect to this matter.

UPO's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. UPO's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of UPO 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 UPO'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 UPO's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-005 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-006 to be a significant deficiency.

UPO's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. UPO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Marcum LLP

Washington, DC
October 28, 2021

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Direct Grants:</i>				
Head Start	93.600	-	\$ 1,580,167	\$ 7,564,523
Total Direct Grants			1,580,167	7,564,523
<i>Pass-Through Grant:</i>				
Office of the State Superintendent of Education (OSSE)				
Head Start				
Quality Improvement Network Continuation	93.600	91600A	-	720,844
Quality Improvement Network Continuation	93.600	A2EHSA	-	753,195
Total Pass-Through Grants			-	1,474,039
Total Head Start			1,580,167	9,038,562
477 Cluster				
<i>Pass-Through Grant:</i>				
D.C. Department of Human Services				
Community Services Block Grant (CSBG)	93.569	JA-FSA-19-0011	1,332,215	11,942,274
CARES Act CSBG Supplemental Funds	93.569	-	-	363,006
Total 477 Cluster			1,332,215	12,305,280
<i>Pass-Through Grant:</i>				
D.C. Department of Behavioral Health				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	-	89,803
Total U.S. Department of Health and Human Services			2,912,382	21,433,645
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Foster Grandparent Program	94.011	-	-	847,481
Total Corporation for National and Community Service			-	847,481
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-Through Grant:</i>				
D.C. Office of the State Superintendent of Education (OSSE)				
Child and Adult Care Food Program	10.558	V-44	-	154,317
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551	-	-	159,609
Total U.S. Department of Agriculture			-	313,926
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-Through Grant:</i>				
D.C. Office of the State Superintendent of Education (OSSE)				
Twenty-First Century Community Learning Centers	84.287	S287C170008	-	147,054
Total U.S. Department of Education			-	147,054

See accompanying notes to this schedule.

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

(continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF JUSTICE				
Second Chance Act Reentry Initiative	16.812	-	\$ -	\$ 182,313
Total U.S. Department of Justice			-	182,313
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Pass-Through Grant:</i>				
<i>D.C. Department of Housing and Community Development</i>				
CDBG – Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants:				
COVID-19 Housing Assistance (CHAP)	14.218	-	-	454,305
Neighborhood Based Activities Program (NBA)	14.218	-	-	139,329
Total U.S. Department of Housing and Urban Development			-	593,634
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,912,382</u>	<u>\$ 23,518,053</u>

See accompanying notes to this schedule.

UNITED PLANNING ORGANIZATION

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of United Planning Organization (UPO) under programs of the federal government for the year ended September 30, 2020. The information on the SEFA is presented in accordance with the 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). Because the SEFA presents only a selected portion of the operations of UPO, it is not intended to and does not present the financial position, changes in net assets, or cash flows of UPO.

2. Basis of Accounting

Expenditures reported on the SEFA 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.

3. Indirect Cost Rate

UPO has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted?

 X Yes No

Federal Awards

Type of auditors’ report issued on compliance for major program(s):

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? X Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

 X Yes No

Identification of Major Programs:

CFDA/Grant Numbers	Program Titles
94.011	Foster Grandparent Program
93.600	Head Start Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X Yes No

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2020-001: – Material Weakness in Internal Control Over Financial Reporting (continued)

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management provide periodic training of established procedures to staff with regards to internal controls, program policies and procedures and ethical values and expectations. Enforcement of adherence to the policies and procedures should be continually monitored and consequences for non-adherence should be clearly and firmly communicated by management. Adequate and timely review by management of staff work should include review for unusual transactions, including unusual vendor and recipient names and inconsistencies in information to determine and verify propriety and accuracy. In addition we further recommend that UPO perform thorough and adequate background checks of staff members, as part of the hiring process.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

Finding No. 2020-002: Account Reconciliations – Material Weakness in Internal Control Over Financial Reporting

Condition

Certain asset and liability general accounts were not reconciled on monthly basis throughout the year and at year end.

Context

There were approximately 20 asset accounts totaling approximately \$39,000 and 20 liability accounts totaling approximately \$108,000 that were either not reconciled in a timely basis or not at all reconciled. The unreconciled general ledger accounts balances were not individually or in aggregate material to the financial statements taken as a whole, so no adjustments were proposed.

Criteria

Good financial management requires that all accounts on the statement of financial position be reviewed and reconciled on a monthly basis and at year end.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2020-002: Account Reconciliations – Material Weakness in Internal Control Over Financial Reporting (continued)

Cause

Key staff turnover in the finance department and issues related to the COVID-19 pandemic led to delays in reconciling all accounts in a timely manner throughout the year.

Effect

UPO was unable to produce accurate financial statements on a monthly basis throughout the year. Additionally, financial reports prepared and reviewed by the Board and management were inaccurate.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that all general ledger accounts be reconciled on a monthly basis. A monthly financial close checklist should be utilized to identify and track all general ledger account reconciliations. This will reduced the occurrence of unreconciled general accounts and activity that may result in a material misstatement of the financial statements. We further recommend that the organization develop contingency plans to mitigate significant disruptions in operations caused by staff turnover.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

Finding No. 2020-003: Indirect Costs and Grant Revenue – Material Weakness in Internal Control Over Compliance

Condition

In the prior year, management believed it had overbilled certain grants for indirect costs by using the negotiated indirect cost rate. In the current year, management determined that the grants were actually billed based on the respective award specific indirect costs rates or caps as stated in the award documents.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2020-003: Indirect Costs and Grant Revenue – Material Weakness in Internal Control Over Compliance (continued)

Context

In the prior year, management believed that indirect costs were billed to certain grants based on the negotiated indirect cost rate of 17.2% instead of the rates and caps stipulated in the agreements.

Criteria

Good financial management requires that staff be adequately supervised and trained on assigned tasks and that the work performed by staff are timely and adequately reviewed by supervisor and management.

Cause

Inadequate staff review and lack of knowledge of the process by the finance department staff. The finance department staff erroneously believed that the indirect cost rate recovery generate automatically by the accounting system was the amount billed.

Effect

A prior period adjustment was required as of September 30, 2019 to reduce the overstatement of refundable advances and the understatement of revenue by \$992,865.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management use actually billed indirect costs recoveries instead of the indirect cost recovery calculated and generated by the accounting system in its determination of the organization's final indirect cost rate for the accounting period. We further recommend that senior staff of the finance department perform adequate and timely review of internal financial statement balances, as well as perform a thorough review of the work performed by staff. Periodic training in financial reporting should also be provided to all staff members of the finance department each year.

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2020-004: Unfunded Grant Receivables – Significant Deficiency in Internal Controls over Financial Reporting

Condition

Management determined subsequent to the prior year's end that expenses had been incurred under its Head Start program even though there were no remaining funds available under the award. Because no funds were available, management initially wrote off its receivable due from the Head Start Program as a bad debt in the current year. However, it was determined in the current year that such funds were allowable and collectible under the Community Services Block Grant (CSBG) and was applied against refundable advances held by UPO.

Context

Expenses totaling \$206,370 were incurred without proper consideration as to which grant would fund the costs.

Criteria

Good financial management requires that expenses be reviewed and approved prior to payment. This review process should also include ensuring that costs are allowable and allocable to specific grants, as appropriate.

Cause

Management had inadequate processes and controls in place to determine the extent of unused grant funding prior to expenses being incurred. Thus, in instances whereby expenses can be charged to other grants, decisions are not determined and reviewed in a timely manner.

Effect

CSBG expenses were understated and Head Start expenses were overstated by \$206,370 in the prior year.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management enhance its internal control processes for monitoring grant expenses as compared to the grant's total award. Specifically, program expenses should be tracked, reviewed and monitored by program staff and management for the identification of unfunded expenses or shortfalls periodically and to timely reallocate, if allowable and recover from other available sources of supplemental grant award funding.

UNITED PLANNING ORGANIZATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding No. 2020-004: Unfunded Grant Receivables – Significant Deficiency in Internal Controls over Financial Reporting (continued)

Views of Responsible Officials and Planned Corrective Action

See corrective action plan.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

Finding No. 2020-005: Material Weakness in Internal Control over Compliance

U.S. Department of Housing and Urban Development, Pass through from the District of Columbia Department of Housing and Community Development (DHCD), CDBG – Entitlement Grants Cluster, Community Development Block Grants/Entitlement Grants; COVID-19 Housing Assistance Program; CDFA No. 14.218

Finding 2020-001 is also a finding under the Uniform Guidance as the unauthorized disbursements of \$50,500 related to the federal program. However, this matter had no financial impact on the federal program as UPO had not requested reimbursement for the fraudulent transactions. We recommend that management provide periodic training of established procedures to staff with regards to internal controls as required by the Uniform Guidance, especially as it relates to eligibility of recipients of federal assistance, general program policies and procedures and ethical values. We also recommend more thorough review and monitoring of staff work by management.

Finding No. 2020-006: Unfunded Grant Receivables – Significant Deficiency in Internal Controls over Financial Reporting

U.S. Department of Health and Human Services, Head Start; CDFA No. 93.600

U.S. Department of Health and Human Services, Pass through from the District of Columbia Department of Human Services, Community Services Block Grant; CDFA No. 93.569; Grant Award Number: JA-FSA-19-0011

Finding 2020-04 is also a finding under the Uniform Guidance as the lack of adequate internal control processes resulted in overstatement of Head Start expenses and the understatement of expenses in the CDBG program in the prior year. We recommend that a process be established that requires determining the most appropriate funding source for all expenditures prior to the expenditures being made. We also recommend that this process be reviewed and approved by a management level employee.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

(continued)

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.