



UNITED PLANNING ORGANIZATION
Washington, D.C.

Financial Statements

For the Years Ended September 30, 2017 and 2016



and
Report Thereon



Reports Required in Accordance with
the Uniform Guidance

For the Year Ended September 30, 2017



UNITED PLANNING ORGANIZATION

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For the Years Ended September 30, 2017 and 2016

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Planning Organization

Report on the Financial Statements

We have audited the accompanying financial statements of United Planning Organization (UPO), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, 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 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.

Auditor's 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 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 auditor's 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 Planning Organization as of September 30, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in United States of America.

Continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of expenditures of federal awards on pages 24-26, 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 March 22, 2018, 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.

Raffa, P.C.

Raffa, P.C.

Washington, DC
March 27, 2018

UNITED PLANNING ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,174,534	\$ 1,706,007
Contracts and grants receivable, net, Note 3	4,484,987	5,121,061
Prepaid expenses and other assets	161,034	218,899
Total Current Assets	8,820,555	7,045,967
Property and equipment, net, Note 4	8,672,720	9,484,587
TOTAL ASSETS	\$ 17,493,275	\$ 16,530,554
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses, Note 5	\$ 1,904,404	\$ 2,014,410
Accrued delegate agency expenses	422,469	418,284
Deferred contracts and grants revenue, Note 6	3,833,943	2,298,201
Bonds payable, current, Note 8	616,603	594,295
Other liabilities	84,419	130,223
Total Current Liabilities	6,861,838	5,455,413
Bonds payable, net of current portion, Note 8	5,915,874	6,532,477
TOTAL LIABILITIES	12,777,712	11,987,890
Net Assets		
Unrestricted		
Undesignated	2,343,238	2,032,593
Board-designated, Note 11	183,467	160,164
Total Unrestricted	2,526,705	2,192,757
Temporarily restricted, Note 11	2,188,858	2,349,907
TOTAL NET ASSETS	4,715,563	4,542,664
TOTAL LIABILITIES AND NET ASSETS	\$ 17,493,275	\$ 16,530,554

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

UNITED PLANNING ORGANIZATION
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Direct federal grants and contracts	\$ 9,831,695	\$ -	\$ 9,831,695	\$ 9,660,648	\$ -	\$ 9,660,648
Pass-through grants and contracts	12,540,695	-	12,540,695	12,148,265	19,402	12,167,667
Direct DC grants and contracts	7,865,706	-	7,865,706	7,445,819	-	7,445,819
Private and general grants and contributions	1,219,380	-	1,219,380	1,126,074	-	1,126,074
Fees and contributions	38,544	-	38,544	94,295	-	94,295
Net assets released from restrictions:						
Satisfaction of time/purpose restrictions	161,049	(161,049)	-	181,804	(181,804)	-
TOTAL REVENUE AND SUPPORT	31,657,069	(161,049)	31,496,020	30,656,905	(162,402)	30,494,503
EXPENSES						
Program Services:						
Community services	8,481,488	-	8,481,488	8,368,214	-	8,368,214
Head Start and Early Head Start	8,212,006	-	8,212,006	7,768,153	-	7,768,153
Preschool and day care	2,045,545	-	2,045,545	2,388,098	-	2,388,098
Homeless	2,431,072	-	2,431,072	2,078,481	-	2,078,481
Special Emphasis	2,413,993	-	2,413,993	3,000,631	-	3,000,631
Other programs	3,328,217	-	3,328,217	1,807,420	-	1,807,420
Private and general	635,572	-	635,572	615,654	-	615,654
Total Program Services	27,547,893	-	27,547,893	26,026,651	-	26,026,651
Supporting Services:						
General and administrative:						
Other general and administrative	3,535,373	-	3,535,373	4,050,885	-	4,050,885
Interest, fees and other	239,855	-	239,855	221,499	-	221,499
Total General and Administrative	3,775,228	-	3,775,228	4,272,384	-	4,272,384
TOTAL EXPENSES	31,323,121	-	31,323,121	30,299,035	-	30,299,035
Change in net assets before capitalization of program expenses	333,948	(161,049)	172,899	357,870	(162,402)	195,468
Capitalization of program expenses	-	-	-	36,249	-	36,249
CHANGES IN NET ASSETS	333,948	(161,049)	172,899	394,119	(162,402)	231,717
NET ASSETS, BEGINNING OF YEAR	2,192,757	2,349,907	4,542,664	1,798,638	2,512,309	4,310,947
NET ASSETS, END OF YEAR	\$ 2,526,705	\$ 2,188,858	\$ 4,715,563	\$ 2,192,757	\$ 2,349,907	\$ 4,542,664

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

UNITED PLANNING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

	Program Services									
	Community Services	Head Start and Early Head Start	Preschool and Day Care	Homeless	Special Emphasis	Other Programs	Private and General	Total Program Services	General and Administrative	Total
Personnel	\$ 2,879,245	\$ 4,123,916	\$ 1,379,732	\$ 1,580,576	\$ 1,391,374	\$ 172,933	\$ 236,017	\$ 11,763,793	\$ 2,793,742	\$ 14,557,535
Fringe benefits	662,226	948,501	317,338	363,532	320,016	39,775	54,284	2,705,672	613,792	3,319,464
Purchase of services	2,178,318	896,955	272,331	149,066	166,350	2,656,184	153,053	6,472,257	326,606	6,798,863
Occupancy	681,972	268,882	26,622	264,401	178,063	353	117,771	1,538,064	(143,182)	1,394,882
Travel and transportation	51,014	46,739	2,385	269,069	73,207	6,425	2,637	451,476	27,171	478,647
Supplies and construction	104,344	369,171	82,948	11,824	57,188	27,139	8,583	661,197	51,581	712,778
Equipment	177,600	88,672	680	2,932	14,314	-	15,972	300,170	13,013	313,183
Client-related costs	64,963	9,552	145,675	27,074	471,410	440,129	10,245	1,169,048	-	1,169,048
Other expenses	1,000	-	35	-	5,954	-	36,980	43,969	-	43,969
Subtotal	6,800,682	6,752,388	2,227,746	2,668,474	2,677,876	3,342,938	635,542	25,105,646	3,682,723	28,788,369
Delegate agencies expenses	-	1,677,287	-	-	-	-	-	1,677,287	-	1,677,287
Co-funded expense allocation	916,049	(217,669)	(182,201)	(237,402)	(264,056)	(14,721)	-	-	-	-
Unallocated depreciation and amortization	509,264	-	-	-	-	-	-	509,264	88,786	598,050
Interest and fees	255,493	-	-	-	173	-	30	255,696	500	256,196
Other	-	-	-	-	-	-	-	-	3,219	3,219
Subtotal	8,481,488	8,212,006	2,045,545	2,431,072	2,413,993	3,328,217	635,572	27,547,893	3,775,228	31,323,121
Allocation of indirect costs	1,019,283	892,357	294,996	385,106	381,029	471,557	91,045	3,535,373	(3,535,373)	-
TOTAL EXPENSES	\$ 9,500,771	\$ 9,104,363	\$ 2,340,541	\$ 2,816,178	\$ 2,795,022	\$ 3,799,774	\$ 726,617	\$ 31,083,266	\$ 239,855	\$ 31,323,121

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

UNITED PLANNING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016

	Program Services									
	Community Services	Head Start and Early Head Start	Preschool and Day Care	Homeless	Special Emphasis	Other Programs	Private and General	Total Program Services	General and Administrative	Total
Personnel	\$ 2,597,557	\$ 4,041,321	\$ 1,425,256	\$ 1,394,413	\$ 1,466,536	\$ 459,029	\$ 262,101	\$ 11,646,213	\$ 3,116,083	\$ 14,762,296
Fringe benefits	597,438	929,504	327,809	320,715	337,303	105,577	60,283	2,678,629	700,211	3,378,840
Purchase of services	1,863,681	992,698	489,378	118,383	569,411	982,458	126,897	5,142,906	374,250	5,517,156
Occupancy	707,399	284,696	26,376	301,361	155,785	769	118,349	1,594,735	(181,474)	1,413,261
Travel and transportation	63,761	18,586	4,814	222,496	63,587	27,237	40	400,521	29,378	429,899
Supplies and construction	203,936	212,852	53,227	17,183	76,202	36,973	5,816	606,189	52,701	658,890
Equipment	104,076	60,225	6,880	11,909	28,671	-	4,901	216,662	18,672	235,334
Client-related costs	178,350	20,423	128,227	12,407	475,130	471,156	6,778	1,292,471	-	1,292,471
Other expenses	777	-	-	-	4,587	-	30,348	35,712	-	35,712
Subtotal	6,316,975	6,560,305	2,461,967	2,398,867	3,177,212	2,083,199	615,513	23,614,038	4,109,821	27,723,859
Delegate agencies expenses	-	1,647,546	-	-	-	-	-	1,647,546	-	1,647,546
Co-funded expense allocation	1,286,482	(439,698)	(73,869)	(320,386)	(176,750)	(275,779)	-	-	-	-
Unallocated depreciation and amortization	487,023	-	-	-	-	-	-	487,023	131,480	618,503
Interest and fees	277,734	-	-	-	169	-	141	278,044	18,248	296,292
Other	-	-	-	-	-	-	-	-	12,835	12,835
Subtotal	8,368,214	7,768,153	2,388,098	2,078,481	3,000,631	1,807,420	615,654	26,026,651	4,272,384	30,299,035
Allocation of indirect costs	1,070,031	1,133,349	423,330	412,485	546,350	359,478	105,862	4,050,885	(4,050,885)	-
TOTAL EXPENSES	\$ 9,438,245	\$ 8,901,502	\$ 2,811,428	\$ 2,490,966	\$ 3,546,981	\$ 2,166,898	\$ 721,516	\$ 30,077,536	\$ 221,499	\$ 30,299,035

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

UNITED PLANNING ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 172,899	\$ 231,717
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	811,867	857,630
Bad debt expense	-	6,805
Gains on disposals of property and equipment	-	(5,926)
Changes in assets and liabilities:		
Contracts and grants receivable	636,074	(1,265,676)
Prepaid expenses and other assets	57,865	358,907
Accounts payable and accrued expenses	(110,006)	(1,231,509)
Accrued delegate agency expenses	4,185	4,027
Deferred contracts and grants revenue	1,535,742	1,271,433
Other liabilities	(45,804)	3,548
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,062,822	230,956
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of property and equipment	-	17,583
Purchases of property and equipment	-	(36,249)
NET CASH USED IN INVESTING ACTIVITIES	-	(18,666)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on line of credit	-	(600,000)
Principal payments on bonds payable	(594,295)	(572,054)
NET CASH USED IN FINANCING ACTIVITIES	(594,295)	(1,172,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,468,527	(959,764)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,706,007	2,665,771
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,174,534	\$ 1,706,007
SUPPLEMENTAL CASH FLOW INFORMATION ON FINANCING TRANSACTIONS:		
Interest paid	\$ 252,993	\$ 295,834

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

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

NOTE 1 – ORGANIZATION

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. 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, youth and community outreach and advocacy programs.

UPO's Office of Early Learning includes one Head Start delegate agency, 12 Early Childhood Development Centers (ECDCs) and four other nonprofit child care providers that have service agreements. 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 the District of Columbia's largest service providers of day care programs. In District of Columbia neighborhoods where poverty is most highly concentrated, this delegate agency and the ECDCs 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.

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 United States federal government (the federal government). They include the UPO In-School Youth Program, the Foster Grandparents Program, DOES-YouthTech and the Comprehensive Treatment Center. Other programs include weatherization programs with the District of Columbia Department of Environment, the Housing Counseling Program, the Home Savers Program and the Emergency Rental Assistance Program.

The activities of UPO are primarily funded through federal direct and pass-through grants and grants from the District of Columbia.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 1 – ORGANIZATION (continued)

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 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.

At September 30, 2017 and 2016, UPO Inspire had assets of \$40,461 and \$32,026, respectively. UPO Inspire had liabilities of \$1,645 and \$4,453 at September 30, 2017 and 2016, respectively. For the years ended September 30, 2017 and 2016, UPO Inspire earned revenue of \$53,159, and \$38,540, respectively, and incurred expenses of \$42,259 and \$31,407, respectively. Due to the insignificance of these operations, the accounts and transactions of UPO Inspire have not been consolidated with those of UPO as of September 30, 2017 and 2016, and for the years then ended. Also, there were no intercompany transactions between UPO and UPO Inspire during the years ended September 30, 2017 and 2016.

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.

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

NOTE 1 – ORGANIZATION (continued)

At September 30, 2017 and 2016, UPO CDC had assets of \$131,307 and \$176,594, and liabilities of \$5,828 and \$14,232, respectively. For the year ended September 30, 2017, UPO CDC earned revenue of \$10,000. UPO CDC had no revenues for the year ended September 30, 2016. UPO CDC incurred expenses of \$44,678 and \$168,524, respectively, for the years ended September 30, 2017 and 2016. Due to the insignificance of these operations, the accounts and transactions of UPO CDC have not been consolidated with those of UPO as of September 30, 2017 and 2016, and for the years then ended.

UPO CDC shares office space with UPO and reimburses UPO for shared space, employees and other administrative expenses. The amount reimbursed by UPO CDC to UPO for these services totaled \$15,317 and \$8,055 for the years ended September 30, 2017 and 2016, respectively. As of September 30, 2016, UPO CDC owed UPO \$8,169 for these services, which amount is included in prepaid expenses and other assets in the accompanying statements of financial position. As of September 30, 2017, 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.

Basis of Presentation

UPO's financial statements have been prepared on the accrual basis of accounting and utilize the principles outlined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Presentation of Financial Statements* (formerly Statement of Financial Accounting Standards No. 117), which requires UPO to report information regarding its net assets according to the three classes: unrestricted, temporarily restricted and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements 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 their 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.

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Related Depreciation and Amortization

Property and equipment with a unit cost of \$5,000 and above 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 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 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 FASB 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, 2017 and 2016.

Revenue Recognition

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. UPO reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met during the fiscal year are recorded as unrestricted.

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 temporarily restricted net assets. The net assets are reclassified from temporarily restricted to unrestricted 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 temporarily restricted net assets. The net assets are reclassified from temporarily restricted to unrestricted as depreciation is recognized on the vehicles and equipment.

Continued

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

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. Revenue from cost-reimbursable contracts and grants is recognized as costs are incurred for the restricted purpose on the basis of direct costs plus allowable indirect costs. Revenue recognized on contracts and grants for which payments have not been received is reflected as contracts and grants receivable in the accompanying statements of financial position. Grant awards received in advance, but not yet expended, are reflected as deferred contracts and grants revenue in the accompanying statements of financial position.

Accrued Delegate Agency Expenses

Expenses incurred by the delegate agencies under grants awarded by UPO are recorded as delegate agencies expenses on the accompanying statements of functional expenses. Expenses incurred but not yet paid are recorded as accrued delegate agency expenses on the accompanying statements of financial position.

Classification of Net Assets

The net assets of UPO are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of UPO's operations. Board-designated net assets represent a portion of unrestricted net assets designated for the Martin Luther King, Jr. Breakfast Scholarship Award.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors for a specific purpose or use in future periods.

In-Kind Contributions

In-kind contributions consist of contributed goods. The value of the in-kind contributions is recorded as revenue and expense at the estimated fair value as of the date of receipt or the date the services were provided.

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.

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.

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current report model for nonprofit organizations and enhances their required disclosures. One of the major changes will be that UPO will be required to use the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise. This will require UPO to change its policy for how it recognizes the expiration of restrictions on gifts used to acquire or construct long-lived assets and reclassify a significant portion of temporarily restricted net assets to unrestricted. Currently, UPO does not anticipate that the adoption of the rest of the standard will have a material effect on the financial statements. This pronouncement will be adopted during the year ending September 30, 2019.

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 added to net assets in the statements of activities as capitalization of program expenses.

NOTE 3 – CONTRACTS AND GRANTS RECEIVABLE

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

	2017	2016
U.S. Department of Health and Human Services	\$ 1,375,703	\$ 1,698,652
D.C. Department of the Environment	1,109,058	466,382
D.C. Department of Behavioral Health	810,114	571,653
D.C. Department of Human Services	571,011	906,960
Office of the State Superintendent of Education (OSSE)	476,724	636,981
Corporation for National and Community Service	86,036	110,861
D.C. Office of Victim Services and Justice	20,085	19,388
D.C. Department of Housing and Community Development (DCDHCD)	12,142	12,143
The Community Partnership for the Prevention of Homelessness (TCP)	19,664	309,610
D.C. Department of Employment Services	-	196,113
Fidelity National Information Services (FIS) Global	-	118,562
D.C. Department of Health	-	41,129
Other	31,795	59,972
Total Contracts and Grants Receivable	4,512,332	5,148,406
Less: Provision for Bad Debts	(27,345)	(27,345)
Contracts and Grants Receivable, Net	\$ 4,484,987	\$ 5,121,061

Continued

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 4 – PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION

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

	<u>2017</u>	<u>2016</u>
Land	\$ 1,295,520	\$ 1,295,520
Buildings	15,276,453	15,276,453
Capitalized interest	366,778	366,778
Furniture and equipment	749,193	749,193
Vehicles	1,390,033	1,426,813
Leasehold improvements	<u>774,484</u>	<u>774,484</u>
Total Property and Equipment	19,852,461	19,889,241
Less: Accumulated Depreciation and Amortization	<u>(11,179,741)</u>	<u>(10,404,654)</u>
Property and Equipment, Net	<u>\$ 8,672,720</u>	<u>\$ 9,484,587</u>

Depreciation and amortization expense for the years ended September 30, 2017 and 2016, totaled \$811,867 and \$857,630, respectively.

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 (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 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.

Also included are vehicles totaling \$1,174,229 and other equipment totaling \$126,721 purchased with grant funds. The vehicles and equipment will remain in use for the duration of the programs as restricted by the donor.

UPO recorded the grant funds used to purchase property and vehicles as temporarily restricted revenue upon award of the grants. UPO released such funds from restriction upon satisfaction of the restricted use periods of the property and upon approval of the grantor or over the depreciable life of the vehicles in accordance with the grant agreements.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

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.

Effective March 22, 2009, UPO changed its annual leave policy for all of its ECDCs. The new policy allowed for 75 hours of predetermined vacation/annual leave and for some flexible days. UPO’s flexible leave policy for 2016 allowed flexible leave of 37.5 hours for the ECDC staff with over four years of service and did not allow any for those employed under four years.

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 2017 and 2016 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 \$577,443 and \$576,948 as of September 30, 2017 and 2016, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 6 – DEFERRED CONTRACTS AND GRANTS REVENUE

Deferred contracts and grants revenue consisted of the following as of September 30:

	2017	2016
Community Services Block Grant	\$ 3,541,020	\$ 2,063,636
Other	292,923	234,565
Total Deferred Contracts and Grants Revenue	\$ 3,833,943	\$ 2,298,201

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

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 total contracts and grants receivable outstanding less than 91 days. Funds drawn on the line bear interest at a floating daily rate at the higher of 4.5% or 1% over the Prime Rate as published in the Wall Street Journal. The interest rate was 5.5% and 4.75% at September 30, 2017 and 2016, respectively. 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, including a debt service coverage of at least 1.2 times as measured at the end of the fiscal year, beginning September 30, 2006, except for the fiscal year ended September 30, 2016, where the debt service coverage ratio was required to be at least 1.0 time; and total net assets of at least \$3,000,000 as measured at the end of the fiscal year. The line of credit expired on October 31, 2017, and as of March 22, 2018, management is in the process of submitting the necessary requirements to the bank to renew the line of credit. There was no outstanding balance on the line of credit as of September 30, 2017 and 2016. UPO was in compliance with all of the covenant's requirements as of September 30, 2017 and 2016.

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, 2017 and 2016. 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 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>
2018	\$ 616,603	\$ 230,685	\$ 847,288
2019	639,747	207,541	847,288
2020	663,246	184,042	847,288
2021	688,657	158,631	847,288
2022	714,507	132,781	847,288
Thereafter	<u>3,209,717</u>	<u>253,126</u>	<u>3,462,843</u>
Total	<u>\$ 6,532,477</u>	<u>\$ 1,166,806</u>	<u>\$ 7,699,283</u>

Continued

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

NOTE 9 – CONCENTRATION OF CREDIT RISK

UPO maintains cash and cash equivalents at several banks. As of September 30, 2017 and 2016, balances in UPO's deposit accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per bank. As of September 2017 and 2016, UPO had cash balances on deposit with one bank that exceeded the balance insured by the FDIC by approximately \$4,125,000 and \$1,727,000, respectively. Management does not expect any risk of loss from the concentration.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Office of Management and Budget Uniform Guidance

UPO has instructed its independent auditors to audit its applicable federal programs for the year ended September 30, 2017, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the fiscal year ended September 30, 2017, will not have a material effect on UPO's financial position as of September 30, 2017, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit recovery of indirect costs. These rates are subject to review by the U.S. Department of Health and Human Services (HHS), UPO's cognizant agency. The review results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs. HHS has issued final rates through the year ended September 30, 2017. Management believes that HHS's review will not have a material effect on UPO's financial position as of September 30, 2017, or its results of operations for the year then ended.

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 2022. The terms of the leases require UPO to pay normal maintenance expenses and maintain minimum insurance coverage.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2017 and 2016

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

Future minimum lease payments under these leases are as follows:

Year Ending September 30,	
2018	\$ 196,372
2019	127,325
2020	131,144
2021	54,101
2022	41,482
Total	<u>\$ 550,424</u>

Rental expense related to these leases and other leases that are on a month-to-month basis for the years ended September 30, 2017 and 2016, totaled \$391,668 and \$454,201, respectively.

NOTE 11 – TEMPORARILY RESTRICTED AND BOARD-DESIGNATED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30:

	2017	2016
Property and equipment:		
Buildings – HUD and DHCD funding	\$ 1,852,182	\$ 1,852,182
Vehicles – The Community Partnership for the Prevention of Homelessness	336,676	497,725
Total Temporarily Restricted Net Assets	<u>\$ 2,188,858</u>	<u>\$ 2,349,907</u>

Unrestricted net assets 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 \$183,467 and \$160,164 as of September 30, 2017 and 2016, respectively.

NOTE 12 – DONATED GOODS AND SERVICES

UPO received donated goods valued at \$3,499 and \$4,226 for its Shelter Hotline program for the years ended September 30, 2017 and 2016, respectively. The amounts have not been recorded in the accompanying statements of activities because the criteria for recognition have not been satisfied.

UNITED PLANNING ORGANIZATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2017 and 2016

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 \$803,821 and \$802,238 for the fiscal years ended September 30, 2017 and 2016, respectively.

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 unrelated business income for the years ended September 30, 2017 and 2016. 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 years ended September 30, 2017 and 2016, 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, 2017, the statute of limitations for tax years ending September 30, 2014, through September 30, 2016, remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which UPO files tax returns. It is UPO's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of September 30, 2017 and 2016, UPO had no accruals for interest and/or penalties.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, UPO has evaluated events and transactions for potential recognition or disclosure through March 27, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.



Certified Public Accountants

**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**

INDEPENDENT AUDITOR'S REPORT

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 statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UPO's internal control. Accordingly, we do not express an opinion on the effectiveness of UPO'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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
March 27, 2018



Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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 each of UPO's major federal programs for the year ended September 30, 2017. UPO's major federal programs are identified in the summary of auditor's 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.

Auditor's 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* (the 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 the Organization'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 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 each of its major federal programs for the year ended September 30, 2017.

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.

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. *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.

Raffa, P.C.

Raffa, P.C.

Washington, DC
March 27, 2018

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

<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		\$ 2,296,252	\$ 9,104,363
Total Direct Grants			<u>2,296,252</u>	<u>9,104,363</u>
<i>Pass-Through Grants:</i>				
Office of the State Superintendent of Education (OSSE)				
Quality Improvement Network Continuation	93.600	03HP0017/01	-	1,264,032
<i>Total CFDA 93.600</i>			<u>2,296,252</u>	<u>10,368,395</u>
D.C. Department of Human Services				
Community Services Block Grant (CSBG)	93.569	JA-FSA-15-0011	1,526,772	9,500,771
The Community Partnership for the Prevention of Homelessness (TCP)				
Community Services Block Grant (CSBG)	93.569	16-05-UPO-HOTL	-	2,700,000
<i>Total CFDA 93.569</i>			<u>1,526,772</u>	<u>12,200,771</u>
D.C. Department of the Environment				
Low-Income Home Energy Assistance Program (LIHEAP)	93.568	EECP-UPO-FY16	-	724,752

See accompanying notes to this schedule.

Continued

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

(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 HEALTH AND HUMAN SERVICES (CONTINUED)				
OSSE				
TANF - Out of School Time Program	93.558	DELTANFOST2015-1-01	\$ -	\$ 115,678
Total Pass-Through Grants			<u>1,526,772</u>	<u>14,305,233</u>
Total U.S. Department of Health and Human Services			<u>3,823,024</u>	<u>23,409,596</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Foster Grandparents	94.011		-	<u>727,654</u>
Total Corporation for National and Community Service			<u>-</u>	<u>727,654</u>
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Grants:				
Office of the State Superintendent of Education (OSSE)				
Childcare Food - Centers	10.558	V-44	-	<u>191,718</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>191,718</u>
U.S. DEPARTMENT OF ENERGY				
Pass-Through Grant:				
D.C. Department of the Environment				
Weatherization Assistance for Low-Income Persons (WAP)	81.042	EECP-UPO/WAP-FY16	\$ -	\$ <u>644,755</u>
Total U.S. Department of Energy			<u>-</u>	<u>644,755</u>

See accompanying notes to this schedule.

Continued

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

(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 HOUSING AND URBAN DEVELOPMENT				
<i>Pass-Through Grants:</i>				
<i>D.C. Department of Energy and Environment</i>				
Community Development Block Grant (CDBG)	14.218	EECP-UPO/DHCD-FYI 7	-	1,700,000
<i>The Community Partnership for the Prevention of Homelessness (TCP)</i>				
Shelter Plus Care	14.238	SS16-07-UPO-SPC	-	101,211
Total U.S. Department of Housing and Urban Development			-	1,801,211
U.S. DEPARTMENT OF JUSTICE				
<i>Pass-Through Grant:</i>				
<i>D.C. Office of Victim Services and Justice</i>				
Providing Opportunities with Educational Readiness Program (P.O.W.E.R.)	16.540	2016-JF-FX-0055	-	41,657
Total U.S. Department of Justice			-	41,657
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,823,024	\$ 26,816,591

See accompanying notes to this schedule.

UNITED PLANNING ORGANIZATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

Cost Principles

Federal expenditures were recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). UPO has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as UPO already has a negotiated indirect cost rate with the federal government.

2. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Expenditures per Schedule of Federal Awards \$26,816,591

Reconciliation to Amounts on the Statements of Activities:

Pass-Through Grants and Contracts	\$ 12,540,695
Direct Federal Grants and Contracts	9,831,695
Plus: Pass-Through Federal Grants and Contracts included in Direct D.C. Grants and Contracts	<u>4,444,201</u>
Total	<u>\$ 26,816,591</u>

UNITED PLANNING ORGANIZATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified Qualified
 Adverse Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)? Yes No

Identification of Major Programs:

<u>CFDA/Grant Number</u>	<u>Program Title</u>
93.569	Community Services Block Grant
94.011	Foster Grandparents
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 804,498

Auditee qualified as a low-risk auditee? Yes No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.