



UNITED PLANNING ORGANIZATION

Financial Statements

*For the Year Ended September 30, 2021
(With Summarized Information for the Year Ended September 30, 2020)*



**and
Report Thereon**



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

For the Year Ended September 30, 2021



UNITED PLANNING ORGANIZATION
TABLE OF CONTENTS
For the Year Ended September 30, 2021

	Page
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-22
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 <i>Government Auditing Standards</i>	23-24
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	25-27
Schedule of Expenditures of Federal Awards.....	28-29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs.....	31-35

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, 2021, 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.

- 1 -

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, 2021, 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

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 28-29, 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.

Report on the Summarized Comparative Financial Statements

We have previously audited UPO's 2020 financial statements, and in our report dated October 28, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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
June 30, 2022

UNITED PLANNING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
September 30, 2021
(With Summarized Financial Information as of September 30, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,724,092	\$ 7,497,445
Grants and contracts receivable, net, Note 3	6,707,157	7,793,724
Inventory	9,988	618,074
Prepaid expenses and other assets	104,085	149,719
Total Current Assets	15,545,322	16,058,962
Property and equipment, net, Note 4	6,412,370	7,193,165
TOTAL ASSETS	\$ 21,957,692	\$ 23,252,127
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,247,192	\$ 4,233,726
Refundable advances, Note 6	5,680,804	6,463,679
Contract liabilities, Note 7	787,260	428,613
Bonds payable, current portion, Note 9	714,507	688,657
Total Current Liabilities	10,429,763	11,814,675
Bonds payable, net of current portion, Note 9	3,209,666	3,924,223
TOTAL LIABILITIES	13,639,429	15,738,898
Net Assets		
Without donor restrictions, Note 12	8,275,372	7,513,229
With donor restrictions, Note 12	42,891	-
TOTAL NET ASSETS	8,318,263	7,513,229
TOTAL LIABILITIES AND NET ASSETS	\$ 21,957,692	\$ 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, 2021

(With Summarized Financial Information for the Year Ended September 30, 2020)

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
REVENUE AND SUPPORT				
Pass-through grants and contributions	\$ 18,837,812	\$ -	\$ 18,837,812	\$ 14,923,736
Direct federal grants and contributions	8,626,968	-	8,626,968	8,594,317
Direct D.C. contracts	8,211,390	-	8,211,390	9,128,442
Private and general grants and contributions	3,725,923	42,891	3,768,814	3,513,415
Other income	126,750	-	126,750	149,119
Fees	48,838	-	48,838	48,365
TOTAL REVENUE AND SUPPORT	<u>39,577,681</u>	<u>42,891</u>	<u>39,620,572</u>	<u>36,357,394</u>
EXPENSES				
Program Services:				
Community services	13,703,772	-	13,703,772	10,900,370
Head Start and Early Head Start	6,126,127	-	6,126,127	6,627,128
Preschool and day care	4,144,540	-	4,144,540	5,130,829
Special Emphasis	3,383,001	-	3,383,001	2,499,824
Homeless	3,279,854	-	3,279,854	3,363,830
Private and general	2,119,999	-	2,119,999	2,260,350
Other programs	1,677,552	-	1,677,552	774,703
Total Program Services	<u>34,434,845</u>	<u>-</u>	<u>34,434,845</u>	<u>31,557,034</u>
Supporting Service:				
General and administrative	4,380,693	-	4,380,693	4,186,809
TOTAL EXPENSES	<u>38,815,538</u>	<u>-</u>	<u>38,815,538</u>	<u>35,743,843</u>
CHANGES IN NET ASSETS	762,143	42,891	805,034	652,943
NET ASSETS, BEGINNING OF YEAR	<u>7,513,229</u>	<u>-</u>	<u>7,513,229</u>	<u>6,860,286</u>
NET ASSETS, END OF YEAR	<u>\$ 8,275,372</u>	<u>\$ 42,891</u>	<u>\$ 8,318,263</u>	<u>\$ 7,513,229</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, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	Program Services							Supporting Service	2021 Total	2020 Total	
	Community Services	Head Start and Early Head Start	Preschool and Day Care	Special Emphasis	Homeless	Private and General	Other Programs	Total Program Services			General and Administrative
Personnel	\$ 6,156,869	\$ 4,229,145	\$ 2,391,776	\$ 1,049,588	\$ 2,271,116	\$ 605,598	\$ 162,804	\$ 16,866,896	\$ 2,636,740	\$ 19,503,636	\$ 19,114,065
Purchase of services	2,865,416	544,615	753,490	201,115	183,646	740,102	186,621	5,475,005	1,027,917	6,502,922	4,620,069
Fringe benefits	1,412,884	1,009,800	545,294	250,018	452,882	140,344	37,665	3,848,887	349,770	4,198,657	4,328,009
Client assistance	372,522	41,249	151,240	1,471,844	4,889	136,167	1,095,093	3,273,004	-	3,273,004	2,166,960
Supplies	672,678	149,666	173,894	113,067	6,963	223,980	122,252	1,462,500	176,301	1,638,801	1,472,531
Equipment	848,190	10,056	19,844	94,457	1,531	95,732	26,504	1,096,314	79,096	1,175,410	626,394
Occupancy	496,368	130,812	70,649	195,293	130,930	107,552	39,040	1,170,644	1,023	1,171,667	1,224,998
Depreciation and amortization	603,627	-	36,755	-	-	-	7,211	647,593	-	647,593	629,894
Travel and transportation	81,849	10,616	278	7,532	227,630	1,960	150	330,015	61,034	391,049	455,712
Interest and fees	163,312	-	-	-	-	-	212	163,524	-	163,524	186,669
Other expenses	30,057	168	1,320	87	267	68,564	-	100,463	48,812	149,275	104,098
Delegate agencies expenses	-	-	-	-	-	-	-	-	-	-	814,444
TOTAL EXPENSES	\$ 13,703,772	\$ 6,126,127	\$ 4,144,540	\$ 3,383,001	\$ 3,279,854	\$ 2,119,999	\$ 1,677,552	\$ 34,434,845	\$ 4,380,693	\$ 38,815,538	\$ 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, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 805,034	\$ 652,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization, Note 4	806,615	902,328
Changes in assets and liabilities:		
Grants and contract receivable	1,086,567	(2,962,646)
Inventory	608,086	(598,800)
Prepaid expenses and other assets	45,634	281,731
Accounts payable and accrued expenses	(986,534)	2,276,703
Accrued delegate agency expenses	-	(271,482)
Refundable advances	(782,875)	1,851,906
Contract liabilities	358,647	268,435
	<u>1,941,174</u>	<u>2,401,118</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25,820)	(91,866)
	<u>(25,820)</u>	<u>(91,866)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on bonds payable	(688,707)	(663,246)
	<u>(688,707)</u>	<u>(663,246)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,226,647	1,646,006
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,497,445</u>	<u>5,851,439</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,724,092</u>	<u>\$ 7,497,445</u>
SUPPLEMENTAL CASH FLOW INFORMATION ON FINANCING TRANSACTIONS:		
Interest paid	<u>\$ 163,524</u>	<u>\$ 103,933</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, 2021

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 (D.C.). The organization was founded in 1962 as a charitable and educational organization. Following the Economic Opportunity Act of 1964, UPO was designated 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 to individuals, families, and communities with high concentrations of poverty in the District of Columbia.

UPO's community service network includes eight community service centers, seventeen Early Head Start centers, and seven community-based organizations that serve in the capacity of service providers for UPO. Altogether, this network serves individuals of all ages, from birth to the elderly, in families and communities characterized by economic insecurity. The individuals and communities served receive a variety of case management and supportive services from UPO for the purpose of attaining economic security and self-sufficiency. UPO also works with partners in the private and public sectors to plan and implement Community Services Block Grant (CSBG) programs. These programs are designed to have direct influence on the quality of life for D.C.'s low-income residents through employment services; education and cognitive development services; income and asset building services; housing services; community health and social/behavioral development services; civic engagement and community involvement services.

UPO's Early Learning Program was initiated in 1964 and was one of the first pilot Head Start programs in the country. UPO now primarily focuses on Early Head Start (EHS) services and continues to support a rapidly expanding Early Head Start operation in the District of Columbia. Today, UPO is one of D.C.'s largest providers of early learning services. In D.C. neighborhoods, where poverty is most highly concentrated, UPO's Early Learning Centers provide children aged three and under with early learning; age-appropriate, curriculum-based educational programs; health screenings; and nutritional meals. Parents and pregnant/expectant mothers have opportunities to participate in the parent policy council; prenatal services; parenting classes; and as center volunteers. Parents of the children served are also able to pursue employment as a result of receiving childcare support through UPO. Additionally, each year, UPO's EHS program gives more than 1,000 infants and toddlers the tools to develop their social-emotional, physical, cognitive, and language skills — steering them toward happiness, success and school-readiness. To do this, UPO's Office of Early Learning partners with five other nonprofit childcare providers and serves multiple families in a home-based program.

UPO's Office of Early Learning partners with five other nonprofit childcare providers and serves multiple families in a Home-based program. UPO's Office of Early Learning is also a Hub for the Quality Improvement Network (QIN) of the D.C. Office of the State Superintendent of Education. The Hub is a multi-year effort that was established to boost outcomes for infants and toddlers. Through the QIN, UPO oversees 16 child development centers serving over 500 children and families. UPO's aim is to ensure that every center adequately meets the Head Start Performance Standards and that each remains on a path to continuous improvement.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1 – ORGANIZATION (continued)

Portions of UPO's programs are funded by the District of Columbia; the United States federal government; private foundations; and individual donors. Programs that are co-funded include the Foster Grandparents Program; the Comprehensive Treatment Center; the Permanent Supportive Housing Program; the Joseph A. Beavers Scholarship Program; the Free Tax Preparation Assistance Program; the Housing Counseling Program; the Home Savers Program; as well as the Emergency Rental Assistance Program, among others.

All employees, excluding supervisors, managerial staff, and staff responsible for handling confidential materials (according to the UPO Handbook) 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, a nonprofit organization organized exclusively for charitable, educational, and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. 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 Inspire is required to be consolidated with UPO. However, due to the insignificance of the operations and account balances as of and for the year ended September 30, 2021, the accounts and transactions of UPO Inspire have not been consolidated with those of UPO as of September 30, 2021, and for the year then ended. As of September 30, 2021, UPO Inspire reported total assets, liabilities and net assets of \$64,444, \$9,046 and \$55,399, respectively and for the year ended September 30, 2021, total revenue of \$44,626 and expenses \$26,709.

UPO Inspire reimbursed UPO a total of \$7,000 for workforce development training services for the year ended September 30, 2021. As of September 30, 2021, UPO Inspire had no amounts due to UPO for these services.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

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 highly liquid investments with maturities of three months or less at the time of acquisition.

Grants and Contracts Receivable

Reimbursable expenditures for which payment has not been received as of the financial statement date are recorded as grants and contracts receivable at net realizable value. Receivables that are past due are individually analyzed for collectability. 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 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 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.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021.

Revenue Recognition

Grants and Contributions - Pass-through and Direct Federal Grants

UPO has cost reimbursable grants with the federal government through cooperative agreements with pass through organizations and directly with federal agencies. Revenue from cost-reimbursable grants is conditional upon certain performance requirements and the occurrence of allowable qualifying expenses. Revenue from pass-through and direct federal grants is recognized when UPO has met the respective conditions in the award.

Amounts related to the conditional grants that are recognized and released in the same year are included as grants and contributions without donor restrictions in the accompanying statement of activities.

Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the grantors is included in grants and contracts receivable in the accompanying statement of financial position. Grant awards received in advance, but not yet expended, are reflected as refundable advances in the accompanying statement of financial position.

Direct D.C. Contracts

UPO has contracts with the District of Columbia in which fees are received in exchange for services under fixed price contracts. Revenue from fixed price contracts is recognized at the point in time that the performance obligations are satisfied. Revenue recognized on contracts for which payments have not been received is reflected as grant and contract receivable in the accompanying statement of financial position. Contracts received in advance, but not yet expended, are reflected as contract liabilities in the accompanying statement of financial position.

Private and General Grants and Contributions

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 statement 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. Revenue recognized on these grants and contributions for which there were no collections from the grantors is included in grants and contracts receivable in the accompanying statement of financial position.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions that are expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management determines the allowance for probable uncollectible grants and contributions by reviewing all outstanding grants and contributions receivable for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible.

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 for 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.

Other Income

Other income consists of fees from rental and parking services related to UPO's property and facilities and is recognized as revenue over the period in which the rentals relate.

Fees

Fees consist of request for proposal and daycare fees related to the Head Start program and are recognized at the point in time the event occurs.

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.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 adopted 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. The adoption of the standard did not impact the results of operations or change in net assets.

New Accounting Pronouncements to be Adopted

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 the right to use the underlying asset for the lease term. The new standard is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. UPO is evaluating the impact this ASU will have on its financial statements.

In June 2016, 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

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements to be Adopted (continued)

commitments, debt securities and beneficial interests in securitized financial assets, but the effect on UPO is projected to be limited to grants and contracts 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 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 described 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 – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consisted of the following as of September 30:

U.S. Department of Health and Human Services	\$ 3,103,234
Office of the State Superintendent of Education (OSSE)	1,276,318
Corporation for National and Community Service	517,179
U.S. Department of Housing and Urban Development	514,355
D.C. Department of Behavioral Health	453,496
Fidelity National Information Services (FIS) Global	298,470
D.C. Department of Human Services	244,335
Other	172,580
U.S. Department of Justice	95,568
D.C. Department of Housing and Community Development (DC DHCD)	93,754
The Community Partnership for the Prevention of Homelessness (TCP)	15,045
Total Grants and Contracts Receivable	6,784,334
Less: Provision for Bad Debts	(77,177)
Grants and Contracts Receivable, Net	\$ 6,707,157

As of September 30, 2021, cost-reimbursable grants and contracts of \$17,250,773, have not been recognized as revenue in the accompanying statement of activities because the conditions on which they depend have not yet been met.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 3 – GRANTS AND CONTRACTS RECEIVABLE (continued)

Grants and contracts receivable includes receivable from contracts with customers totaling \$1,970,438 as of September 30, 2021. The beginning balance of receivable from contracts with customers totaling \$2,321,454 was collected during the year ended September 30, 2021.

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	15,276,452
Vehicles	1,958,400
Furniture and equipment	1,247,664
Leasehold improvements	774,480
Capitalized interest	<u>366,772</u>
Total Property and Equipment	20,919,288
Less: Accumulated Depreciation and Amortization	<u>(14,506,918)</u>
Property and Equipment, Net	<u>\$ 6,412,370</u>

Depreciation and amortization expense for the year ended September 30, 2021, totaled \$806,615 of which \$647,593 and \$159,022 is included in depreciation and amortization expense and in occupancy, respectively, in the accompanying statement of functional expenses.

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, 2021, 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.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 4 – PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION AND AMORTIZATION (continued)

Also included in property and equipment are vehicles totaling \$1,137,499 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.

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 Early Childhood Development Centers (ECDC), are allowed to carry over a 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 2021 allowed for 15 days (112.5 hours) for all 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 \$791,876 as of September 30, 2021, and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 6 – REFUNDABLE ADVANCES

UPO's refundable advances as of September 30, 2021, relate to the following:

Community Services CARES Grant	\$ 2,916,804
Community Services Block Grant	<u>2,764,000</u>
Total Refundable Advances	<u>\$ 5,680,804</u>

NOTE 7 – CONTRACT LIABILITIES

The following table provides information about significant changes in contract liabilities for the year ended September 30, 2021:

Contract Liabilities, Beginning of Year	\$ 428,613
Cash received during the year	1,877,642
Revenue recognized	<u>(1,518,995)</u>
Contract Liabilities, End of Year	<u>\$ 787,260</u>

NOTE 8 – LINE OF CREDIT

On February 28, 2021, UPO signed an amendment to a line of the agreement with a bank extending the maturity date to June 28, 2022. Funds drawn on this line bore interest at a floating daily rate of 1% over the Prime Rate as published in the Wall Street Journal, which was 4.25% at September 30, 2021. The line of credit was 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 required 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 was 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, 2021, UPO had 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, 2021.

On June 23, 2022, UPO received a 90-day extension of the term of the line of credit extending the maturity to September 23, 2022. All others terms and provisions remain the same.

NOTE 9 – 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

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 9 – BONDS PAYABLE (continued)

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, 2021. 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, 2021, 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.

The following is a schedule of the bond amortization for the next five years and one month payment into fiscal year 2027:

<u>Fiscal Year Ending September 30,</u>	<u>Required Principal Payments</u>	<u>Interest</u>	<u>Total</u>
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
2026	689,937	17,218	707,155
Thereafter	<u>247,850</u>	<u>223</u>	<u>248,073</u>
Total	<u>\$ 3,924,173</u>	<u>\$ 420,207</u>	<u>\$ 4,344,380</u>

NOTE 10 – CONCENTRATION OF CREDIT RISK

UPO maintains cash and cash equivalents at several banks. As of September 30, 2021, 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 30, 2021, UPO had cash balances on deposit that exceeded the balance insured by the FDIC by approximately \$8,802,000. Management does not expect any risk of loss from the concentration.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 11 – 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</u> <u>September 30,</u>	
2022	\$ 217,584
2023	180,459
2024	88,487
2025	<u>91,141</u>
Total	<u>\$ 577,671</u>

Rental expense related to these leases and other leases that are on a month-to-month basis for the year ended September 30, 2021 totaled \$224,186 and is included in occupancy expense on the accompanying statement of functional expenses.

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.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 12 – NET ASSETS

Without Donor Restrictions

Net assets without donor restrictions that remained as of September 30, 2021, were made up of the following balances:

Undesignated	\$ 7,879,650
Board-designated Scholarship Fund	395,722
Total Net Assets Without Donor Restrictions	\$ 8,275,372

With Donor Restrictions

Net assets with donor restrictions that remained as of September 30, 2021, were available for the following purposes or period:

Subject to purpose restriction	\$ 15,000
Subject to be held in perpetuity: Dana Jones Scholarship Fund	27,891
Total Net Assets With Donor Restrictions	\$ 42,891

NOTE 13 – ENDOWMENT FUND

UPO's Board of Directors has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, UPO classifies as perpetual endowment funds (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment funds is classified as net assets with donor-imposed purpose restrictions until those amounts are appropriated for expenditure by UPO in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UPO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of UPO and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of UPO.
- The investment policies of UPO

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 13 – ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters

UPO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that UPO must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under these policies, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy UPO’s long-term rate-of-return objectives, UPO relies on a total return strategy in which investment returns are achieved through interest earned on cash. UPO’s current asset allocation for board-designated and endowment funds are included in cash.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Expenditures from the Dana Jones Scholarship Fund are released from restrictions as the scholarships are awarded, in accordance with donor stipulations. If an endowment fund has a deficiency, the Board of Directors has the discretion to forgo any appropriation from that fund until the fund deficiency is replenished.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below UPO’s interpretation and policy under UPMIFA that it has the ability and will continue to spend from underwater funds. There were no such deficiencies as of September 30, 2021.

Composition and Activity of Endowment Funds by Net Asset Category

The endowment’s net asset composition by type of fund is as follows as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds:			
Historical gift value	\$ -	\$ 27,891	\$ 27,891
Appreciation	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 27,891</u>	<u>\$ 27,891</u>

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 13 – ENDOWMENT FUNDS (continued)

Composition and Activity of Endowment Funds by Net Asset Category (continued)

Changes in endowment net assets are as follows for the year ended September 30, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, October 1, 2020	\$ -	\$ -	\$ -
Contributions	<u>-</u>	<u>27,891</u>	<u>27,891</u>
Endowment Net Assets September 30, 2021	<u>\$ -</u>	<u>\$ 27,891</u>	<u>\$ 27,891</u>

NOTE 14 – 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, 2021, were as follows:

Cash and cash equivalents	\$ 8,724,092
Grants and contracts receivable	<u>6,707,157</u>
Total Financial Assets Available Within One Year	15,424,249
Less:	
Amounts unavailable due to donor restrictions	(42,891)
Amounts unavailable to management without Board approval:	
Board-designated for Martin Luther King, Jr. Breakfast program	<u>(395,722)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 14,985,636</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, 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, 2021. Additionally, UPO has board-designated net assets that could be available for current operations with Board approval, if necessary.

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 15 – 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 \$964,873 for the fiscal year ended September 30, 2021.

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 16 – 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, 2021. 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 ca tax return. UPO performed an evaluation of uncertainty in income taxes for the year ended September 30, 2021, 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, 2021, 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 pending or 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, 2021, UPO had no accruals for interest and/or penalties.

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, UPO has evaluated for potential recognition or disclosure, events and transactions, through June 30, 2022, the date the financial statements were available to be issued. Except for the line of credit maturity extension describe in Note 8, there were no subsequent events that require recognition or disclosure in the financial

**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, 2021, 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 June 30, 2022.

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.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matter

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 2021-001 and 2021-002.

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
June 30, 2022

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, 2021.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to this matter.

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider 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.

Washington, DC
June 30, 2022

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing 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 Grant:</i>				
Head Start	93.600	-	\$ 323,906	\$ 7,494,118
Total Direct Grants			323,906	7,494,118
<i>Pass-Through Grants:</i>				
<i>Office of the State Superintendent of Education (OSSE)</i>				
Head Start				
Quality Improvement Network Continuation (HUB Expansion)	93.600	A2EHSA	-	1,142,461
Quality Improvement Network Continuation	93.600	91600A	-	356,594
Total Pass-Through Grants			-	1,499,055
Total 93.600- Head Start			323,906	8,993,173
477 Cluster				
<i>D.C. Department of Human Services</i>				
Community Services Block Grant (CSBG)	93.569	JA-FSA-21-0011	1,664,745	12,422,606
CARES Act CSBG Supplemental Funds	93.569	JA-FSA-21-0011	-	3,186,392
Total 93.569 - 477 Cluster			1,664,745	15,608,998
<i>D.C. Department of Human Services/HHS</i>				
Opioid Response Grants	93.788	1H79T1081707-01	-	67,230
Total U.S. Department of Health and Human Services			1,988,651	24,669,401
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Foster Grantparent/Senior Companion Cluster:				
Foster Grandparent Program	94.011	18SFADC001	-	1,046,787
Total Corporation for National and Community Service			-	1,046,787
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-Through Grant:</i>				
<i>D.C Department of Human Services</i>				
SNAP Cluster				
Supplemental Nutrition Assistance Program (SNAP)	10.551	E&T-20-004	-	128,037
<i>Pass-Through Grant:</i>				
<i>D.C. Office of the State Superintendent of Education (OSSE)</i>				
Child and Adult Care Food Program	10.558	V44-1	-	75,000
Total U.S. Department of Agriculture			-	203,037
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-Through Grant:</i>				
<i>D.C. Office of the State Superintendent of Education (OSSE)</i>				
Twenty-First Century Community Learning Centers	84.287	B2287B	-	110,628
Total U.S. Department of Education			-	110,628

See accompanying notes to this schedule.

UNITED PLANNING ORGANIZATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2021

(continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing 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 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	2019-31	\$ -	\$ 1,205,972
Neighborhood Based Activities Program (NBA)	14.218	2019-31	-	142,890
Total CFDA 14.218 — Community Development Block Grant/Entitlement Grants			-	1,348,862
<i>Pass-Through Grant:</i>				
<i>D.C. Department of Housing and Community Development</i>				
Community Partnership/DCDHS/HUD				
The Shelter Plus Program:				
Shelter Plus Care — TCP	14.238	SS2107UPOSPC	-	94,904
Total U.S. Department of Housing and Urban Development			-	1,443,766
U.S. DEPARTMENT OF JUSTICE				
Second Chance Act Reentry Initiative	16.812	2017-CY-BX-0117	-	86,063
Total U.S. Department of Justice			-	86,063
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,988,651	\$ 27,559,682

See accompanying notes to this schedule.

UNITED PLANNING ORGANIZATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2021

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, 2021. 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, 2021

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:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None Reported

Noncompliance material to financial statements noted?

 X Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 X Yes None Reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

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

 X Yes No

Identification of major federal programs:

Name of Federal Program or Cluster	Assistance Listing Numbers
Community Development Block Grants/Entitlement Grants	14.218
Community Services Block Grant	93.569

Dollar threshold used to distinguish between Type A and Type B programs: \$ 826,790

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

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2021-001: 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 11 asset accounts and 20 liability accounts 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

Strong internal controls require that all accounts on the statement of financial position be reviewed and reconciled on a monthly basis and at year end.

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

Financial statements generated on a monthly basis throughout the year may not have been accurate and complete.

Questioned Cost

None.

Repeat Finding

Yes

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.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

(continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Finding No. 2021-002: Receivables and Liabilities – Material Weakness in Internal Control Over Financial Reporting

Condition

Management inappropriately recognized and recorded an asset (receivable) and liability (refundable advance) related to a CSBG grant award.

Context

This is a cost reimbursable grant and there were no qualifying expenses incurred during the year ended September 30, 2021. There was no advance receipt of funds as of September 30, 2021.

Criteria

GAAP and UPO's policy requires revenue and receivables to be recorded in the accounting period when earned. Refundable advances are recognized when cash is received in advance of conditions being met, i.e., incurrence of qualifying expenses or other conditions.

Cause

Management invoiced a grantor upon execution of the grant award and in accordance with the payment schedule of the award resulting in a receivable balance as of September 30, 2021.

Effect

Grant receivables and refundable advances were overstated \$1,747,573 at September 31, 2021, respectively.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management establish procedures or update its financial close checklist to include procedures to review receivables for inappropriate balances that relate to conditions (i.e., qualifying expenses incurred) that will be met in future periods and liability balances that do not reflect actual advances of cash receipts.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

(continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2021-003: Significant Deficiency – Filing of the Quarterly Data and Financial Reports

U.S. Department of Health and Human Services, Pass through from the District of Columbia Department of Human Services

Community Services Block Grant (CSBG) – ALN 93.569; Grant Award Number JA-FSA-21-0011, Year ended September 30, 2021

U.S. Department of Housing and Urban Development, Pass through from the District of Columbia Department of Housing and Community Development (DHCD)

Community Development Block Grants (CDBG)/Entitlement Grants Cluster – ALN 14.218; Grant Award Number 2019-31, Year ended September 30, 2021

Condition

No evidence or information was available on whether the required Quarterly Reports of Funds Pass through to Community Centers and Other Subcontractors by UPO were filed and submitted to the agency during the year ended September 30, 2021. There were also instances where other program and financial reports were prepared, but there was no evidence of review by someone other than the preparer nor evidence of the actual submission to the agency or on the agency's portal.

Context

With regards to the Quarterly Reports of Funds Pass through to Community Centers and Other Subcontractors filed under the CSBG grant, there was no evidence of the reports being prepared and filed with the agency for any of the quarters during the fiscal year. Also, there was no memo to the file providing explanations for the circumstances that the reports were not prepared or filed.

For CDBG, we reviewed 2 of 4 quarters of program reports and, in both cases, there was no evidence of submission or acknowledgement by the agency.

Criteria

The CSBG grant agreement requires monthly program and financial reports to be filed no later than 45 days after the end of the month. Additional required reports include the Quarterly Report of Funds Pass through to Community Centers and Other Subcontractors which must include the amount and percentage of indirect costs charged on pass through funds. For CDBG, grantees are required to submit Quarterly Data and Performance reports no later than the tenth day of the month following the end of each quarter.

Cause

Deficiencies in UPO's tracking system and procedures for tracking deadlines for reporting. This was further impacted by staff turnover and moving to remote operations due to the COVID-19 pandemic.

UNITED PLANNING ORGANIZATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

(continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding No. 2021-003: Significant Deficiency – Filing of the Quarterly Data and Financial Reports (continued)

Effect

Management was not in compliance with the requirement of the grant agreements. In instances where the reports were prepared and were available, it was difficult to determine if they were actually filed with agency or submitted timely.

Questioned Cost

None.

Repeat Finding

No.

Recommendation

We recommend that management implement procedures to ensure that the quarterly data and performance reports are completed and submitted and within the established due dates required by the awarding agencies. A central organization wide report tracking system that identifies all grant reporting requirements, due dates and filing status may be implemented to reduce the occurrence of non-submission and late submission of reports.

Views of Responsible Officials and Planned Corrective Action:

See corrective action plan.