

Our evaluation includes consideration of the audit opinion, whether an audit of Federal financial assistance was performed, reported findings, and disclosures to identify potential concerns. An independent auditor's opinion regarding the financial statements as a whole may be either unmodified or modified. An unmodified opinion indicates the financial statements present fairly, in all material respects, the financial position in accordance with generally accepted accounting principles. There are three types of modified opinions: qualified, adverse, and disclaimer of opinion. In each case, the reason for such a modification is described in the auditor's report.

Additionally, organizations expending \$750,000 or more in Federal financial assistance must have a compliance audit performed in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

For organizations not submitting audited financial statements, we evaluated what they provided (e.g., CPA review report, unaudited profit and loss statement). These financial documents do not provide the same level of assurance as audited financial statements and therefore do not meet current application and grant agreement requirements.

We believe our analysis provides an objective summary of financial reports provided to Internal Audit for evaluation. However, this evaluation does not constitute an audit conducted in accordance with generally accepted government auditing standards (GAGAS).

RESULTS SUMMARY

For CY20, Community Enhancement provided 21 financial reports for evaluation. They were received from 20 of 22 (91%) community organizations awarded FY21 funds and one new applicant being considered for FY22 funding. Evaluation detail is provided beginning on page four.

FINDING(S):

Exceptions to the CDBG and HOME program application's audited financial statement requirements are listed below. Some organizations were awarded funding before providing Internal Audit financial statements for technical evaluation. When received, we noted noncompliance with audited financial statement application requirements as follows:

- Provided report was not an audit (3 reports, including 2 CPA review reports)
- Provided report was not current, older than the fiscal year specified in the application (1 report)
- Audited financial report was not received (2 entities awarded CDBG-CV in December 2020)
- Required certification of federal grant expenditures was not provided (10 reports)

Exceptions to the CDBG and HOME program grant agreement's audited financial statement requirements are noted below and were communicated to Community Enhancement management for funding evaluation:

- Report was not provided timely, as defined by the grant agreement (6 reports)
- Required certification of federal grant expenditures was not provided (1 report)

RECOMMENDATION(S):

We recommend Community Enhancement:

1. Obtain audited financial statements to fulfill application requirements for the following organizations:
 - Area Congregations Together in Service
 - Center for Healthy Hearts
 - Chesterfield Food Bank
 - HandUp Community Resource Center
 - Latinos in Virginia Empowerment Center
 - Partnership for Housing Affordability
2. Obtain organizations' certification that financial statement period federal grant expenditures are below the \$750,000 audit threshold (Title 2 CFR Part 200, Subpart F):
 - Better Housing Coalition
 - Center for Healthy Hearts
 - Communities in Schools
 - Community Foundation for a greater Richmond
 - HandUp Community Resource Center
 - Latinos in Virginia Empowerment Center
 - Maggie Walker Community Land Trust
 - Rebuilding Together of Richmond
 - Richmond Metropolitan Habitat for Humanity
 - St. Francis Home

MANAGEMENT'S RESPONSE(S):

1. *Concur. Real Estate and Housing Coordinator, Jessica Russo, is responsible for implementing 12/31/21. The Department of Community Enhancement concurs with the auditor's findings to obtain audited financial statements for the six organizations listed in the report.*
2. *Concur. Real Estate and Housing Coordinator, Jessica Russo, is responsible for implementing 3/31/2021. The Department of Community Enhancement concurs with the auditor's findings to obtain required certifications for the ten organizations listed in the report.*

We appreciate Community Enhancement's assistance during this project. Please contact us if you have any questions, or if we can be of further assistance.

Copy: Jesse Smith, Deputy County Administrator, Community Development
Daniel Cohen, Director of Community Enhancement
Jessica Russo, Real Estate and Housing Coordinator

#	Organization Name (Evaluation Results Provided to Community Enhancement ²)	FY22 Request	FY21 Award	FY20 Award	Financial Statement Period	Unmodified CPA Audit Opinion [Y/N]	Uniform Guidance Audit [Y/N]	Audit Findings (financial report page #) [Y/N]	Potential Concerns/ Further Details
PREVIOUS AWARDS:									
1	Better Housing Coalition (11/12/2020)	\$650,000	\$324,522 Regular; \$150,000 CDBG-CV	-	12/31/2019	Y	N ²	N	<p>Required FY19 report was not provided timely (i.e., within 90 days of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 12/31/2019 financial statements from a CPA.</p> <p>Financial statements Note 24 (p. 26 - 27) discloses a subsequent event due to the COVID-19 global pandemic. "The Coalition has been approved and received a \$861,500 loan under the Small Business Association Payroll Protection Program Loan which was established as part of the CARES Act on March 27, 2020. Currently, the Coalition is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity. Although the Coalition cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it could have an adverse effect on the Coalition's results of future operations, financial position, and liquidity in fiscal year 2020."</p>
2	Center for Healthy Hearts (formerly known as Richmond Area High Blood Pressure Center) (9/9/2020)	-	\$40,000 CDBG-CV	-	Not Provided	Not Provided	Not Provided²	Not Provided	<p>Financial statements with a formal audit opinion by a CPA were not provided. Instead they submitted a CPA's review engagement report for the year ended 12/31/2018.</p>

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PREVIOUS AWARDS:									
3	Central Virginia Legal Aid Society (9/9/2020)	-	\$92,000 CDBG-CV	-	12/31/2018	Y	Y	N	
4	Chesterfield Food Bank (9/9/2020)	-	\$61,000 CDBG-CV	-	12/31/2017	N	N/A ¹	N	Required FY18 report was not provided. They received a modified opinion on their 12/31/2017 financial statements due to the CPA being unable to determine whether any adjustments to the beginning inventory amounts were necessary. Since the CPA had not been engaged as auditors, they did not observe the physical inventory counts at the beginning of the year.
5	Chesterfield-Colonial Heights Alliance for Social Ministry (CCHASM) (9/9/2020)	-	\$65,000 CDBG-CV	-	6/30/2019	Y	N/A ¹	N	

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PREVIOUS AWARDS:									
6	Communities in Schools of Chesterfield (2/3/2021)	-	\$45,000 Regular; \$150,500 CDBG-CV	\$40,000	6/30/2020	Y	N ²	N	<p>There were no audit findings, but Note G (p. 16) discloses that Chesterfield County Public Schools (CCPS) administered one federal grant program totaling \$40,000 (FY20 CDBG & Home Program Award). In addition, CCPS provided \$612,626 of their salaries and benefits and office facilities valued at \$146,160; the combined \$758,786 is 42% of total FY20 expenses. As of June 30, 2020, they had a balance due to CCPS of \$103,190.</p> <p>Financial statements Notes J and K (p. 17) disclose impacts of the COVID-19 global pandemic and related Paycheck Protection Program (PPP) Forgivable Loan. "On April 23, 2020, the Organization received loan proceeds in the amount of \$82,000 under the Paycheck Protection Program (PPP) ..., established as part of the CARES Act. The Organization expects to use 100% of the loan proceeds for qualifying expenses and therefore believes that the PPP's eligibility criteria have been met and the loan proceeds represent, in substance, a grant that is expected to be forgiven. Given the daily evolution of the COVID-19 outbreak ..., the Organization is not able to estimate the effects ... on its results of operations, financial condition, or liquidity for fiscal year 2020 and beyond."</p>

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PREVIOUS AWARDS:									
7	Community Foundation for a greater Richmond (2/3/2021)	-	\$12,000 CDBG-CV	-	12/31/2019	Y	N ³	N	<p>There were no audit findings, but the financial statements Note 12 (p. 25) discloses funds with deficits. "From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA [Uniform Prudent Management of Institutional Funds Act] requires the Foundation to retain as a fund of perpetual duration." At December 31, 2019, funds with deficiencies of \$14,341 were reported in net assets with donor restrictions.</p> <p>Financial statements Note 16 (p. 31) discloses a subsequent event due to the COVID-19 global pandemic. "This has resulted in ongoing and widespread market volatility and, given ongoing changing conditions, it cannot be determined what impact this will have on the performance of the Foundation's investments or its operations during this time period or over the next several months."</p>
8	HandUp Community Resource Center (2/3/2021)	-	\$20,993 CDBG-CV	-	Not Provided	Not Provided	Not Provided³	Not Provided	Financial statements with a formal audit opinion by a CPA were not provided. Instead they submitted an unaudited profit and loss statement for the year ended 12/31/2019.

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PREVIOUS AWARDS:									
9	Health Brigade (9/9/2020)	-	\$120,000 CDBG-CV	-	6/30/2019	Y	N/A ¹	N	There were no audit findings, but the financial statements Note 10 (p. 19) discloses concentration risk due to 74% of total grants and contributions receivable and 22% of total revenue and other support coming from three donors and government sources, respectively.

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PREVIOUS AWARDS:									
10	Homeward (2/3/2021)	-	\$10,000 Regular; \$160,000 CDBG-CV	\$10,000	6/30/2020	Y	Y	N	<p>There were no audit findings, but the financial statements Note 4 (p. 12) discloses concentration risk due to 52% of funding coming from Housing and Urban Development and Department of Housing and Community Development grants, and 48% of outstanding grants receivable coming from two grantors.</p> <p>Financial statements Notes 6 and 14 (p. 12 & 14) disclose a subsequent event and contingencies due to the COVID-19 global pandemic. "The spread of this virus began to cause some business disruption in March 2020. While the Organization expects this matter may have a negative impact on its operating results, the related financial impact and duration cannot be reasonably estimated at this time. Subsequent to year-end, the Organization agreed to a promissory note, dated August 25, 2020, in the amount of \$500,000. A separate Foundation has lent the Organization \$500,000; no interest shall accrue and the maturity date is October 25, 2020. The loan will be used for funding in order to cover the short-term gap in funding for the pandemic response programs."</p>

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PREVIOUS AWARDS:									
11	Housing Opportunities Made Equal of Virginia (9/9/2020)	\$245,000	\$93,400 Regular; \$50,000 CDBG-CV	\$43,650	6/30/2019	Y	Y	N	<p>Required FY19 report was not provided timely (i.e., within 90 days of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 6/30/2019 financial statements from a CPA.</p> <p>There were no audit findings, but the financial statements Note 3 (p. 12) discloses concentration risk due to 99% of contributions receivable coming from one contributor. Further, Note 6 (p. 15) discloses 38% of support came from government sources and "any significant reduction in the level of this support would normally have a corresponding effect on the Organization's ability to maintain its current programs and services."</p>
12	HumanKind (9/9/2020)	-	\$15,000 Regular; \$78,000 CDBG-CV	\$15,000	12/31/2019	Y	Y	N	<p>There were no audit findings, but the financial statements Note 16 (p. 29) discloses a subsequent event due to the COVID-19 global pandemic. "The effects of the COVID-19 pandemic on the operations of the Organization are unknown at this time [May 29, 2020]."</p>

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PREVIOUS AWARDS:									
13	Latinos in Virginia Empowerment Center (2/3/2021)	-	\$75,000 CDBG-CV	-	Not Provided	Not Provided	Not Provided²	Not Provided	<p>Financial statements with a formal audit opinion by a CPA were not provided. Instead they submitted a CPA's review engagement report for the year ended 6/30/2020.</p> <p>Financial statements Note 1 (p. 7) discloses concentration risk due to 58% of their support and revenue coming from two United States government agencies.</p> <p>Also, financial statements Note 9 (p. 12) discloses risks and uncertainties due to the COVID-19 global pandemic. "Further disruption, including potential reduction in support and revenue from donors and increase in demand for services, may occur depending on the extent of the COVID-19 restrictions and the time required for a complete economic recovery. Additional stimulus programs are being discussed by the federal government which may further mitigate the financial impact. Management is unable to determine the ultimate impact from the COVID-19 crisis and has made no adjustments to the financial statements as a result of this uncertainty."</p>

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PREVIOUS AWARDS:									
14	Local Initiatives Support Corporation (LISC) (9/9/2020)	\$78,500	\$60,000 Regular; \$410,000 CDBG-CV	\$65,000	12/31/2019	Y	Y	N	<p>There were no audit findings, but the financial statements Note 5 (p. 32) discloses concentration risk due to 13% of contribution receivable and 29% of contribution revenue coming from one and five donors, respectively. Further, Note 6 (p. 32) discloses that 24% of government grants and contracts receivable and 30% of government grants and contracts revenue were from one government agency.</p> <p>Financial statements Note 21 (p. 48) discloses a subsequent event due to the COVID-19 global pandemic. "The Organization is not able to reliably estimate the length or severity of this outbreak and the related financial impact."</p>

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PREVIOUS AWARDS:									
15	Maggie Walker Community Land Trust (MWCLT) (2/3/2021)	\$270,000	\$210,000 Regular	-	12/31/2019	Y	N ³	N	<p>Required FY19 report was not provided timely (i.e., within 90 days of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 12/31/2019 financial statements from a CPA.</p> <p>Financial statements Note 12 (p. 11) discloses a subsequent event due to the COVID-19 global pandemic. "The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the operations of MWCLT, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty."</p>
16	project:HOMES (2/3/2021)	\$710,000	\$934,600 Regular	\$1,236,000	6/30/2019	Y	Y	N	<p>Required FY19 report was not provided timely (i.e., within 90 days of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 6/30/2019 financial statements from a CPA.</p>

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PREVIOUS AWARDS:									
17	Rebuilding Together of Richmond (2/3/2021)	\$125,000	\$50,000 Regular	\$120,000	6/30/2019	Y	N ²	N	<p>Required FY19 report was not provided timely (i.e., within 90 days of their fiscal year end). However, they received a CLEAN/unmodified audit opinion on their 6/30/2019 financial statements from a CPA.</p> <p>There were no audit findings, but the financial statements Note 6 (p. 13) discloses concentration risk due to 83% of contributions receivable and 40% of revenue and support coming from one and two contributors, respectively.</p> <p>Financial statements Note 9 (p. 14) discloses a subsequent event due to the COVID-19 global pandemic. "While management cannot quantify the financial and other impact to the Organization as of April 30, 2020, management believes that a material impact on the Organization's financial position and results of future operations is reasonably possible. Subsequent to June 30, 2019, the Organization received an uncollateralized loan in the amount of \$55,000 through the Paycheck Protection Program. The Organization may qualify for loan forgiveness if certain requirements of the Paycheck Protection Program are met."</p>

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PREVIOUS AWARDS:									
18	Richmond Metropolitan Habitat for Humanity (2/3/2021)	\$350,000	\$110,000 Regular	\$120,000	6/30/2020	Y	N ²	Y (Audit Results & Communi- cations Report Dated 10/21/20— p. 9)	While they received a CLEAN/unmodified audit opinion on their 6/30/2020 financial statements, the CPA noted a deficiency for a repeat prior finding: lack of segregation of duties. Also, financial statements Notes 1 and 10 (p. 9 & 19-20) disclose impacts of the COVID-19 global pandemic and related notes payable. "In response to the economic instability caused by COVID-19, the "CARES Act" was ... signed into law ... on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. The Organization applied for and was approved for a PPP Loan in the amount of \$325,827 dated April 24, 2020. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. As of June 30, 2020, the Organization had used none of the loan proceeds. Management will continue to monitor the impact COVID-19 has on the Organization and reflect the effects as appropriate in the Organization's accounting and financial reporting."

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PREVIOUS AWARDS:									
19	St. Francis Home (2/3/2021)	-	\$55,800 CDBG-CV	-	6/30/2019	Y	N ³	N	
20	Young Men's Christian Association of Greater Richmond (YMCA) (9/9/2020)	-	\$77,800 CDBG-CV	-	12/31/2018	Y	N/A ¹	N	<p>There were no audit findings, but the financial statements Note 7 (p. 18) discloses non-compliance with certain bank loan requirements that was cured within the specified grace period.</p> <p>Financial statements Note 12 (p. 25) discloses funds with deficits. "From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law ("underwater endowments"). At December 31, 2018, funds with original gift values of \$129,599, fair values of \$117,158, and deficiencies of \$12,441 were reported in net assets with donor restrictions."</p>

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NEW APPLICANTS:									
1	Gateway Homes (2/3/2021)	\$100,000	-	-	9/30/2019	Y	N ²	N	There were no audit findings, but the financial statements Note 2 (p. 11-12) discloses concentration risk due to 82% of contributions receivable coming from one foundation and 4%, 70%, and 35% of resident fees coming from Medicaid, two Virginia counties, and one state agency, respectively.

Footnote(s):

¹Organization is not subject to a Uniform Guidance audit per certification from the organization that the Federal financial assistance audit threshold was not met.

²Organization did not certify federal grant expenditures were below the \$750,000 audit threshold when Uniform Guidance audit reports are not provided (application requirement) however, we believe they are not subject to a Uniform Guidance audit per our financial statement evaluation.

³Organization did not certify federal grant expenditures were below the \$750,000 audit threshold when Uniform Guidance audit reports are not provided (application requirement) however, we believe they may be subject to a Uniform Guidance audit per our financial statement evaluation.