

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**

**AUDITED FINANCIAL STATEMENTS**

For the year ended June 30, 2021

## PHOENIX COMMUNITY DEVELOPMENT SERVICES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Phoenix Community Development Services

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Phoenix Community Development Services (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses 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 the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Community Development Services as of June 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 the 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of Phoenix Community Development Services' 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 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 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 Phoenix Community Development Services' internal control over financial reporting and compliance.



Canton, Illinois  
March 4, 2022

**SOUTH SIDE OFFICE OF CONCERN**

Statement of Financial Position

June 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 289,102
Grants receivable (Note 2)	276,865
Accounts receivable - client accommodations (Note 3)	8,552
Other receivables	36,103
Prepaid expenses	10,867
Reserve accounts	<u>237,532</u>
Total current assets	<u>859,021</u>

Noncurrent assets:

Investments (Note 4)	1,941
Note receivable - New Hope LP (Note 5)	1,012,030
Net property and equipment (Note 6)	<u>9,331,519</u>
Total noncurrent assets	<u>10,345,490</u>

Total assets \$ 11,204,511

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 228,150
Accrued expenses and withholding	81,132
Rent deposits	20,484
Deferred revenue	-
Line of credit	195,000
Note payable - City of Peoria	26,000
Current portion of long term debt (Note 11)	<u>94,956</u>
Total current liabilities	<u>645,722</u>

Long term debt (Note 11) 895,381

Total liabilities 1,541,103

Net assets:

Without donor restrictions 4,736,425

With donor restrictions:

OASIS	13,000
New Hope	500,000
Glendale Commons	504,000
202 Madison	2,800,000
Madison II	<u>1,109,983</u>
Total net assets	<u>9,663,408</u>

Total liabilities and net assets \$ 11,204,511

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

**SOUTH SIDE OFFICE OF CONCERN**

Statement of Activities

For the year ended June 30, 2021

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Support:			
Grant revenue	\$ 2,304,827	1,109,983	3,414,810
Contributions	772,657	-	772,657
United Way	141,193	-	141,193
Covid 19 Grants	124,393	-	124,393
Special events, net of expenses of \$4,945	122,476	-	122,476
Reimbursed expenses	129,489	-	129,489
Donated services	62,830	-	62,830
Total support	<u>3,657,865</u>	<u>1,109,983</u>	<u>4,767,848</u>
Revenue:			
Program service revenue	518,898	-	518,898
Interest and dividend income	35	-	35
Net unrealized appreciation in fair value of	485	-	485
Total revenue	<u>519,418</u>	<u>-</u>	<u>519,418</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>13,000</u>	<u>(13,000)</u>	<u>-</u>
Total support, revenue, and reclassifications	<u>4,190,283</u>	<u>1,096,983</u>	<u>5,287,266</u>
Expenses:			
Program expenses:			
New Hope	478,207	-	478,207
Monroe Manor	78,841	-	78,841
HHH	76,611	-	76,611
Community Support Services	163,464	-	163,464
DHS Homeless Services	477,716	-	477,716
OASIS	78,703	-	78,703
Glendale Commons	466,829	-	466,829
Veterans Haven	326,117	-	326,117
Madison Apartments I	151,349	-	151,349
Madison Apartments II	1,214	-	1,214
Madison Apartments III	21,770	-	21,770
Community Development	55,763	-	55,763
Outreach/Rapid Rehousing	981,055	-	981,055
Covid 19 Relief	279,048	-	279,048
Other	93,905	-	93,905
Total program expenses	<u>3,730,591</u>	<u>-</u>	<u>3,730,591</u>
Management and general	251,946	-	251,946
Fund raising	61,916	-	61,916
Total expenses	<u>4,044,453</u>	<u>-</u>	<u>4,044,453</u>
Increase (decrease) in net assets	145,829	1,096,983	1,242,812
Net assets - beginning of year	<u>4,590,596</u>	<u>3,830,000</u>	<u>8,420,596</u>
Net assets - end of year	<u>\$ 4,736,425</u>	<u>4,926,983</u>	<u>9,663,408</u>

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

**SOUTH SIDE OFFICE OF CONCERN**

Statement of Cash Flows

For the year ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ 1,242,812
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Net unrealized appreciation in fair value of investments	(485)
Depreciation	364,672
Change in assets and liabilities:	
Decreases (increases) in current assets:	
Grants receivable	63,389
Accounts receivable - client accommodations	(2,054)
Receivables - other	(5,189)
Prepaid expenses	(2,812)
Reserve accounts	(32,538)
Increases (decreases) in current liabilities:	
Accounts payable	36,406
Accrued expenses	(4,633)
Rent deposits	9,335
Deferred revenue	-
Line of Credit	<u>(30,000)</u>
Net cash provided by operating activities	<u>1,638,903</u>
Cash flows from investing activities:	
Purchase of property and equipment	(2,434,141)
Decrease in escrow	<u>-</u>
Net cash used by investing activities	<u>(2,434,141)</u>
Cash flows from financing activities:	
Proceeds from new borrowings	600,000
Principal payments on long term debt	<u>(55,861)</u>
Net cash used by financing activities	<u>544,139</u>
Net increase in cash and cash equivalents	(251,099)
Cash and cash equivalents - beginning of year	<u>540,201</u>
Cash and cash equivalents - end of year	\$ <u>289,102</u>
Supplemental data:	
Interest expense paid	\$ <u>15,906</u>

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

**SOUTH SIDE OFFICE OF CONCERN**  
Statement of Functional Expenses  
For the Year Ended June 30, 2021

	New Hope	Monroe Manor	HHH	Community Support Services	DHS Homeless Services	OASIS	Glendale Commons	Veterans Haven	Madison Apts. I	Madison Apts. II	Madison Apts. III	Community Development	Outreach/ Rapid Rehousing	Covid 19 Relief	Other	Total Programs	Management and General	Fund Raising	Total Supporting Services	Total Expenses
Salaries	236,963	30,915	22,155	39,807	357,111	26,194	122,392	173,995	-	-	-	27,656	345,755	91,445	44,205	1,518,595	62,240	38,662	100,903	1,619,497
Related expenses	39,946	5,302	3,994	8,743	59,909	4,557	20,214	21,649	-	-	-	6,219	56,419	20,373	7,082	254,377	11,155	9,350	20,506	274,883
Retirement	4,615	675	512	888	9,178	575	3,126	2,189	-	-	-	569	8,797	2,014	812	33,951	1,776	1,142	2,918	36,868
Total salaries and related expenses	281,524	36,892	26,661	49,439	426,198	31,326	145,732	197,834	-	-	-	34,444	410,971	113,832	52,069	1,806,923	75,172	49,154	124,326	1,931,249
Assistance	134,097	7,194	9,838	87,098	-	10,180	71,785	77,128	13,426	1,026	-	-	492,040	165,216	-	1,069,027	63,066	-	63,066	1,132,093
Occupancy	33,318	3,275	2,069	5,125	14,094	3,376	25,133	4,202	16,793	-	-	3,176	17,711	-	7,422	135,693	6,740	2,142	8,882	144,575
Repairs and maintenance	61	8,465	17,488	3	3	1,627	25,754	6,908	4,484	40	-	5,269	4,505	-	6	74,612	3,521	1	3,522	78,134
Insurance	2,100	3,543	6,067	1,688	4,596	3,053	21,856	4,136	5,539	-	-	-	6,526	-	(0)	59,103	2,630	700	3,329	62,432
Professional fees	8,582	1,711	1,662	3,308	12,940	1,692	3,419	2,866	1,535	-	21,770	4,272	11,081	-	-	74,836	13,467	1,717	13,183	90,021
Office supplies	6,895	705	1,069	5,375	4,420	1,124	1,986	2,737	823	-	-	567	9,217	31	31	34,383	5,470	3,065	8,535	42,919
Telephone	4,627	525	402	2,052	4,909	2,678	2,467	2,429	1,103	45	-	62	6,028	62	62	27,848	4,092	548	4,640	32,487
Postage and shipping	2	51	10	175	2	48	325	18	91	45	-	73	456	-	14	1,312	1,625	80	1,705	3,017
Printing and publications	564	230	230	667	208	429	480	412	144	-	-	1,295	1,295	-	-	4,658	1,129	206	1,396	5,993
Conference and meetings	1,759	450	318	998	359	318	1,409	829	318	-	-	1,795	2,498	-	118	11,208	4,635	-	4,635	15,843
Travel	35	245	469	228	2,925	586	1,361	155	180	-	-	1,160	1,160	-	30	7,375	2,866	55	2,920	10,295
Dues, license, and	2,539	629	779	195	2,570	696	1,498	591	515	-	-	588	2,179	-	-	12,779	1,366	258	1,624	14,403
Contracted labor	-	1,124	4,805	-	-	780	9,991	2,556	5,390	-	-	325	6,749	-	31,022	62,722	426	-	426	63,148
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	4,790	-	-	370	471	10	-	1,258	-	-	1,439	-	-	-	8,338	10,453	-	10,453	18,791
Miscellaneous	1,068	955	822	3,636	2,079	236	1,467	2,595	2,378	103	-	265	2,567	-	11	18,380	12,011	3,991	16,002	34,382
Total expenses before depreciation	477,170	70,785	72,688	159,986	475,713	58,599	314,672	305,396	54,175	1,214	21,770	52,212	974,983	279,048	90,786	3,408,196	208,669	61,916	270,586	3,679,782
Depreciation	1,037	8,057	3,922	3,478	2,004	20,104	152,157	20,721	97,175	-	-	3,552	6,072	-	3,119	321,395	43,276	-	43,276	364,672
Total expenses	\$ 478,207	\$ 78,841	\$ 76,611	\$ 163,464	\$ 477,716	\$ 78,703	\$ 466,829	\$ 326,117	\$ 151,349	\$ 1,214	\$ 21,770	\$ 55,763	\$ 981,055	\$ 279,048	\$ 93,905	\$ 3,730,591	\$ 251,946	\$ 61,916	\$ 313,862	\$ 4,044,453

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



## PHOENIX COMMUNITY DEVELOPMENT SERVICES

Notes to Financial Statements

June 30, 2021

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (A) Nature of Organization

Phoenix Community Development Services (Phoenix) was established as a not-for-profit organization in 1982, later becoming incorporated in 1985. In 1987, the corporation was granted permanent exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

#### Program Services

##### Permanent Supportive Housing Program

Phoenix offers six different Permanent Supportive Housing programs totaling 141 units of housing. Permanent Supportive Housing refers to integrated permanent housing (typically rental apartments) linked with flexible community-based mental health and other supportive services that are tailored to meet each customer's changing needs while helping them live more stable, productive lives.

##### New Hope Apartments

New Hope Apartments is the joint project between Phoenix and Peoria Opportunities Foundation where New Hope Apartments, LLC was created with Phoenix having a 51% ownership interest. The LLC is the general partner in New Hope LP and has a 0.01% interest. This program offers housing in an 84-unit complex of efficiency apartments with a variety of onsite amenities serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program opened in April 2008, replacing and expanding Phoenix's former Phoenix House program. Funding is blended from a variety of sources, including but not limited to the U.S Department of Housing and Urban Development, the U.S. Department of Veteran's Affairs, the Illinois Department of Human Services, the Heart of Illinois United Way, and tenant rents.

##### OASIS

This program provides housing in a 6-unit complex of 1-bedroom apartments serving homeless adults with a mental illness. This program became operational in 2002 and is primarily funded through grants from the U.S. Department of Housing and Urban Development, the Illinois Department of Human Services, and tenant rents.

##### Monroe Manor

This program provides housing in a 10-unit complex of efficiency apartments serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program is funded by the U.S. Department of Housing and Urban Development and through collaborative partnerships with other local social service providers.

## PHOENIX COMMUNITY DEVELOPMENT SERVICES

Notes to Financial Statements

June 30, 2021

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (A) Nature of Organization (continued)

##### Housing for the Handicapped Homeless Program (HHH)

This program provides permanent supportive housing in 3 single-family houses serving homeless adults with a mental illness, a developmental disability, and/or another disabling condition. This program is primarily funded through grants from the U.S. Department of Housing and Urban Development, the Illinois Department of Human Services, and tenant rents.

##### Glendale Commons

This program is a permanent supportive housing development comprised of 28 total housing units which includes 14 1-bedroom units, 4 2-bedroom units, and 10 3-bedroom units. The program serves the following special populations: (1) homeless families with at least one person in the household with a disabling condition, (2) homeless single adults with a disabling condition, (3) homeless adult couples with at least one person in the household with a disabling condition, and (4) single adults with a serious mental illness identified as class members of the *Williams Consent Decree* who are being provided access to community-based supportive housing rather than institutionalization. This program is primarily funded through grants from the U.S. Department of Housing and Urban Development (HUD), the Illinois Department of Human Services, the Heart of Illinois United Way, and tenant rents. Glendale Commons, LLC was formed as the single asset entity with Phoenix as the sole member to administer this program.

##### Madison Apartments

Madison Apartments provides 8 1-bedroom and 2 2-bedroom apartments serving adults and families experiencing homelessness and/or at risk of homelessness. The program is funded by the Illinois Housing Development Authority's Long Term Operating Support (LTOS), a rental assistance program, tenant rents, and the Illinois Department of Human Services. Madison Apartments, LLC was formed as the single asset entity with Phoenix as the sole member to administer this program.

##### Madison Apartments II

Madison Apartments II provides 24 1-bedroom apartments serving adults and families experiencing homelessness and/or at risk of homelessness. The program is funded with vouchers from the Illinois Department of Human Services/Division of Mental Health (DMH) and the Peoria Housing Authority. Supportive service funding is provided by the Illinois Department of Human Services. 210 Madison North, LLC was formed as the single asset entity with Phoenix as the sole member to administer this program.

## PHOENIX COMMUNITY DEVELOPMENT SERVICES

Notes to Financial Statements

June 30, 2021

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (A) Nature of Organization (continued)

##### Community Housing & Support Services Program

This program provides for a combination of housing assistance, behavioral health services and fiduciary payeeship for persons with mental illness or developmental disabilities facing housing stability challenges. Housing stability is achieved through the attainment of permanent housing available on the rental market through a network of landlords. Assistance may include move-in costs, deposits, and the rental and/or utility assistance necessary to allow individuals and families to move immediately out of homelessness and to stabilize in permanent housing. These programs and services are funded by the Illinois Department of Human Services, the U.S. Department of Housing and Urban Development (HUD), and the U.S. Social Security Administration

##### DHS Homeless Supportive Services Expansion

This program is completely funded by the Illinois Department of Human Services and provides a range of supportive services to *all* homeless persons/families residing in any of Phoenix's other supportive housing programs. Services include training and life skills development, workforce development and job placement, access to mainstream benefits, counseling, and advocacy.

##### Veterans Haven

This program is an Adult Living Center for homeless veterans with a mental illness. It is primarily funded through a contract with the U.S. Department of Veterans Affairs, a grant from the Illinois Department of Human Services, the Heart of Illinois United Way and donations.

##### Community & Housing Development

This program focuses on: (1) creating both housing and economic development projects for low income residents with related social services opportunities; (2) providing guidance and technical assistance to build leadership capacity, to improve the quality of life and well-being in the community, and to effectively increase resident input to ensure broader participation; and (3) developing partnerships with the public and private sectors to identify and pursue economic development opportunities which generate income back into low income communities (i.e. developing real estate, attracting businesses, forming new businesses and/or social enterprises, workforce development, financial literacy, summer work programs, etc.). These services are funded through a combination of corporate, government, and private sources that focus specifically on community development.

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**

Notes to Financial Statements

June 30, 2021

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(A) Nature of Organization (continued)**

**Homeless Outreach & Rapid Rehousing**

Homeless Outreach is conducted through the PATH program which provides outreach and support services for individuals in Peoria, Tazewell, Woodford and Fulton counties who are homeless, at imminent risk of becoming homeless, do not have permanent housing, and have a serious mental illness. PATH services include outreach, screening and diagnostic treatment, case management, linkage and referral to health, educational, and housing services and job training, and assistance with identifying and securing appropriate housing. Rapid Re-Housing is an intervention designed to help individuals and families to quickly exit homelessness and return to permanent housing. Rapid Re-Housing assistance is offered without preconditions and the resources and services are tailored to the unique needs of the household. Assistance is also provided to cover move-in costs, deposits, and the rental and/or utility assistance necessary to allow individuals and families to move immediately out of homelessness and to stabilize in permanent housing. These programs and services are funded by the Illinois Department of Human Services, the U.S. Department of Housing and Urban Development (HUD), and the City of Peoria.

**(B) Basis of Presentation**

The financial statements of Phoenix Community Development Services have been prepared on the accrual basis of accounting. Accordingly, expenses are recorded in the period in which obligations are incurred while certain revenues are recorded as increases in net assets in the period when earned. Unrestricted contributions are measured at fair value and are reported as an increase in net assets at the time of receipt.

Assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. Phoenix Community Development Services reports cash and other assets as donor restricted support if they are received with donor stipulations that limit use or are designated for use in future periods. When the donor/grantor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. Donor/grantor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**  
Notes to Financial Statements  
June 30, 2021

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(C) Functional Allocation of Expenses**

The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising and other activities benefited, based upon a reasonable cost allocation formula.

**(D) Cash and Cash Equivalents**

The carrying amount of cash and cash equivalents approximates fair value and consists of cash on hand, cash held in banks, and holdings of highly liquid short-term investments which have original maturities of three months or less at the date of acquisition.

**(E) Valuation of Investments**

Investments of Phoenix Community Development Services include marketable equity securities which are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses on investments are reflected as an increase or decrease in the statement of activities, subject to any donor-imposed restrictions.

**(F) Property and Equipment**

Property and equipment are stated at cost or fair market value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided for by utilizing the application of the straight-line method over the estimated useful lives of the assets as follows:

Buildings and leasehold improvements	20-39 years
House furnishings and equipment	3-5 years
Office furniture and equipment	5-7 years
Vehicles	5 years

When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

**(G) Advertising Costs**

The costs of advertising are expensed to the appropriate function as incurred.

## PHOENIX COMMUNITY DEVELOPMENT SERVICES

Notes to Financial Statements

June 30, 2021

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (H) Contributed Service, Assets, and Materials

A number of unpaid volunteers have made significant contributions of their time to certain program, fund raising, and administration services which support the Phoenix Community Development Services. The value of this contributed time is not reflected in these financial statements since the services do not require specialized skills. Donated professional services (which include accounting, legal, and information technology specialties) are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

#### (I) Income Taxes

Phoenix Community Development Services was granted permanent exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code in 1987. The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes. Management has evaluated tax positions taken by the Agency and has concluded that Phoenix Community Development Services had taken no uncertain tax positions that would require recognition of a liability or disclosure in the financial statements.

The Agency's Forms 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after they were filed. There are currently no audits for any tax periods in progress. Phoenix believes it is no longer subject to tax examinations for tax years ending prior to June 30, 2018.

#### (J) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**

Notes to Financial Statements

June 30, 2021

**NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Agency's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year end	
Cash and cash equivalents	\$ 289,102
Receivables	321,520
Reserve accounts	237,532
Investments	<u>1,941</u>
	850,095
Less those unavailable for general expenditures within one year, due to:	
Contractual obligations	
Amounts set aside for reserve payments	<u>237,532</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 612,563</u>

In addition to the above amounts, the Agency has the ability to request, and receive, grant funds to pay program operating expenses and specific assistance for clients as needed.

**NOTE 3 GRANTS RECEIVABLE**

Grants receivable at year end were composed of the following:

Illinois Department of Human Services -	
ESG	85,368
Homeless Services	12,780
PATH	5,568
Illinois Department of Health & Family Services	
Medicaid	1,360
U.S. Department of Veterans Affairs	28,886
U.S. Dept of Housing and Urban Development	12,816
City of Peoria – ESG	79,557
Heart of Illinois United Way	33,058
Other	<u>17,472</u>
	\$ <u>276,865</u>

## PHOENIX COMMUNITY DEVELOPMENT SERVICES

Notes to Financial Statements

June 30, 2021

### NOTE 4 ACCOUNTS RECEIVABLE - CLIENT ACCOMODATIONS

Client accommodations represent monies advanced to individuals for food, housing costs and other basic necessities that will be reimbursed to the organization at a later date. As amounts become uncollectible, they are charged to the related program expense.

### NOTE 5 INVESTMENTS

The fair value measurement literature establishes a value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than the quoted prices included in Level 1, and Level 3 inputs are unobservable inputs and, thus, have the lowest priority. Phoenix uses Level 1 inputs. Shares of common stock are valued at quoted market prices, which represent the net asset value of shares held by Phoenix at year end.

The following represents investments of the Phoenix Community Development Services as of June 30, 2021:

Common Stock		
Valhi, Inc.	\$	852
Titanium Metals Corporation		<u>1,089</u>
	\$	<u>1,941</u>

### NOTE 6 NEW HOPE, LP

In December 2006, the Agency and Peoria Opportunities Foundation jointly purchased real estate located at 301 NE Jefferson with a Home Funds grant from the City of Peoria. In June 2007, this real estate was sold to New Hope LP for \$450,000. Peoria Opportunities Foundation relinquished all claims to the real estate, Home Funds, and any related loans.

In August 2007, the Agency received the final disbursement of \$62,030 from the City of Peoria for the Home Grant. These funds were subsequently loaned to New Hope LP.

In September 2007, the Agency received a \$500,000 subsidy from the Federal Home Loan Bank of Chicago to be used for the New Hope Apartments project. These funds were subsequently loaned to New Hope LP.



**PHOENIX COMMUNITY DEVELOPMENT SERVICES**  
Notes to Financial Statements  
June 30, 2021

**NOTE 7 NET PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2021:

Houses	\$	151,964
Furnishings		136,540
Vehicles		329,616
Office furniture and equipment		338,011
Buildings		<u>10,707,898</u>
Total property and equipment		11,664,029
Less: accumulated depreciation		<u>(2,332,510)</u>
Net property and equipment	\$	<u>9,331,519</u>

**NOTE 8 PROPERTY AND SERVICE COMMITMENTS**

On April 1, 2008, Phoenix Community Development Services entered into a fifteen-year lease agreement for office space in a building located at 301 North East Jefferson Street, Peoria, Illinois. Under the lease provisions, the lessee is responsible for monthly lease payments of \$2,881 and their pro-rata share of real estate taxes, insurance, utilities, and maintenance costs. The lease also provides for a 3% increase in base rent each year. Total rental expense incurred under this lease agreement for the year ended June 30, 2021 was \$46,815. The total of future minimum lease payments as of June 30, 2021 is \$85,191.

The future minimum lease payments for all leases at June 30, 2021 are as follows:

Year ending June 30		
2022	\$	48,219
2023		36,972
2024		- 0 -
2025		- 0 -
2026		- 0 -
Thereafter		<u>- 0 -</u>
Total future minimum lease payments	\$	<u>85,191</u>

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**

Notes to Financial Statements

June 30, 2021

**NOTE 9 FUND RAISING ACTIVITIES**

The Phoenix Community Development Services sponsored two major fundraising events during the year ended June 30, 2021. Summary financial information for these events is as follows:

Revenue	\$ 127,421
Less: direct expenses	<u>( 4,945)</u>
Net fundraising revenue	\$ <u>122,476</u>

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Grants were received from FHLB and HUD for the construction of apartments for the OASIS program. These grants included provisions for the duration of the program for 15 to 20 years. This placed a restriction on the Agency for \$130,000 from each organization. The restriction for the HUD funds is reduced each year, beginning 10 years after their receipt. Prior to June 30, 2018, the restriction for the FHLB funds was removed.

A grant was received from FHLB for the renovation of a building for the New Hope project. This grant included a provision for the duration of the program for 15 years. This placed a restriction on the Agency for \$500,000.

A grant was received from FHLB for use in the Glendale Commons project. This grant included a provision for the duration of the program for 15 years. This placed a restriction on the Agency for \$504,000.

A Trust Fund Loan was received from Illinois Housing Development Authority for the renovation of a building for the 202 Madison project. This loan included a provision for the duration of the program for 15 years, at which time the loan will be forgiven. This placed a restriction on the Agency for \$2,800,000.

Changes in temporarily restricted net assets for the year ended June 30, 2021 were:

	Beginning Balance	Revenues/ Transfers	Expenses/ Transfers	Ending Balance
OASIS Program	\$ 26,000	\$ - 0 -	\$ 13,000	\$ 13,000
New Hope Program	500,000	- 0 -	- 0 -	500,000
Glendale Commons	504,000	- 0 -	- 0 -	504,000
202 Madison	2,800,000	- 0 -	- 0 -	2,800,000
Madison II	<u>- 0 -</u>	<u>1,109,983</u>	<u>- 0 -</u>	<u>1,109,983</u>
	<u>\$3,830,000</u>	<u>\$1,109,983</u>	<u>\$ 13,000</u>	<u>\$ 4,926,983</u>

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**  
Notes to Financial Statements  
June 30, 2021

**NOTE 11 LONG TERM DEBT**

Long term debt at June 30, 2021 consisted of the following:

Commercial mortgage payable to IFF at an interest rate of 5.25%, due in monthly installments of \$1,591, including principal and interest, secured by land and building, due April 1, 2027	\$ 94,350
Commercial mortgage payable to Busey Bank at an interest rate of 4.50%, due in monthly installments of \$4,047, including principal and interest, secured by land and building, due June 2, 2023	291,722
Debenture certificate payable to PNC Community Development Company LLC (PNC Bank, NA) at an interest rate of 3.643%, due in monthly installments of \$4,480, including principal and interest, secured by property located at 234 Madison, Peoria, IL, due April 30, 2031	449,112
Commercial note payable to Busey Bank at an interest rate of 3.75%, due in monthly installments of \$408, including principal and interest, secured by a vehicle, due January 25, 2023	7,503
Promissory note payable to CORE Construction Services of Illinois, Inc. at an interest rate of 2.5%, due in monthly installments of \$2,662, including principal and interest, unsecured, due May 1, 2026	<u>147,650</u>
Total	990,337
Less current portion	<u>94,956</u>
Long term debt, net	<u>\$ 895,381</u>

The schedule of aggregate maturities on long-term debt is as follows:

<u>June 30</u>	
2022	\$ 94,956
2023	312,263
2024	57,922
2025	60,071
2026	59,604
Thereafter	<u>405,521</u>
	<u>\$ 990,337</u>

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**

Notes to Financial Statements

June 30, 2021

**NOTE 12 IDHA OPERATING AGREEMENT FOR 202 MADISON**

A Trust Fund Loan was received from Illinois Housing Development Authority for the renovation of a building for the 202 Madison project. One of the agreements related to this forgivable loan was the allocation of net cash flow at the end of each period. The net cash flow at the end of each period is to be allocated as follows: 50% is placed into the Operating Reserve; 25% is applied to the loan balance; and 25% is retained by the Agency.

**NOTE 13 RISK MANAGEMENT**

Concentrations which potentially subject Phoenix Community Development Services to credit and market risk consist principally of cash and cash equivalents and investments. The Agency's cash and cash equivalents and investments are deposited in a local bank or with a quality investment brokerage firm. As a result, the Agency's exposure to market and credit risk may at times be concentrated with these counterparties. The Agency has not experienced losses in any of these accounts and management does not believe Phoenix Community Development Services is exposed to any significant credit risk. However, the credit worthiness of these counterparties is subject to continuing review and full performance is anticipated. As of June 30, 2021, there were no amounts that were not either insured or collateralized.

**NOTE 14 MAJOR FUNDING SOURCES**

Current year grant revenues received by the Phoenix Community Development Services from the following agencies represent significant portions of total revenues.

	Phoenix Only	Total
Illinois Department of Human Services	29.4%	19.6%
Department of Housing and Urban Development	22.0%	17.2%
Illinois Housing Development Authority (IHDA)	0.0%	27.2%
Veterans Affairs	<u>11.9%</u>	<u>7.6%</u>
Total	<u>63.3%</u>	<u>71.6%</u>

A significant reduction in the level of grant support, if it were to occur, may have an effect on the programs provided.

## **PHOENIX COMMUNITY DEVELOPMENT SERVICES**

Notes to Financial Statements

June 30, 2021

### **NOTE 15 TAX DEFERRED ANNUITY**

Effective August 1, 2004, the Phoenix Community Development Services established a Tax-Deferred Group Annuity Contract with Mutual of America Life Insurance Company in order to provide its employees the opportunity to participate in a voluntary retirement savings program. The plan is subject to Section 403(b) of the Internal Revenue Code. Eligible employees may elect to make salary reduction contributions on a pre-tax basis through payroll deduction, subject to certain limitations under the Internal Revenue Code.

Effective June 1, 2019, the Phoenix Community Development Services established a 403(b) Plan with Alliance Benefit Group in order to provide its employees an additional opportunity to participate in a retirement savings program. The plan is subject to Section 403(b) of the Internal Revenue Code. All eligible employees are enrolled in the plan with an employer defined contribution equal to 1% of the employee's compensation. In addition to the defined contribution, eligible employees may elect to make salary reduction contributions on a pre-tax basis through payroll deductions, subject to certain limitations under the Internal Revenue Code. Eligible employees are given a discretionary contribution equal to the employee's voluntary contribution up to an additional 2%.

### **NOTE 16 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 4, 2022, the date which the financial statements were available to be issued.

In January 2022, the Agency closed on a new development project. Madison Apartments III will be a \$5.3 million project to provide additional housing.

### **NOTE 17 COVID-19 IMPACT**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Phoenix is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Phoenix's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Phoenix's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Phoenix's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**SOUTH SIDE OFFICE OF CONCERN**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2021

Pass-Through Grantor/Federal Agency/Program Description	Subgrant Number	Federal CFDA Number	Program or Award Amount	Federal Expenditures
Pass-through Illinois Department of Human Services Substance Abuse and Mental Health Services Administration Illinois PATH/Outreach	45CZB03474	93.150	90,861	\$ 88,861
Subtotal - Substance Abuse and Mental Health Services Administration				<u>88,861</u>
Pass-through Illinois Department of Human Services Department of Housing and Urban Development: DHS ESG Rapid Rehousing - CARES	FCSZH05849	14.231	523,345	<u>124,393</u>
Subtotal - Department of Housing and Urban				<u>124,393</u>
Subtotal - Illinois Department of Human Services				<u>213,254</u>
Pass-through City of Peoria:				
Department of Housing and Urban Development:				
Rapid Rehousing	20ESG2/20ESG3	14.231	51,612	25,412
Rapid Rehousing	20ESG/21ESG2	14.231	55,004	24,018
Rapid Rehousing - CARES	21ES2/21DS3	14.231	361,110	306,910
Rapid Rehousing - CARES	21ES1	14.231	30,000	<u>11,780</u>
Subtotal of pass-through City of Peoria				<u>368,120</u>
Pass-through Peoria Opportunities Foundation:				
Department of Housing and Urban Development:				
Continuum of Care Program - Supportive Housing	Major IL0441L5T072011	14.267	133,600	33,400
Continuum of Care Program - Supportive Housing	Major IL0441L5T071910	14.267	133,600	<u>100,200</u>
Foundation				<u>133,600</u>
Received Directly from Grantor Agency:				
Department of Housing and Urban Development:				
Continuum of Care Program - Supportive Housing	Major IL0561L5T071805	14.267	21,532	9,056
Continuum of Care Program - Supportive Housing	Major IL0561L5T071906	14.267	22,351	13,038
Continuum of Care Program - Supportive Housing	Major IL0069L5T071912	14.267	84,002	84,002
Continuum of Care Program - Supportive Housing	Major IL0075L5T071912	14.267	161,821	161,821
Continuum of Care Program - Supportive Housing	Major IL0641L5T071803	14.267	204,969	24,398
Continuum of Care Program - Supportive Housing	Major IL1595L5T071912	14.267	111,027	111,027
Continuum of Care Program - Supportive Housing	Major IL0641L5T071904	14.267	208,413	198,273
Continuum of Care Program - Supportive Housing	Major IL0074L5T071912	14.267	135,735	87,561
Continuum of Care Program - Supportive Housing	Major IL0074L5T072013	14.267	148,335	<u>46,068</u>
Subtotal of Continuum of Care Program from HUD				<u>735,244</u>
Subtotal of Continuum of Care Program - All Sources				<u>868,844</u>
Subtotal of Receipts Directly from HUD				<u>735,244</u>
Subtotal - Department of Housing and Urban Development				<u>1,361,357</u>
Department of Veterans Affairs:				
VA Homeless Veterans Health Care Providers Grant and Per Diem Program	04-56-IL	64.024	37,260	37,260
VA Homeless Veterans Health Care Providers Grant and Per Diem Program	04-56-IL	64.024	106,191	<u>106,191</u>
Subtotal - Department of Veterans Affairs				<u>143,451</u>
Total Expenditure of Federal Awards				<u>\$ 1,593,669</u>

See accompanying notes to schedule.

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2021

**General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Phoenix Community Development Services. The Agency received federal awards directly from the United States Department of Housing and Urban Development, the United States Department of Veterans Affairs, and passed through other government agencies in fiscal year 2021 which are included in the schedule.

**Organization**

Phoenix Community Development Services (Phoenix) was established as a not-for-profit organization in 1982, later becoming incorporated in 1985. In 1987, the corporation was granted permanent exemption from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Amounts shown reflect the change in accrued (deferred) revenue or net assets.

**Indirect Costs**

Phoenix Community Development Services has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Relationship to the Agency's Financial Statements**

All federal grants are expenditure driven. Expenditures per the Schedule of Expenditures of Federal Awards agree to expenditures per the respective individual grant financial statement.

**Subrecipients**

Phoenix Community Development Services did not grant federal award dollars to any sub-recipients during the fiscal year ended June 30, 2021.

**Other Non-cash Assistance and Federal Insurance in Effect**

Phoenix Community Development Services did not receive any federal awards in the form of non-cash assistance and had no federal insurance in effect during the year ended June 30, 2021.

**PHOENIX COMMUNITY DEVELOPMENT SERVICES**  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2021

**Loans Outstanding**

Phoenix Community Development Services had no loan guarantees at June 30, 2021. The Agency received a federal award in past years that had a provision for payback of 20 years from a federal agency, HUD. The remaining balance at June 30, 2021 is \$13,000. Because the grant stipulated that the award would not have to be paid back if the project was continued for the duration of the agreement the Agency does not list this item as payable and recorded it as income when it was received. This amount are listed as Net Assets with Donor Restrictions on the Statement of Financial Position. (See Note 9 to the Financial Statements.)



PHOENIX COMMUNITY DEVELOPMENT SERVICES  
Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

June 30, 2021, Financial Statement

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified

\_\_\_\_\_yes        X  no

Significant deficiency(s) identified that are not considered to be material weaknesses

\_\_\_\_\_yes        X  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes        X  no

Federal Awards

Internal Control over financial reporting:

Material weakness(es) identified

\_\_\_\_\_yes        X  no

Significant deficiency(s) identified that are not considered to be material weaknesses

\_\_\_\_\_yes        X  none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_yes        X  no

Identification of major programs:

CFDA Number(s)  
14.267

Name of Federal Program or Cluster  
Continuum of Care Program –  
Supportive Housing

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X  yes      \_\_\_\_\_no

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings and Questioned Costs

None.

PHOENIX COMMUNITY DEVELOPMENT SERVICES  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2021

There were no findings reported for the year ended June 30, 2020.

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## **Independent Auditor's 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  
Phoenix Community Development Services

We have audited, 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, the financial statements of Phoenix Community Development Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Phoenix Community Development Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Phoenix Community Development Services' the internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Phoenix Community Development Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Canton, Illinois  
March 4, 2022

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## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Phoenix Community Development Services

### **Report on Compliance for Each Major Federal Program**

We have audited Phoenix Community Development Services' (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Phoenix Community Development Services' major federal programs for the year ended June 30, 2021. Phoenix Community Development Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Phoenix Community Development Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Phoenix Community Development Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Phoenix Community Development Services' compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Phoenix Community Development Services 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 June 30, 2021.


## **Report on Internal Control Over Compliance**

Management of Phoenix Community Development Services 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 Phoenix Community Development Services' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Phoenix Community Development Services' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Canton, Illinois  
March 4, 2022