

UNITED INNER CITY SERVICES, INC.

**FINANCIAL STATEMENTS TOGETHER
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

UNITED INNER CITY SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Inner City Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Inner City Services, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Inner City Services, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in conformity 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2021, on our consideration of United Inner City Services, Inc.'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 United Inner City Services, Inc.'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 United Inner City Services, Inc.'s internal control over financial reporting and compliance.

Westbrook & Co., P.C.

Richmond, Missouri
June 15, 2021

UNITED INNER CITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash	\$ 1,145,711	\$ 1,481,691
Accounts receivable, net	625,944	380,724
Promises receivable, net	174,500	294,147
Prepaid insurance	10,106	33,571
Rental deposit	7,975	-
Property and equipment, net	<u>2,958,574</u>	<u>3,011,219</u>
Total Assets	<u>\$ 4,922,810</u>	<u>\$ 5,201,352</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 27,103	\$ 113,170
Accrued salaries and benefits	104,834	66,480
Accrued interest	3,249	3,390
Paycheck Protection Program loan	509,600	-
Note payable, net	<u>1,033,935</u>	<u>1,078,265</u>
Total Liabilities	<u>1,678,721</u>	<u>1,261,305</u>
NET ASSETS:		
Without donor restrictions	3,053,767	3,579,400
With donor restrictions	<u>190,322</u>	<u>360,647</u>
Total Net Assets	<u>3,244,089</u>	<u>3,940,047</u>
Total Liabilities and Net Assets	<u>\$ 4,922,810</u>	<u>\$ 5,201,352</u>

See accompanying notes.

UNITED INNER CITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS:						
Grants and contracts	\$ 2,200,883	\$ -	\$ 2,200,883	\$ 1,417,055	\$ -	\$ 1,417,055
Contributions	1,603,557	132,553	1,736,110	1,570,245	735,147	2,305,392
United Way	128,678	-	128,678	171,434	-	171,434
Program service fees	538,338	-	538,338	335,369	-	335,369
Special events	-	-	-	827	-	827
Interest income	2,736	-	2,736	14,103	-	14,103
Other revenue	5,806	-	5,806	4,492	-	4,492
Total support and revenue	4,479,998	132,553	4,612,551	3,513,525	735,147	4,248,672
Net assets released from restrictions	302,878	(302,878)	-	705,231	(705,231)	-
Total support, revenue and reclassifications	4,782,876	(170,325)	4,612,551	4,218,756	29,916	4,248,672
EXPENSES:						
Program services:						
Early Education	4,171,556	-	4,171,556	2,735,082	-	2,735,082
Social Services	11,161	-	11,161	322,743	-	322,743
Total program services	4,182,717	-	4,182,717	3,057,825	-	3,057,825
Management and general	1,125,792	-	1,125,792	988,954	-	988,954
Total expenses	5,308,509	-	5,308,509	4,046,779	-	4,046,779
Change in net assets	(525,633)	(170,325)	(695,958)	171,977	29,916	201,893
Net assets, January 1	3,579,400	360,647	3,940,047	3,407,423	330,731	3,738,154
Net assets, December 31	\$ 3,053,767	\$ 190,322	\$ 3,244,089	\$ 3,579,400	\$ 360,647	\$ 3,940,047

See accompanying notes.

UNITED INNER CITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				
	Early Education	Social Services	Total Program Services	Management and General	Total
Salaries	\$ 2,564,275	\$ -	\$ 2,564,275	\$ 520,674	\$ 3,084,949
Payroll taxes and benefits	487,481	-	487,481	151,095	638,576
Contractual agreements/professional services	82,381	-	82,381	129,434	211,815
Accounting and auditing	-	-	-	8,899	8,899
Payroll services	-	-	-	18,160	18,160
Other purchased services	67,720	10,199	77,919	209,103	287,022
Rent	118,069	-	118,069	-	118,069
General insurance	784	-	784	-	784
Utilities	156,070	-	156,070	-	156,070
Telephone and internet	22,018	-	22,018	12,838	34,856
Maintenance and repairs	130,417	-	130,417	27,965	158,382
Supplies - office and general	222,557	-	222,557	38,633	261,190
Food supplies	143,259	-	143,259	-	143,259
Emergency assistance	-	962	962	-	962
Depreciation expense	128,443	-	128,443	8,403	136,846
Interest and fees	48,082	-	48,082	-	48,082
Equipment	-	-	-	588	588
Total expenses	<u>\$ 4,171,556</u>	<u>\$ 11,161</u>	<u>\$ 4,182,717</u>	<u>\$ 1,125,792</u>	<u>\$ 5,308,509</u>

See accompanying notes.

UNITED INNER CITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Management and General</u>	<u>Total</u>
	<u>Early Education</u>	<u>Social Services</u>	<u>Total Program Services</u>		
Salaries	\$ 1,366,632	\$ 216,100	\$ 1,582,732	\$ 544,564	\$ 2,127,296
Payroll taxes and benefits	317,882	18,036	335,918	154,385	490,303
Contractual agreements/professional services	73,033	-	73,033	41,075	114,108
Accounting and auditing	-	-	-	8,712	8,712
Payroll services	-	-	-	9,576	9,576
Other purchased services	115,012	34,613	149,625	162,172	311,797
Rent	9,800	-	9,800	-	9,800
General insurance	-	36,682	36,682	-	36,682
Utilities	109,047	5,891	114,938	-	114,938
Telephone and internet	20,582	-	20,582	6,374	26,956
Maintenance and repairs	106,422	-	106,422	12,638	119,060
Supplies - office and general	289,908	5,996	295,904	42,552	338,456
Food supplies	150,278	-	150,278	-	150,278
Emergency assistance	-	5,425	5,425	-	5,425
Depreciation expense	126,714	-	126,714	6,906	133,620
Interest and fees	49,772	-	49,772	-	49,772
	<u>49,772</u>	<u>-</u>	<u>49,772</u>	<u>-</u>	<u>49,772</u>
 Total expenses	 <u>\$ 2,735,082</u>	 <u>\$ 322,743</u>	 <u>\$ 3,057,825</u>	 <u>\$ 988,954</u>	 <u>\$ 4,046,779</u>

See accompanying notes.

UNITED INNER CITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (695,958)	\$ 201,893
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	136,846	133,621
Amortization	1,404	1,404
(Increase) decrease in:		
Accounts receivable	(245,220)	(236,491)
Promises receivable	119,647	11,462
Rental deposit	(7,975)	
Prepaid insurance	23,465	(23,780)
Increase (decrease) in:		
Accounts payable	(86,067)	75,582
Accrued salaries and benefits	38,354	35,205
Accrued interest	(141)	(135)
	(715,645)	198,761
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(84,202)	(48,464)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(45,733)	(44,050)
Proceeds from Paycheck Protection Program loan	509,600	-
Net cash provided (used) by financing activities	463,867	(44,050)
NET INCREASE (DECREASE) IN CASH	(335,980)	106,247
CASH, beginning	1,481,691	1,375,444
CASH, ending	\$ 1,145,711	\$ 1,481,691
Supplemental Disclosures:		
Interest Paid	\$ 46,819	\$ 48,503

See accompanying notes.

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Inner City Services, Inc. is a multi-purpose social service agency providing a variety of services to residents of the inner city including, but not limited to, early education, a food pantry, youth recreation, emergency rent and utility assistance, and youth services aimed at preventing drug and alcohol abuse.

Program Services

The Organization's programs are as follows:

Early Education - To provide quality affordable early education and care including nutritious meals for children in the inner city that are pre-school age.

Social Services - To provide emergency assistance, including rent, utilities and food to low income families.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Cash

For purposes of the statements of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization uses the direct write-off method to account for uncollectible receivables. At December 31, 2020 and 2019, the Organization considered all receivables fully collectible.

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

United Inner City Services, Inc. has qualified for exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

Property and Equipment

Property and equipment are recorded at cost, if acquired, or fair value, if donated. The Organization's policy is to capitalize property and equipment with a cost of \$1,000 or more and a useful life of one year or more. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, which range as follows:

	<u>Years</u>
Buildings	40
Early Education furniture and equipment	3-10
Office furniture and equipment	5-10

Accrued Vacation

The amount of vacation allowed per year depends upon an employee's years of service. Vacation is available only for full time employees after one year of service. Unused vacation in excess of 40 hours is forfeited upon each employee's anniversary date.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of salaries, office space or other bases as deemed appropriate. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates used by management include the collectability of grants, contributions, and contracts receivable, useful lives of property and equipment, and the functional allocation of expenses.

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services and Merchandise

Contributed services for which a determinable value exists, are recognized as revenues if the services received create or enhance non-financial assets, required specialized skill, and typically need to be purchased if they are not provided by donation. Contributed services and promises to contribute services that do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements. Contributions of merchandise are valued at their estimated fair value at the date of receipt. These contributions, if material, are recognized as revenues when received and expensed when used.

NOTE B - CASH

At December 31, 2020 and 2019, the bank balances of the Organization's deposits totaled \$1,150,357 and \$1,481,732, respectively. Of these amounts, \$577,168 and \$534,477, respectively was covered by FDIC insurance and the remaining balances were uninsured.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 241,842	\$ 241,842
Buildings	4,422,437	4,407,469
Early Education furniture and equipment	403,568	320,287
Office furniture and equipment	<u>135,284</u>	<u>149,403</u>
	5,203,131	5,119,001
Accumulated depreciation	<u>(2,244,557)</u>	<u>(2,107,782)</u>
	<u>\$ 2,958,574</u>	<u>\$ 3,011,219</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$136,846 and \$133,620, respectively.

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE D - CONCENTRATION OF REVENUE SOURCES

At December 31, 2020 and 2019, approximately 13% and 11%, respectively, of the Organization's revenue is derived from Jackson County, Missouri. Future funding reductions or cutbacks by this funding source, should they occur, could impair the Organization's ability to carry on its program activity at current levels.

NOTE E - PROMISES RECEIVABLE

Promises receivable at December 31, 2020 and 2019 are due as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 174,500	\$ 46,500
One to five years	-	250,000
	174,500	296,500
Less: Discount to present value	-	(2,353)
	<u>\$ 174,500</u>	<u>\$ 294,147</u>

Unconditional promises to give that are expected to be collected in future years are discounted to present values using a risk-free rate of return that approximates U.S. Treasury rates for the respective periods of collection.

NOTE F - PENSION PLAN CONTRIBUTIONS

During 2020 and 2019, United Inner City Services, Inc. contributed \$9,435 and \$9,808, respectively to employee 403(b) pension retirement plans.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 consist of:

	<u>2020</u>	<u>2019</u>
Metro start up	\$ -	\$ 108,000
Literacy	3,695	5,000
Passage of time - promise to give	174,500	247,647
Mental health intervention	12,127	-
	<u>\$ 190,322</u>	<u>\$ 360,647</u>

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE H - PAYCHECK PROTECTION PROGRAM LOAN

On April 8, 2020, the Organization was approved for a loan in the amount of \$509,600 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrue interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and fully guaranteed by the Federal government. Subsequent to year end, the requirements were met and the loan was 100% forgiven on January 19, 2021.

NOTE I - NOTE PAYABLE

	<u>2020</u>	<u>2019</u>
Principal amount	\$ 1,055,930	\$ 1,101,664
Less unamortized debt issuance costs	<u>21,995</u>	<u>23,399</u>
Note payable, less unamortized issuance costs	<u>\$ 1,033,935</u>	<u>\$ 1,078,265</u>

On September 2, 2016, the Organization entered into a secured note payable with a bank in the amount of \$1,237,500. Proceeds from this note were used to refinance existing debt and fund the purchase of land and the Rector House. The note has a maturity date of September 1, 2021, bearing interest at 4.26% and requires fifty-nine monthly payments of \$7,713 and a balloon payment at maturity. The balance on the note at December 31, 2020 and 2019 was \$1,055,930 and \$1,101,664, respectively.

NOTE J - LEASES

On May 30, 2019, the Organization entered into a real estate lease for an early education program facility. The initial term of the lease is July 1, 2019 through December 31, 2020 with the right to a five year renewal term through December 31, 2025. The lease requires monthly lease payments of \$1,400 from July 1, 2019 through December 31, 2019 and then \$6,493 from January 1, 2020 through December 31, 2020. If the five year renewal term is exercised, the monthly rent requirement will be \$7,083.

On August 1, 2020, the Organization entered into a real estate lease a second early education program facility. The initial term of the is lease August 1, 2020 through July 31, 2021. The lease requires monthly lease payments of \$7,975.

Lease expense for the years ended December 31, 2020 and 2019 was \$117,791 and \$9,800, respectively.

UNITED INNER CITY SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE K - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization received significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles; operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,145,711	\$ 1,481,691
Accounts receivable	625,944	380,724
Promises receivable	<u>174,500</u>	<u>294,147</u>
Total financial assets	1,946,155	2,156,562
Donor restricted assets	<u>(190,322)</u>	<u>(360,647)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,755,833</u>	<u>\$ 1,795,915</u>

NOTE L - SUBSEQUENT EVENT

Subsequent to year end, on March 15, 2021, the Organization was approved for a \$598,690 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for ten months after the end of the Borrower's Loan Forgiveness Covered Period. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

Subsequent events were evaluated through June 15, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED INNER CITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Passed-through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program	10.558	ERS4611-174	\$ 115,328
<u>U.S. Department of Treasury</u>			
Passed-through Missouri Department of Health and Senior Services:			
COVID-19-Coronavirus Relief Fund	21.019		12,348
Passed-through Missouri Department of Economic Development:			
COVID-19-Coronavirus Relief Fund	21.019	75d0ad0c-2ad5-4365-a876-6dce558a0694	<u>129,318</u>
Total COVID-19-Coronavirus Relief Fund			<u>141,666</u>
<u>U.S. Department Health and Human Services</u>			
Passed-through Mid-America Regional Council:			
Head Start	93.600		994,728
COVID-19-Head Start and Early Head Start	93.600		<u>56,924</u>
Total Head Start			<u>1,051,652</u>
			<u>\$ 1,308,646</u>

Note A: The accompanying schedule of expenditures of federal awards includes the federal grant activity of United Inner City Services, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of United Inner City Services, Inc., it is not intended to and does not present the financial position, change in net assets or cash flows of United Inner City Services, Inc.

Note B: Expenditures reported on the Schedule 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 to reimbursement. United Inner City Services, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE

**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
United Inner City Services, Inc.

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 Inner City Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 the Organization's 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westbrook & Co., P.C.

Richmond, Missouri
June 15, 2021

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

To the Board of Directors
United Inner City Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited United Inner City Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, United Inner City Services, Inc. complied, in all material respects, with the type 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 December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization'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 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.

Westbrook & Co., P.C.

Richmond, Missouri
June 15, 2021

UNITED INNER CITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X 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)?

_____ Yes X No

Identification of major federal programs:
Head Start

CFDA No. 93.600

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None