

**DWELLING PLACE OF GRAND RAPIDS
NONPROFIT HOUSING CORPORATION
AND RELATED ENTITIES**

MANAGEMENT LETTER

December 31, 2019

Board of Directors
Dwelling Place of Grand Rapids Nonprofit Housing Corporation
and Related Entities
Grand Rapids, Michigan

In planning and performing our audit of the combined financial statements of Dwelling Place of Grand Rapids Nonprofit Housing Corporation and Related Entities (Dwelling Place) as of and for the year ended December 31, 2019, in accordance with U.S. generally accepted auditing standards, we considered Dwelling Place's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dwelling Place's internal control. Accordingly, we do not express an opinion on the effectiveness of Dwelling Place's internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following portion of this letter summarizes our comments regarding those matters. This letter does not affect our report dated June 1, 2020 on the combined financial statements of Dwelling Place of Grand Rapids Nonprofit Housing Corporation and Related Entities.

We will review the status of these comments during our next engagement. We have already discussed the comments and suggestions with various Dwelling Place personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Tenant Files

During our audit of the various housing projects, we test a sample of tenant files for compliance with the various funding authorities' requirements for applicable documentation as well as computation of tenant income. During our testing minor discrepancies were noted; however, none of the discrepancies impacted eligibility. We recommend the Organization strengthen the process of internally reviewing tenant files to ensure accuracy of income calculations and compliance with other applicable regulatory requirements. All first time qualified occupancies should be reviewed, plus random file reviews at the mature projects should be performed. Any corrections, even if minor, should be made in a timely manner. We noted that this improved for 2019 with the contracting of review services through The TheoPRO Group. The minor discrepancies noted in the file review occurred with new tenants at the beginning of 2019.

Management Response

During 2019 Dwelling Place contracted with a consultant, TheoPRO, to conduct a 3 day tax credit compliance training program specifically focusing on our Organization's needs. In addition two outside contractors are conducting file review services. Any findings are reported immediately and the changes are made within 24 – 48 hours. We continue to assess the addition of an internal audit position to further strengthen compliance.

DWELLING PLACE OF GRAND RAPIDS NONPROFIT HOUSING CORPORATION

MANAGEMENT LETTER (CONTINUED)

December 31, 2019

The following comments are advisory in nature, and are not intended to highlight a deficiency or weakness in internal controls:

Remote Work Controls

Due to the Governor of the State of Michigan's Executive Order to "stay in place and suspend nonessential activities," the process of internal controls may have been changed. We recommend that Organization's accounting procedures relating to internal controls be reviewed to ensure proper segregation of duties and review procedures are maintained during this time of remote working arrangements.

We also recommend an emphasis on the increased need for strong communication. The need to share documents upon the completion of transactions becomes important to provide the impacted team members a trigger to begin any processes or action required due to the completion of the transaction.

Cyber Security

In addition, during this time of remote working arrangements, cyber security attacks have increased causing significant financial harm to organizations. Common techniques utilized by perpetrators include ransomware, malware, phishing and spyware to name a few. Management should continue to communicate to all staff with reminders of the significant risks of attacks and breaches. Management may consider required participation in a training course to assist staff in identifying potential threats to the organization. An update training should be considered if annual training programs for cyber security are already in place.

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NONPROFIT HOUSING CORPORATION**

MANAGEMENT LETTER (CONTINUED)

December 31, 2019

New Accounting Pronouncements

LEASE ACCOUNTING

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new guidance, lessees will generally record assets and corresponding liabilities for most lease arrangements. Expenses will be recognized in a similar manner to the way they are currently recognized under capital and operating leases. The accounting guidance for lessors is largely unchanged.

Contracts and similar arrangements must be analyzed to determine if they contain a lease. If they do contain a lease, the lessee will then determine whether it is a financing lease or an operating lease. Both financing and operating leases will be measured at the present value of the future lease payments. A financing lease classifies the related expense between amortization of the asset and interest expense. An operating lease classifies the entire related expense as lease expense. New disclosures will be necessary in the financial statement footnotes.

Dwelling Place of Grand Rapids Nonprofit Housing Corporation and Related Entities are primarily lessors of real property; therefore it is anticipated this standard will have limited impact on the Organization.

This standard applies for reporting periods beginning after December 15, 2020. ASU 2016-02 will be effective for calendar year 2021 for the Organization. Early adoption is permitted.

We would like to commend the efforts and results obtained by your staff. We would especially like to thank the Chief Financial Officer, Chief Operating Officer, and the finance staff for their cooperation and preparation of the items we requested.

This report is intended solely for the information and use of the management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Beene Garter LLP

June 1, 2020
Grand Rapids, Michigan