DWELLING PLACE OF GRAND RAPIDS NONPROFIT HOUSING CORPORATION AND RELATED ENTITIES

MANAGEMENT LETTER

December 31, 2021
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, 2021, 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 August 3, 2022, 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.
The following comments are advisory in nature, and are not intended to highlight a deficiency or weakness in internal controls:

**Compliance Tracking**

Over the years, a number of Dwelling Place housing properties received proceeds of direct pay subsidies and grants under various federal programs such as the Affordable Housing Program of the Federal Home Loan Bank of Indianapolis, HOME Investment Partnerships Program of HUD, and Supportive Housing Program of HUD. Funding was provided in the form of repayable grants, with continuing compliance periods of either 15 or 20 years. A number of the older properties are nearing the end of their compliance period. We recommend that Dwelling Place track the applicable compliance periods and communicate with necessary individuals to ensure proper accounting and communication with funding sources for proper release from restrictions, as required.

**Processes and Procedures**

Continuing in a remote working environment has forced us all to rethink and change how we operate. Many of these changes have resulted in efficiencies and have demonstrated that there are likely different and better ways to conduct our work. At the forefront of this is technology, specifically an integrated and comprehensive utilization of the resources and technology in place. Dwelling Place has utilized the Yardi platform for tenant compliance, financial reporting and accounting controls for many years. We recommend that the platform be continuously assessed for further use in these areas and potentially other areas. The continuous assessment of available platforms will provide streamlined processes whether working remote or in the office.

In response to the challenges brought about by the pandemic, the federal government has increased the amount of funds available for rental relief programs. We recommend continued vigilance in tracking (and allocating) expenses to ensure that costs are funded only once by federal dollars. We also advise regular monitoring of changes and updates to Uniform Guidance, regulatory requirements, federal and state agency updates, contracts and agreements, and regular communication with any pass-through agencies to ensure a clear and current understanding of compliance, reporting and other potentially unique requirements.
Cyber Risk and Security

The evolution of digital technologies, smart phones, and other internet-enabled devices have brought undeniable benefits and opportunities; however, their use creates exposure to significant risks. Cyber risk refers to risk affecting the information technology assets of an organization, including but not limited to identity theft, disclosure of sensitive information, and business interruption. Cyber risks are ranked among the highest in likelihood of occurrence and the attempts to breach become more sophisticated. Today it is not a matter of if it happens, but a matter of when it happens.

We encourage management to continue to assess the cyber risks that the Organization may face and identify safeguards. We are aware staff have participated in 3rd party training and encourage the continuation of ongoing training as a determent to potential hacks. People are the weakest link in a control structure; ironically, they are also the most important. Investing in training programs and communication can be a large piece of your cyber security investment. Even basic security controls are a determent to attacks.

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.

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, 2021. ASU 2016-02 will be effective for calendar year 2022 for the Organization. Early adoption is permitted.

CREDIT LOSSES

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The main provisions of this pronouncement include requiring financial assets to be presented at the net amount expected to be collected utilizing an allowance for credit losses.
This standard applies for reporting periods beginning after December 15, 2022. ASU 2016-13 will be effective for calendar year 2023 for the Organization. Early adoption is permitted.

**CONTRIBUTED NONFINANCIAL ASSETS**

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Upon implementation of this guidance, contributed nonfinancial assets will be presented as a separate line item in the statement of activities. Added disclosures will provide information to describe the nature of the assets, how they are valued, the intended use, and donor restrictions attached to the gift (if any). The purpose of this update is to increase transparency.

This ASU is effective for annual periods beginning after June 15, 2021. ASU 2020-07 will be effective for calendar year 2022. It will be implemented retrospectively. 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  
A Doeren Mayhew Firm  
Grand Rapids, Michigan  
August 3, 2022