

**WILMINGTON HOUSING PARTNERSHIP
CORPORATION**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017 AND 2016

WILMINGTON HOUSING PARTNERSHIP CORPORATION
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Independent Auditors' Report

To the Board of Directors of
Wilmington Housing Partnership Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Wilmington Housing Partnership Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 misstatement, 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. 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 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

To the Board of Directors
Wilmington Housing Partnership Corporation

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 Wilmington Housing Partnership Corporation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program administrative expenses on page 19 are presented for purposes of additional analysis and are 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 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.

Belfint, Lyons & Shuman, P.A.

December 12, 2017
Wilmington, Delaware

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 10,902	\$ 41,215
Other Receivables	1,260	-
Pledges Receivable	583,000	176,500
Current Maturities of Notes Receivable	18,700	18,700
TOTAL CURRENT ASSETS	613,862	236,415
OTHER ASSETS		
Notes Receivable (Net of Current Maturities)	1,301,146	1,394,026
Advances Receivable - Net	43,222	43,222
Property Held for Development - Net	4,614,682	3,943,713
Capital Assets - Net	702	991
TOTAL OTHER ASSETS	5,959,752	5,381,952
TOTAL ASSETS	\$ 6,573,614	\$ 5,618,367
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 108,645	\$ 186,784
Accrued Interest Payable	143,509	71,357
Retainage Payable	18,935	58,391
Current Maturities of Loans Payable	60,000	-
TOTAL CURRENT LIABILITIES	331,089	316,532
OTHER LIABILITIES		
Loans Payable (Net of Current Maturities)	6,093,433	5,024,884
Neighborhood Stabilization Program Advances	675,019	860,820
TOTAL OTHER LIABILITIES	6,768,452	5,885,704
TOTAL LIABILITIES	7,099,541	6,202,236
NET ASSETS		
Unrestricted - Accrued Subsidies on Property Held for Development	(3,278,033)	(3,527,737)
Unrestricted - Other	2,180,856	2,863,668
Unrestricted Net Assets	(1,097,177)	(664,069)
Temporarily Restricted	571,250	80,200
TOTAL NET ASSETS	(525,927)	(583,869)
TOTAL LIABILITIES AND NET ASSETS	\$ 6,573,614	\$ 5,618,367

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Unrestricted	Total
REVENUE AND OTHER SUPPORT			
Real Estate Sales			
Sales Revenue	\$ 481,676	\$ -	\$ 481,676
Cost of Sales and Accrued Subsidies	(1,541,190)	-	(1,541,190)
Total Real Estate Activity - Net	(1,059,514)	-	(1,059,514)
Other Support			
Contributions	496,606	571,250	1,067,856
Grants	1,177,000	-	1,177,000
Contributed Use of Facilities	45,087	-	45,087
Total Other Support	1,718,693	571,250	2,289,943
Net Assets Released From Restriction	80,200	(80,200)	-
TOTAL REVENUE AND OTHER SUPPORT	739,379	491,050	1,230,429
EXPENSES			
Property Planning, Predevelopment, and Maintenance	540,698	-	540,698
Program Administrative Expenses	579,856	-	579,856
Bad Debt Expense	6,846	-	6,846
Contributed Use of Facilities	45,087	-	45,087
TOTAL EXPENSES	1,172,487	-	1,172,487
CHANGE IN NET ASSETS	(433,108)	491,050	57,942
NET ASSETS - Beginning of Year, as Restated for 2016 (Note 14)	(664,069)	80,200	(583,869)
NET ASSETS - End of Year, as Restated for 2016 (Note 14)	\$ (1,097,177)	\$ 571,250	\$ (525,927)

2016		
Unrestricted	Temporarily Unrestricted	Total
\$ 218,009	\$ -	\$ 218,009
<u>(1,504,916)</u>	<u>-</u>	<u>(1,504,916)</u>
<u>(1,286,907)</u>	<u>-</u>	<u>(1,286,907)</u>
765,100	55,200	820,300
602,214	-	602,214
<u>39,187</u>	<u>-</u>	<u>39,187</u>
<u>1,406,501</u>	<u>55,200</u>	<u>1,461,701</u>
<u>87,400</u>	<u>(87,400)</u>	<u>-</u>
<u>206,994</u>	<u>(32,200)</u>	<u>174,794</u>
292,158	-	292,158
471,499	-	471,499
142,336	-	142,336
<u>39,187</u>	<u>-</u>	<u>39,187</u>
<u>945,180</u>	<u>-</u>	<u>945,180</u>
(738,186)	(32,200)	(770,386)
<u>74,117</u>	<u>112,400</u>	<u>186,517</u>
<u>\$ (664,069)</u>	<u>\$ 80,200</u>	<u>\$ (583,869)</u>

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Real Estate Sales	\$ 481,676	\$ 218,009
Cash Received from Contributions, Grants, and Other Support	1,577,002	1,533,490
Collections on Notes Receivable	86,034	40,605
Cash Paid for Property Acquisition and Development	(2,316,731)	(2,932,272)
Cash Paid for Employee Costs	(337,713)	(318,150)
Cash Paid to Other Suppliers and Vendors	(636,898)	(486,372)
Interest Paid	(54,236)	(39,071)
	(1,200,866)	(1,983,761)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances Made for the Development and Settlement of Properties	-	(43,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Neighborhood Stabilization Program Advances	176,827	602,443
Repayment of Neighborhood Stabilization Program Advances	(101,274)	-
Proceeds from Loans Payable	1,095,000	1,025,303
	1,170,553	1,627,746
CHANGE IN CASH AND CASH EQUIVALENTS	(30,313)	(399,237)
CASH AND CASH EQUIVALENTS - Beginning of Year	41,215	440,452
CASH AND CASH EQUIVALENTS - End of Year	\$ 10,902	\$ 41,215
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts Payable Incurred for Property Held for Development	\$ 84,860	\$ 149,976
Retainage Payable Incurred for Property Held for Development	\$ 18,935	\$ 58,391
Interest Financed with Long-Term Debt	\$ 14,785	\$ -

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 57,942	\$ (770,386)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Interest Expense - Amortization of Debt Issuance Costs	18,764	14,734
Depreciation	289	456
Interest Expense Financed with Long-Term Debt	14,785	-
Bad Debts on Notes Receivable	6,846	142,336
Neighborhood Stabilization Program Advances Converted to Revenue	(261,354)	-
(Increase) Decrease in Assets		
Other Receivables	(1,260)	-
Notes Receivable	86,034	40,605
Pledges Receivable	(406,500)	110,976
Property Held for Development (Net) (See Note 7)	(775,541)	(1,427,356)
Increase (Decrease) in Liabilities		
Accounts Payable	(13,023)	(121,809)
Accrued Interest Payable	72,152	26,683
Total Adjustments	(1,258,808)	(1,213,375)
NET CASH FROM OPERATING ACTIVITIES	\$ (1,200,866)	\$ (1,983,761)

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: NATURE OF ACTIVITIES

Nature of Activities - Wilmington Housing Partnership Corporation (Corporation) is a nonprofit organization formed to assist residents of the City of Wilmington (City) in obtaining affordable housing. The Corporation collaborates with select private, nonprofit, and government entities to increase the City's affordable housing stock by promoting renovation and rehabilitation of existing homes and limited construction of new homes in strategically selected areas. The Corporation carries out its mission by acting as the developer of properties or by providing loans or subsidies to other developers. The Corporation is a separate legal entity from the City. However, the City is a related party of the Corporation by virtue of having a presence on the Corporation's board of directors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity.

Basis of Presentation - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Financial Accounting Standards Board (FASB). Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset classifications follows:

Unrestricted Net Assets - Include those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation. Unrestricted net assets include the Corporation's accumulated provision for estimated losses on property held for development.

Temporarily Restricted Net Assets - Include gifts whose use has been limited by donors to a specific time period and purpose and whose restrictions have not been met.

Permanently Restricted Net Assets - Include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recognition of Donor Restrictions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

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

Allowance for Uncollectible Accounts - The Corporation provides an allowance whenever any note, loan, or other receivable becomes doubtful of collection and the doubtful portion can be reasonably estimated. The provision reduces the carrying amount of the receivable to its net realizable amount.

Property Held for Development - Property held for development is carried at cost less a subsidy allowance. Cost includes initial acquisition and subsequent costs to develop the property. The subsidy allowance is determined by evaluating the current costs, future expected costs, and future expected proceeds from disposal of the property. It is not the Corporation's intent to earn a profit selling developed property. Generally, sales are at a loss. The Corporation considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of America, the Corporation records a provision for estimated losses on developed property in the period such losses are determined. These estimated losses are recorded on the statements of financial position as a subsidy allowance to the costs incurred. Accrued subsidies as of June 30, 2017 and 2016 were \$3,278,033 and \$3,527,737, respectively.

At times, properties are acquired with no current plans for development. These properties are carried at cost without a subsidy allowance. The cost to maintain these properties are expensed in the period incurred.

Interest Income on Notes Receivable - Interest income on notes receivable is recognized on an accrual basis at the interest rates disclosed in Note 5. However, due to the past due nature of the notes receivable portfolio, the Corporation established a reserve for uncollectible accounts for accrued interest.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Property and equipment are initially recorded at cost and reported net of accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from five to seven years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Corporation's capitalization threshold is \$500.

Contributed Use of Facilities - The Corporation utilizes offices of the City to conduct its activities. The City does not charge a fee for occupancy of the office and does not allocate cost to the Corporation for the use of office administrative staff or equipment. The estimated value of contributed use of facilities in the statements of activities is presented as a component of revenue and expenses based on this estimated value.

Debt Issuance Costs (Adoption of ASC 835-30, Note 13) - Debt issuance costs incurred from long-term borrowing are presented as a reduction of the carrying amount of the debt. Amortization of the debt issuance costs is classified as interest expense and reported as program administrative expenses in the statements of activities.

Income Tax - The Corporation is a nonprofit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Income not related to the Corporation's tax-exempt purpose may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions. The Corporation has determined that no liability for uncertain tax positions is required to be accrued and included in the statements of financial position as of June 30, 2017 and 2016.

The Corporation's federal Forms 990 for the years ended June 30, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - Advertising costs are expenses as incurred. Advertising expense was \$0 for the years ended June 30, 2017 and 2016.

Subsequent Events - The Company's policy is to evaluate events and transactions subsequent to its year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 3: FINANCIAL INSTRUMENTS

Cash is comprised of demand deposits and money market accounts with financial institutions located in Wilmington, Delaware. Under the general deposit insurance rules, the Federal Deposit Insurance Corporation (FDIC) insures all accounts up to \$250,000 per depositor. As of June 30, 2017 and 2016, the amount uninsured was \$0.

Financial instruments, other than cash, that potentially subject the Corporation to concentrations of credit risk consist principally of notes receivable. Concentrations of credit risk with respect to notes receivable are limited due to the underlying customer base.

NOTE 4: PLEDGES RECEIVABLE

As of June 30, 2017 and 2016, pledges receivable consisted of grants from the City and other donors received and recognized during the fiscal year in which the proceeds were received subsequent to the fiscal year end. Pledges receivable as of June 30, 2017 and 2016 are due within one year and therefore do not require a discount to present value. The Corporation considers pledges receivable to be fully collectible.

NOTE 5: NOTES RECEIVABLE

Notes receivable consisted of the following as of June 30:

	2017	2016
<i>Cameo Enterprises</i> - Interest at 4% for 30 years, secured by property.	\$ 66,125	\$ 66,125
<i>Bethel Villa Associates, L.P.</i> - \$187,000 loan for property taxes, payable in ten annual installments beginning a year after permanent financing was obtained (October 2010). The note is non-interest-bearing and is secured by a mortgage and all tangible property of the project.	74,800	93,500
<i>Low Income and Down Payment Settlement Assistance Loans (LIDPSA/DPSA)</i> - Individual loans are subject to a maximum amount of \$7,500. Loans are subject to 0% or 5% interest, depending on the borrower's income, due when the property is sold or when the first mortgage is repaid, secured by second mortgages on the properties.	1,687,288	1,758,968
<i>Buyers of the Individual Units of the ALMAC Project</i> - Loans range from 84 to 360 months, with maturity dates through November 2003, payable in annual installments, amortized monthly at interest rates ranging from 5% to 9%, secured by second mortgages on the properties.	135,875	135,875

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5: NOTES RECEIVABLE - CONTINUED

	2017	2016
<i>Buyers of WHDC Projects, Collateralized by Subordinated Liens on the Properties</i> - Loans range from 24 to 360 months, with maturity dates through January 2029. Some of the mortgages are receivable in monthly or annual installments, with interest rates ranging from 0% to 7%. Other mortgages are self-amortizing and are forgiven each year if the individual does not sell the home. The amount forgiven is included in loan forgiveness expense for the year.	\$ 131,105	\$ 133,605
Total Notes Receivable	2,095,193	2,188,073
Less: Current Maturities Notes Receivable	(18,700)	(18,700)
Notes Receivable (Net of Current Maturities)	\$ 2,076,493	\$ 2,169,373

Notes receivable are presented in the statements of financial position net of an allowance for estimated uncollectible accounts. The allowance for estimated uncollectible notes receivable consisted of the following as of June 30:

	2017	2016
Total Notes Receivable	\$ 2,095,193	\$ 2,188,073
Allowance for Uncollectible Accounts as of June 30		
Cameo Enterprises	66,125	66,125
LIDPSA/DPSA	442,242	439,742
Buyers of the Individual Units of the ALMAC Project	135,875	135,875
Buyers of WHDC Projects	131,105	133,605
Total Allowance for Uncollectible Accounts	775,347	775,347
Notes Receivable - Net of Allowance	\$ 1,319,846	\$ 1,412,726

NOTE 6: ADVANCES RECEIVABLE

The Corporation has entered into an agency agreement to carry out approved programs of acquisition, construction or rehabilitation, and sale of properties. Outstanding advances are usually secured by a mortgage held by the Corporation on each subject property.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 6: ADVANCES RECEIVABLE - CONTINUED

Advances receivable consisted of the following as of June 30:

Agency or Project Name	2017	2016
Christina Overlook	\$ 43,222	\$ 43,222

NOTE 7: PROPERTY HELD FOR DEVELOPMENT

Property held for development consisted of the following:

	Capitalized Costs	Subsidy Allowance	Net Carrying Value	Number of Units
As of June 30, 2017				
Currently Being Developed	\$ 3,182,731	\$ (2,121,831)	\$ 1,060,900	28
Plans to Develop	1,530,732	(1,156,202)	374,530	40
No Planned Development	3,179,252	-	3,179,252	88
	\$ 7,892,715	\$ (3,278,033)	\$ 4,614,682	156
As of June 30, 2016				
Currently Being Developed	\$ 2,278,517	\$ (1,232,024)	\$ 1,046,493	21
Plans to Develop	2,868,269	(2,295,713)	572,556	61
No Planned Development	2,324,664	-	2,324,664	59
	\$ 7,471,450	\$ (3,527,737)	\$ 3,943,713	141

The subsidy allowance is determined by evaluating the current costs, future expected costs, and future expected proceeds from disposal of the property. For properties with no near-term plans for development, the carrying value is compared to the estimated benefit of disposing the property as is and does not take into consideration future additional renovation costs and the future proceeds from disposal of the renovated unit.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 7: PROPERTY HELD FOR DEVELOPMENT - CONTINUED

Net real estate activity as presented in the statements of activities consisted of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Number of Units Sold During the Year	<u>11</u>	<u>13</u>
Proceeds From Sales Revenue	\$ 481,676	\$ 218,009
Cost of Units Sold During the Year	<u>(1,790,895)</u>	<u>(1,301,218)</u>
Gross Profit (Loss) on Sales	(1,309,219)	(1,083,209)
Change in Accrued Subsidies on All Units	<u>249,704</u>	<u>(203,698)</u>
Total Real Estate Activity - Net	<u>\$ (1,059,515)</u>	<u>\$ (1,286,907)</u>

NOTE 8: CAPITAL ASSETS

Capital assets consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Furniture and Fixtures	\$ 22,180	\$ 22,180
Less: Accumulated Depreciation	<u>(21,478)</u>	<u>(21,189)</u>
	<u>\$ 702</u>	<u>\$ 991</u>

NOTE 9: LOANS PAYABLE

Loan Payable to the City - The Corporation has an unsecured loan with the City allowing the Corporation to borrow up to \$4 million for the purchase of properties to be rehabilitated and sold. The interest rate for this loan is determined by the lender, but is equal to the adjusted London Interbank Offered Rate (LIBOR) for the period in effect plus 1.25%. As of June 30, 2017 and 2016, the interest rates were 2.50% and 1.76%, respectively. Interest payments are made quarterly and principal payments are due only when properties for which the loans were created are sold. The loan matured on September 30, 2016 and was renewed through September 30, 2019. The balance on this loan was \$3,378,372 and \$3,303,264 as of June 30, 2017 and 2016, respectively.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 9: LOANS PAYABLE - CONTINUED

Short-term Advance from the City - The Corporation has an unsecured loan with the City for \$60,000 to assist with the demolitions on the 800 block and the 1000 block of Bennett Street, Wilmington. The loan has a zero percent interest rate and matured on September 30, 2017.

Loans Payable to Barclays Bank - The Corporation has four credit agreements with Barclays Bank. Proceeds from the agreements were used for the purchase and/or renovation of properties to be sold to eligible program participants. Each agreement bears interest at the Federal Funds Rate plus 200 basis points. At no time will the fixed rate ever exceed 10%. Interest accrues monthly. The agreements are collateralized by the properties in which the proceeds were used to develop. Additional details for the credit agreements with Barclays Bank are as follows:

Face Amount of Loan	Maturity Date	Balance Due as of June 30, 2017	Balance Due as of June 30, 2016
\$ 800,000	July 2018	\$ 800,000	\$ 800,000
235,000	February 2019	100,000	100,000
1,100,000	February 2019	825,303	825,303
<u>1,035,000</u>	February 2019	<u>1,035,000</u>	<u>-</u>
<u>\$ 3,170,000</u>		<u>\$ 2,760,303</u>	<u>\$ 1,725,303</u>

A summary of all loans payable is as follows:

	Balance Due as of June 30, 2017	Balance Due as of June 30, 2016
Loan Payable to the City	\$ 3,378,372	\$ 3,303,264
Short-term Advance from the City	60,000	-
Loans Payable to Barclays Bank	<u>2,760,303</u>	<u>1,725,303</u>
Total Loans Payable	6,198,675	5,028,567
Less: Unamortized Debt Issuance Costs	(45,242)	(3,683)
Less: Current Maturities of Loans Payable	<u>(60,000)</u>	<u>-</u>
Loans Payable (Net of Current Maturities)	<u>\$ 6,093,433</u>	<u>\$ 5,024,884</u>

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 9: LOANS PAYABLE - CONTINUED

As of June 30, 2017, future principal maturities of loans payable are as follows:

<u>For the Years Ending June 30</u>	
2018	\$ 60,000
2019	2,760,303
2020	3,378,372
2021	-
2022	-
	<u>\$ 6,198,675</u>

Interest expense was \$159,937 and \$80,488 for the years ended June 30, 2017 and 2016, respectively.

NOTE 10: NEIGHBORHOOD STABILIZATION PROGRAM ADVANCES

The Corporation received funding from the City in the form of loans for its federal Neighborhood Stabilization Program (NSP). These loans are for the construction of homes on parcels at 513 Vandever Avenue, 527/529 Vandever Avenue, 1007 Coleman Street, 607 E. 7th Street, 907 N. Church Street, 404 W. 30th Street, 1332 W. 5th Street, 406 W. 30th Street, and 706 Kirkwood Street in Wilmington, Delaware. Under the terms of the loans, the Corporation is required to rehabilitate the property for use as low-income, owner-occupied housing. In accordance with NSP guidelines and under the terms of the agreement with the City, the units constructed must remain affordable housing for a specified number of years.

Upon sale of a home to a qualified buyer the loan obligation matures. At maturity, the City may require repayment of the loan up to an amount equal to the proceeds received by the Corporation upon sale of the property. Amounts not required to be repaid to the City are reported as grants in the statements of activities when the property is sold.

During the years ended June 30, 2017 and 2016, the Corporation renovated and drew on the loans related to the properties noted above. As of June 30, 2017 and 2016, the total outstanding balance of neighborhood stabilization program advances from the City was \$675,019 and \$860,820, respectively. During the years ended June 30, 2017 and 2016 home sales resulted in loan proceeds converting to grant revenue in the amounts of \$261,354 and \$0, respectively.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Bennett Street Project	\$ 12,750	\$ 45,000
Vandever Avenue Project	-	35,200
Residential Improvement Stabilization Effort (RISE)	3,000	-
East Side Revitalization: Pine, 10th & 12th Streets	<u>555,500</u>	<u>-</u>
	<u>\$ 571,250</u>	<u>\$ 80,200</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Corporation has entered into various contracts with subcontractors for repair, renovation, demolition, and clean-up services for properties owned by the Corporation. As of June 30, 2017, remaining contract commitments for contracts in progress totaled approximately \$1,108,000.

The Corporation is exposed to various risks of loss relating to general liability, property held for resale or renovation, and workers' compensation, health, and accident claims. It is the Corporation's policy to insure properties that are owned through a property-specific, general liability policy. The Corporation also holds directors' and officers' insurance. In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Corporation's financial statements.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLE

In 2017, the Company retroactively adopted the requirements of ASC 835-30, *Imputation of Interest*, to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. The following is a summary of the adjustments made to the June 30, 2016 financial statements.

	<u>As Previously Reported</u>	<u>Reclassified Balance Prior to Restatement</u>	<u>Change</u>
As of June 30, 2016			
Loan Origination Fees - Net	\$ 3,683	\$ -	\$ (3,683)
Total Assets	5,622,050	5,618,367	(3,683)
Loans Payable (Net of Current Maturities)	5,028,567	5,024,884	(3,683)
Total Liabilities	6,134,562	6,130,879	(3,683)
For the Year Ended June 30, 2016			
Depreciation and Amortization	15,190	456	(14,734)
Interest Expense	39,071	53,805	14,734

Additional adjustments to previously issued financial statements disclosed in Note 14 affect certain accounts reclassified by the change in accounting principle.

NOTE 14: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the year ended June 30, 2017, the Corporation determined that accrued interest payable on loans payable was understated on previously issued financial statements. The effects of the restatement are as follows:

	<u>Prior to Restatement</u>	<u>As Restated</u>	<u>Change</u>
As of June 30, 2016			
Accrued Interest Payable	\$ -	\$ 71,357	\$ 71,357
Total Liabilities	6,130,879	6,202,236	71,357
Total Net Assets	(512,512)	(583,869)	(71,357)
For the Year Ended June 30, 2016			
Interest Expense	53,805	80,488	26,683
Change in Net Assets	(743,703)	(770,386)	(26,683)
As of July 1, 2015			
Total Net Assets	231,191	186,517	(44,674)

SUPPLEMENTAL INFORMATION

WILMINGTON HOUSING PARTNERSHIP CORPORATION
SCHEDULES OF PROGRAM ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Consulting Fees	\$ 27,097	\$ -
Depreciation	289	456
Dues and Subscriptions	1,646	1,535
Interest Expense	159,937	80,488
Legal and Accounting Fees	31,440	41,960
Meetings	6,797	7,828
Office Expense	3,705	8,297
Payroll - Employee Benefits	47,004	37,197
Payroll - Salaries	267,275	264,558
Payroll - Taxes	19,234	20,595
Postage	58	54
Public Relations	7,547	280
Taxes and Licenses	250	514
Travel	<u>7,577</u>	<u>7,737</u>
TOTAL PROGRAM ADMINISTRATIVE EXPENSES	<u><u>\$ 579,856</u></u>	<u><u>\$ 471,499</u></u>