



BELFINT • LYONS • SHUMAN
Certified Public Accountants

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March 17, 2020

To the Board of Directors of
Wilmington Housing Partnership Corporation
800 N. French Street, 7th Floor
Wilmington, DE 19801

We have audited the financial statements of the Wilmington Housing Partnership Corporation (Corporation) for the years ended June 30, 2019 and June 30, 2018, and have issued our report thereon dated March 17, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 7, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 2 to the financial statements. As discussed in Notes 1 and 13 to the financial statements, the Wilmington Housing Partnership Corporation is presenting its financial statements in accordance with the standards contained in Government Accounting Standards. For prior years, the Corporation was considered a related organization of the City. It did not meet the requirements to be considered a component unit of the City. The Corporation's financial statements were presented in accordance with the standards promulgated by the Financial Accounting Standards Board (FASB). During the years ended June 30, 2019 and 2018, the Corporation experienced difficulties meeting its financial obligations. During the year ended June 30, 2019, City officials became a majority of the Corporation's board of directors and the City assumed certain liabilities of the Corporation. These changes in the board control and the assumption of certain liabilities by the City resulted in the Corporation meeting the requirements to be reported as a blended component unit of the City. For a governmental entity for financial reporting purposes, the Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. For the years ended June 30, 2019 and 2018, the Corporation has presented its financial statements using GASB's governmental fund accounting and financial reporting model. The implementation of GASBS No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, was completed retroactively.

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Significant Audit Findings - Continued

Qualitative Aspects of Accounting Practices - Continued

We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Property held for development is carried at cost less a subsidy allowance. 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. The accrued subsidy allowance as of June 30, 2019 and 2018 was \$5,727,483 and \$7,064,037, respectively.

The Corporation provides an **allowance for uncollectable accounts** 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. The allowance for uncollectible accounts as of June 30, 2019 and 2018 was \$812,623 and \$812,923, respectively.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of **property held for development** in Note 8 to the financial statements provides detail on the capitalized costs and subsidy allowance allocated to properties at various stages of development.

The disclosure of **notes payable** in Note 10 to the financial statements provides detail on the Corporation's debt agreements and includes information about collateralized assets, maturity dates, and repayment terms.

Significant Audit Findings - Continued

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with current management in performing and completing our audit. However, we experienced delays in the commencement and completion of our audit due to delays in receiving necessary documentation.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached Schedule A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The material misstatements included in Schedule B were detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2020.

Opportunities to Improve Operational Effectiveness

During our audit, we did become aware of matters that are opportunities to strengthen the system of internal control and improve operating efficiency. Please see the recommendations included in our Independent Auditors' Report Required by Government Auditing Standards, dated March 17, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Findings - Continued

Restriction on Use

This information is intended solely for the use of this committee and the management of the Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the management and staff of Wilmington Housing Partnership Corporation for their cooperation and courtesies extended to us during the performance of our audit as well as the Board of Directors for allowing us the opportunity to serve as your auditors.

Very truly yours,

Belfint, Lyons & Shuman, P.A.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
Schedule A: Waived Adjusting Journal Entries
June 30, 2019

<u>Description</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Other Support</u>	<u>Expense</u>
<i>Waived Adjusting Journal Entry 1</i>					
To record accrued interest.		\$ (27,500)			\$ 27,500
	<u>\$ -</u>	<u>\$ (27,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,500</u>
			<u>27,500</u>		Effect on Change in Net Assets
			<u>\$ 27,500</u>		

Client: **14998-000 - Wilmington Housing Partnership Corporation**
 Engagement: **14998-000 - Wilmington Housing Partnership Corporation**
Schedule B
 Period Ending: **6/30/2019**
 Trial Balance: **1051 - Wilmington Housing Partnership Corporation Trial Balance - 2019**
 Workpaper: **1151 - Adjusting Journal Entries Report - 2019**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1901				
To record interest and interest accrued as of 1/19/19				
651.000	Interest expense	4601	32,785.00	
232.020	UDAG - Loan			32,785.00
Total			32,785.00	32,785.00
Adjusting Journal Entries JE # 1902				
To record CY depreciation				
636.000	Depreciation	3102	273.76	
199.070	Less Accumulated Depreciation			273.76
Total			273.76	273.76
Adjusting Journal Entries JE # 1903				
To Reverse CY Amortization				
134.000	Accum. Amort.-Loan Origination	4513	20,108.00	
315.000	Fund Balance			20,108.00
Total			20,108.00	20,108.00
Adjusting Journal Entries JE # 1904				
To record donated facilities				
695.000	Donated Facilities and Admin from COW	1904	33,815.22	
420.000	Donated Facilities and Admin from COW			33,815.22
Total			33,815.22	33,815.22
Adjusting Journal Entries JE # 1905				
To reverse client's original correction of old o/s items in 2019.				
315.000	Fund Balance	2030	251,408.11	
110.000	Cash #2553			251,408.11
Total			251,408.11	251,408.11
Adjusting Journal Entries JE # 1906				
To adjust for old o/s items in cash				
110.000	Cash #2553	2030	385,541.99	
616.000	Property Management			2,000.00
626.000	City of Wilmington - Live work			8,000.00
653.000	Consulting Fees			1,265.40
659.050	Medical Benefits			5,922.52
665.000	DDD Project			22,467.50
672.010	Other Project expense			7,137.23
673.000	RISE			15,000.00
673.620	804 Bennett Street			284,311.34
674.200	525 Vandever Ave			18,810.00
675.000	Insurance			20,628.00
Total			385,541.99	385,541.99
Adjusting Journal Entries JE # 1907				
to reverse client's original entry to correct cash balances.				
315.000	Fund Balance	2030	380,000.60	
114.000	Cash - Project Checking Acct			380,000.60
Total			380,000.60	380,000.60
Adjusting Journal Entries JE # 1908				
To move revenues recorded to fund balance to a revenue account.				
390.010	Retained Earnings	5401	39,830.03	
407.000	Grant Income			39,830.03
Total			39,830.03	39,830.03
Adjusting Journal Entries JE # 1910				
To reclass a housing opportunity funds loan from the city to WHP that was incorrectly included in revenue.				
409.050	City Wilmington Strategic Funds	6009	274,737.00	
200.000	Accounts Payable			274,737.00
Total			274,737.00	274,737.00
Adjusting Journal Entries JE # 1912				
To Move Shane Martin's PTO payout from marketing to salaries expense.				
659.000	Salary Expense	6557	27,392.00	
634.000	Marketing & Advertising			27,392.00
Total			27,392.00	27,392.00

Adjusting Journal Entries JE # 1913	6557		
To reclass Shane Martin payroll that was recorded in the Aflac account.			
659.000 Salary Expense		18,273.48	
661.100 Aflac premium			18,273.48
Total		<u>18,273.48</u>	<u>18,273.48</u>
Adjusting Journal Entries JE # 1914	6557		
To reclass Steve Martin pay that was recorded in property management			
659.000 Salary Expense		43,327.80	
616.000 Property Management			43,327.80
Total		<u>43,327.80</u>	<u>43,327.80</u>
Adjusting Journal Entries JE # 1915	1353		
To reclass payroll taxes that were recorded as property taxes.			
662.000 Payroll taxes		44,675.76	
663.000 Taxes - Real Estate			44,675.76
Total		<u>44,675.76</u>	<u>44,675.76</u>
Adjusting Journal Entries JE # 1916	6557		
To gross up payroll			
659.000 Salary Expense		19,801.29	
662.000 Payroll taxes			19,801.29
Total		<u>19,801.29</u>	<u>19,801.29</u>
Adjusting Journal Entries JE # 1917	6557		
To reclass payroll amounts out of property management.			
659.000 Salary Expense		7,584.71	
616.000 Property Management			7,584.71
Total		<u>7,584.71</u>	<u>7,584.71</u>
Adjusting Journal Entries JE # 1918	6557		
To reverse outstanding checks that were voided before year end.			
110.000 Cash #2553		29,073.38	
659.000 Salary Expense			1,687.38
661.100 Aflac premium			27,386.00
Total		<u>29,073.38</u>	<u>29,073.38</u>
Total Adjusting Journal Entries		<u>1,608,628.13</u>	<u>1,608,628.13</u>
Total All Journal Entries		<u>1,608,628.13</u>	<u>1,608,628.13</u>

Client: **14998-000 - Wilmington Housing Partnership Corporation**
 Engagement: **14998-000 - Wilmington Housing Partnership Corporation**
Schedule B - Continued
 Period Ending: **6/30/2019**
 Trial Balance: **1001 - Wilmington Housing Partnership Corporation Trial Balance - 2018**
 Workpaper: **1101 - Adjusting Journal Entries Report - 2018**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1801				
To accrue interest on Barclay's Loan for 2018.				
651.000	Interest expense	4512	67,807.00	
207.000	Accrued Interest			67,807.00
Total			67,807.00	67,807.00
Adjusting Journal Entries JE # 1802				
To adjust accumulated amortization to actual.				
134.000	Accum. Amort.-Loan Origination	3001	20,108.00	
134.000	Accum. Amort.-Loan Origination		15,081.00	
315.000	Fund Balance		45,242.00	
131.000	Loan Origination Fees			60,323.00
636.000	Depreciation			20,108.00
Total			80,431.00	80,431.00
Adjusting Journal Entries JE # 1803				
To record Donated facilities				
695.000	Donated Facilities and Admin from COW	6602	45,086.95	
420.000	Donated Facilities and Admin from COW			45,086.95
Total			45,086.95	45,086.95
Adjusting Journal Entries JE # 1804				
Clear old O/S items in the correct period.				
110.000	Cash #2553	2030	1,989.86	
110.000	Cash #2553		77,287.96	
145.000	Pledges Receivable (Short-Term)		70,000.00	
412.000	Federal NSP ARRA Revenue		18,205.85	
672.010	Other Project expense		125,205.85	
110.000	Cash #2553			213,411.70
653.000	Consulting Fees			1,989.86
665.000	DDD Project			77,287.96
Total			292,689.52	292,689.52
Adjusting Journal Entries JE # 1805				
clear project account old os items in proper period				
114.000	Cash - Project Checking Acct	2030	27,554.02	
114.000	Cash - Project Checking Acct		352,446.58	
231.570	Retainage Payable -> 1332 W. 5th Street		2,352.99	
231.580	Wall's Retainage		11,571.28	
155.020	Property Held - RISE Sites			186,000.00
155.020	Property Held - RISE Sites			15,710.00
155.020	Property Held - RISE Sites			30,630.00
616.000	Property Management			825.00
626.000	City of Wilmington - Live work			8,000.00
672.010	Other Project expense			27,554.02
672.010	Other Project expense			125,205.85
Total			393,924.87	393,924.87
Adjusting Journal Entries JE # 1806				
To reclass overdrawn bank account from negative cash to bank overdraft liability account.				
114.000	Cash - Project Checking Acct	2001	70,586.45	
300.000	Bank Overdraft			70,586.45
Total			70,586.45	70,586.45
Adjusting Journal Entries JE # 1807				
To reverse AJE made to advances				
145.000	Pledges Receivable (Short-Term)	2204	158,000.00	
141.000	A/R - Advances - WHDC			158,000.00
Total			158,000.00	158,000.00
Adjusting Journal Entries JE # 1808				
To reclass revenue that was recorded as pledges receivable.				
145.000	Pledges Receivable (Short-Term)	2204	197,000.00	
405.000	Pledges & Contributions			97,000.00
409.050	City Wilmington Strategic Funds			100,000.00
Total			197,000.00	197,000.00
Adjusting Journal Entries JE # 1809				
To reclass Bethal Villa loan repayment out of revenue.				
410.000	Revenue CDBG/HOME	2602.02	18,700.00	
190.000	Note Rec. - Bethal Villa			18,700.00
Total			18,700.00	18,700.00

161,584.87

Adjusting Journal Entries JE # 1810		4514		
To record interest on the COW loan with JPMC				
651.000	Interest expense		47,472.73	
207.000	Accrued Interest			47,472.73
Total			47,472.73	47,472.73
Adjusting Journal Entries JE # 1811		4001		
To record items that should be accrued for in accounts payable.				
649.000	Annual Audit		12,507.50	
650.020	Legal services		48,478.41	
653.000	Consulting Fees		8,593.50	
658.000	Temporary Help		19,859.33	
200.000	Accounts Payable			89,438.74
Total			89,438.74	89,438.74
Adjusting Journal Entries JE # 1812		1303		
To reverse prior year accounts payable that was paid during current year.				
200.000	Accounts Payable		43,980.34	
672.010	Other Project expense			43,980.34
Total			43,980.34	43,980.34
Adjusting Journal Entries JE # 1813		2205		
To write off \$400,000 grant that JPMorgan Chase cancelled during FY18				
810	Cancelled Pledges Expense		400,000.00	
145.000	Pledges Receivable (Short-Term)			400,000.00
Total			400,000.00	400,000.00
Adjusting Journal Entries JE # 1814		4201		
To record retainage as of 06/30/2018				
155.020	Property Held - RISE Sites		108,454.48	
231.000	Retainage Payable			108,454.48
Total			108,454.48	108,454.48
Adjusting Journal Entries JE # 1815		2352		
To increase the allowance for doubtful accounts for LIDSPA, DPSA and Home.				
692.000	Bad Debt Expense		333,868.73	
176.010	Allow for Bad Debt - LIDPS/DPSA			333,868.73
Total			333,868.73	333,868.73
Adjusting Journal Entries JE # 1816		2401		
To record removal of costs for sale of 828 Kirkwood not recorded by accountant.				
401.010	Cost of Sales - RISE Sites		153,823.23	
155.020	Property Held - RISE Sites			153,823.23
Total			153,823.23	153,823.23
Adjusting Journal Entries JE # 1817		2401		
To reclassify proceeds from sale of 1603 W. 4th St and 406 W. 30th St. that were recorded as misc income.				
502.000	Miscellaneous Income		8,510.00	
400.000	Gross Property Sales			8,510.00
Total			8,510.00	8,510.00
Adjusting Journal Entries JE # 1819		6011		
To reverse part of accountant's entry EJ22 which double posted the receipts of 8/23/17 \$37,625.76 and 10/20/17 \$24,000.				
234.150	City of Wilmington - NSP 527/529 Vandever		61,625.75	
412.000	Federal NSP ARRA Revenue			61,625.75
Total			61,625.75	61,625.75
Adjusting Journal Entries JE # 1820		6011		
To reverse part of accountant's entry EJ22 which over-booked amount of loan.				
234.170	City of Wilmington - NSP - 607 E. 7th		1,007.30	
410.000	Revenue CDBG/HOME			1,007.30
Total			1,007.30	1,007.30
Adjusting Journal Entries JE # 1821		6011		
To adjust accountant's entry for HOME revenue for 716 Spruce St. which had been recorded as an NSP Note Payable.				
234.230	NSP City 716 Spruce		34,084.00	
410.000	Revenue CDBG/HOME			34,084.00
Total			34,084.00	34,084.00
Adjusting Journal Entries JE # 1822		6011		
To adjust accountant's entry for HOME revenue for 525 Vandever Ave. which had been recorded as an NSP Note Payable.				
234.250	COW NSP- 525 Vandever Ave		190,250.00	
410.000	Revenue CDBG/HOME			190,250.00
Total			190,250.00	190,250.00
Adjusting Journal Entries JE # 1823		2401		
To adjust estimated valuation allowance for Properties Held for Investment based on activity in 2018 and reclassification of a number of properties from "to be developed" to "disposal as is".				
402.010	Provisional losses for projects in process - RISE		3,786,004.95	
220.010	Accrued Losses - RISE			3,786,004.95
Total			3,786,004.95	3,786,004.95

Adjusting Journal Entries JE # 1824

To accrue amount due to the City for utilities and L&I fees for FY2018.

4707

687.000	Utilities		115,095.00		
205.000	Accounts Payable - City of Wilm			<u>115,095.00</u>	<u>115,095.00</u>
Total				<u>115,095.00</u>	<u>115,095.00</u>

Adjusting Journal Entries JE # 1825

To reverse PY amounts owed to the City, superceded by amounts in the Forbearance Agreement.

4707

205.000	Accounts Payable - City of Wilm		4,335.00		
687.000	Utilities			<u>4,335.00</u>	<u>4,335.00</u>
Total				<u>4,335.00</u>	<u>4,335.00</u>

Total Adjusting Journal Entries

<u><u>6,702,176.04</u></u>	<u><u>6,702,176.04</u></u>
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Total All Journal Entries

<u><u>6,702,176.04</u></u>	<u><u>6,702,176.04</u></u>
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