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33 pages.

BELFINT • LYONS • SHUMAN
Certified Public Accountants

**WILMINGTON HOUSING PARTNERSHIP
CORPORATION**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORTS,
AND SINGLE AUDIT**

JUNE 30, 2015 AND 2014

WILMINGTON HOUSING PARTNERSHIP CORPORATION
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Independent Auditors' Report

To the Board of Directors of
Wilmington Housing Partnership Corporation

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, 2015 and 2014, 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. Our 2015 audit was conducted in accordance with standards applicable to 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 auditors consider 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 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, 2015 and 2014, 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.

Other Matters

Other Information

Our audits were 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying schedules of program administrative expenses are presented for purposes of additional analysis and are not required parts 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 December 9, 2015 on our consideration of Wilmington Housing Partnership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Wilmington Housing Partnership Corporation's internal control over financial reporting and compliance.

Belfint, Lyons & Shurman, P.A.

December 9, 2015
Wilmington, Delaware

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS		
	2015	2014*
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 440,452	\$ 127,442
Pledges Receivable	287,476	157,003
Current Maturities of Notes Receivable	18,700	18,700
TOTAL CURRENT ASSETS	746,628	303,145
OTHER ASSETS		
Notes Receivable (Net of Current Maturities)	1,576,967	1,613,608
Advances Receivable - Net	-	22,150
Property Held for Development - Net	2,539,367	102,198
Capital Assets - Net	1,447	621
Loan Origination Fees - Net	18,417	33,150
TOTAL OTHER ASSETS	4,136,198	1,771,727
TOTAL ASSETS	\$ 4,882,826	\$ 2,074,872
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 339,167	\$ 174,998
Retainage Payable	50,827	46,485
TOTAL CURRENT LIABILITIES	389,994	221,483
OTHER LIABILITIES		
Loans Payable (Net of Current Maturities)	4,003,264	2,703,264
Conditional Grants - Notes Payable	258,377	-
TOTAL LIABILITIES	4,651,635	2,924,747
NET ASSETS		
Unrestricted - Accrued Subsidies on Property Held for Development	(3,324,039)	(4,209,827)
Unrestricted - Other	3,442,830	3,359,952
Unrestricted Net Assets	118,791	(849,875)
Temporarily Restricted	112,400	-
TOTAL NET ASSETS	231,191	(849,875)
TOTAL LIABILITIES AND NET ASSETS	\$ 4,882,826	\$ 2,074,872

* Restated

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Real Estate Sales			
Sales Revenue	\$ 605,558	\$ -	\$ 605,558
Cost of Sales and Accrued Subsidies	(795,373)	-	(795,373)
Total Real Estate Activity - Net	<u>(189,815)</u>	<u>-</u>	<u>(189,815)</u>
Other Support			
Contributions	640,975	112,400	753,375
Grants	1,341,465	-	1,341,465
Contributed Use of Facilities	30,929	-	30,929
Total Other Support	<u>2,013,369</u>	<u>112,400</u>	<u>2,125,769</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,823,554</u>	<u>112,400</u>	<u>1,935,954</u>
EXPENSES			
Property Planning, Predevelopment, and Maintenance	384,234	-	384,234
Program Administrative Expenses	417,575	-	417,575
Bad Debt Expense	22,150	-	22,150
Contributed Use of Facilities	30,929	-	30,929
TOTAL EXPENSES	<u>854,888</u>	<u>-</u>	<u>854,888</u>
CHANGE IN NET ASSETS	968,666	112,400	1,081,066
NET ASSETS - Beginning of Year	<u>(849,875)</u>	<u>-</u>	<u>(849,875)</u>
NET ASSETS - End of Year	<u>\$ 118,791</u>	<u>\$ 112,400</u>	<u>\$ 231,191</u>

* Restated

2014*		
<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Total</u>
\$ 780,567	\$ -	\$ 780,567
(1,773,336)	-	(1,773,336)
<u>(992,769)</u>	<u>-</u>	<u>(992,769)</u>
249,418	-	249,418
200,333	-	200,333
<u>-</u>	<u>-</u>	<u>-</u>
<u>449,751</u>	<u>-</u>	<u>449,751</u>
<u>(543,018)</u>	<u>-</u>	<u>(543,018)</u>
164,136	-	164,136
394,050	-	394,050
51,492	-	51,492
<u>-</u>	<u>-</u>	<u>-</u>
<u>609,678</u>	<u>-</u>	<u>609,678</u>
<u>(1,152,696)</u>	<u>-</u>	<u>(1,152,696)</u>
<u>302,821</u>	<u>-</u>	<u>302,821</u>
<u>\$ (849,875)</u>	<u>\$ -</u>	<u>\$ (849,875)</u>

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014*</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Real Estate Sales	\$ 605,558	\$ 780,567
Cash Received from Contributions, Grants, and Other	1,964,367	542,748
Collections on Notes Receivable	36,641	70,782
Cash Paid for Property Acquisition and Development	(3,164,957)	(1,450,145)
Cash Paid for Employee Costs	(313,184)	(303,891)
Cash Paid to Other Suppliers and Vendors	<u>(372,423)</u>	<u>(148,565)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>(1,243,998)</u>	<u>(508,504)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the Purchase of Capital Assets	<u>(1,369)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Capitalized Loan Origination Fees	-	(44,200)
Proceeds from Conditional Grants - Notes Payable	258,377	-
Proceeds from Loans Payable	<u>1,300,000</u>	<u>359,914</u>
NET CASH FROM FINANCING ACTIVITIES	<u>1,558,377</u>	<u>315,714</u>
CHANGE IN CASH AND CASH EQUIVALENTS	313,010	(192,790)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>127,442</u>	<u>320,232</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 440,452</u>	<u>\$ 127,442</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accounts Payable Incurred for Property Held for Development	<u>\$ 180,550</u>	<u>\$ 117,307</u>
Retainage Payable Incurred for Property Held for Development	<u>\$ 50,827</u>	<u>\$ 46,485</u>

* Restated

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014*</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 1,081,066</u>	<u>\$ (1,152,696)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	543	1,054
Amortization	14,733	11,050
Bad Debts on Notes Receivable	22,150	51,492
(Increase) Decrease in Assets		
Notes Receivable	36,641	70,782
Pledges Receivable	(130,473)	92,997
Property Held for Development (Net) (See Note 7)	(2,369,584)	376,652
Increase (Decrease) in Liabilities		
Accounts Payable	<u>100,926</u>	<u>40,165</u>
Total Adjustments	<u>(2,325,064)</u>	<u>644,192</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ (1,243,998)</u></u>	<u><u>\$ (508,504)</u></u>

*Restated

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

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015 and 2014 were \$3,324,039 and \$4,209,827, respectively.

Occasionally properties are acquired that are ultimately given away. These properties are valued at \$1. All costs related to these properties are expensed in the period incurred.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

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. Contributed use of facilities in the statements of activities is presented as a component of revenue and expenses based on this estimated value.

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 statement of financial position as of June 30, 2015 or 2014.

The Corporation's federal Forms 990 for the years ended June 30, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Advertising - Advertising costs are expensed as incurred. Advertising expense was \$2,550 and \$250 for the years ended June 30, 2015 and 2014, respectively.

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, 2015

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, 2015 and 2014, the amount uninsured was \$295,328 and \$11,881, respectively.

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, 2015 and 2014, pledges receivable consisted of grants from the City 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, 2015 and 2014 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:

	2015	2014
<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.	112,200	130,900
<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.	1,780,873	1,780,649
<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, 2015

NOTE 5: NOTES RECEIVABLE - CONTINUED

	2015	2014
<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.	<u>\$ 133,605</u>	<u>\$ 133,605</u>
Total Notes Receivable	2,228,678	2,247,154
Less: Current Maturities Notes Receivable	(18,700)	(18,700)
Notes Receivable (Net of Current Maturities)	<u>\$ 2,209,978</u>	<u>\$ 2,228,454</u>

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:

	2015	2014
Total Notes Receivable	<u>\$ 2,228,678</u>	<u>\$ 2,247,154</u>
Allowance for Uncollectible Accounts as of June 30		
Cameo Enterprises	66,125	66,125
LIDPSA/DPSA	297,406	279,241
Buyers of the Individual Units of the ALMAC Project	135,875	135,875
Buyers of WHDC Projects	133,605	133,605
Total Allowance for Uncollectible Accounts	633,011	614,846
Notes Receivable - Net of Allowance	<u>\$ 1,595,667</u>	<u>\$ 1,632,308</u>

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, 2015

NOTE 6: ADVANCES RECEIVABLE - CONTINUED

Advances receivable consisted of the following as of June 30:

Agency or Project Name	2015	2014
Cameo Enterprises	\$ -	\$ 22,150

NOTE 7: PROPERTY HELD FOR DEVELOPMENT

Property held for development consisted of the following:

	Capitalized Costs	Subsidy Allowance	Net Carrying Value
As of June 30, 2015			
Currently Being Developed	\$ 3,041,622	\$ (1,670,406)	\$ 1,371,216
Plans to Develop	1,739,683	(1,653,633)	86,050
No Planned Development	1,082,101	-	1,082,101
Properties Disposed of Prior to June 30, 2015	-	-	-
	\$ 5,863,406	\$ (3,324,039)	\$ 2,539,367
As of June 30, 2014			
Currently Being Developed	\$ 1,474,540	\$ (1,421,540)	\$ 53,000
Plans to Develop	823,763	(1,121,763)	(298,000)
No Planned Development	612,994	(927,796)	(314,802)
Properties Disposed of Prior to June 30, 2015	1,400,728	(738,728)	662,000
	\$ 4,312,025	\$ (4,209,827)	\$ 102,198

The subsidy allowance is determined by evaluating the current costs, future expected costs, and future expected proceeds from disposal of the property. During the year ended June 30, 2015, the Corporation changed its method for evaluating the estimated accrued subsidy allowance for properties in which no significant past development had occurred and no near term development plans exist. Under the current method 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. As a result, there was a decrease in the subsidy allowance during the year ended June 30, 2015.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

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:

	2015	2014
Number of Units Sold During the Year	12	13
Proceeds From Sales Revenue	\$ 605,558	\$ 780,567
Cost of Units Sold During the Year	(1,681,161)	(1,814,581)
Gross Profit (Loss) on Sales	(1,075,603)	(1,034,014)
Change in Accrued Subsidies on All Units	885,788	41,245
Total Real Estate Activity - Net	\$ (189,815)	\$ (992,769)

NOTE 8: LOANS PAYABLE

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, 2015 and 2014, the interest rate was 1.44%. 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, 2013 and was renewed through September 30, 2016. The balance on this loan was \$3,203,264 and \$1,903,264 as of June 30, 2015 and 2014, respectively.

During the year ended June 30, 2013, the Corporation established an unsecured credit agreement with Barclay's Bank, allowing the Corporation to borrow up to \$800,000 for the purchase of properties to be rehabilitated and sold. The interest rate for this loan is fixed and is equal to the sum of the applicable Federal Funds Rate plus 200 basis points. At no time will the fixed rate ever exceed 10%. Interest payments are due monthly. During the year ended June 30, 2015, the maturity date of this loan was extended to July 2018, at which time any unpaid balance becomes due. The outstanding balance on this loan was \$800,000 as of June 30, 2015 and 2014.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

NOTE 8: LOANS PAYABLE - CONTINUED

As of June 30, 2015, future principal maturities of loans payable are as follows:

<u>For the Years Ending June 30</u>	
2016	\$ -
2017	3,203,264
2018	-
2019	<u>800,000</u>
	<u><u>\$ 4,003,264</u></u>

NOTE 9: CONDITIONAL GRANTS - NOTES PAYABLE

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 Street and 527/529 Vandever Street in Wilmington, Delaware. Under the terms of the loan, 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 reverts to grant revenue. As such, the Corporation does not expect to repay the obligations. During the year ended June 30, 2015, the Corporation began renovating and drawing on the loans related to the two properties noted above. As of June 30, 2015 and 2014, the total outstanding balance of conditional grants from the City was \$258,377 and \$0, respectively.

NOTE 10: CAPITAL ASSETS

Capital assets consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Furniture and Fixtures	\$ 22,180	\$ 29,727
Less: Accumulated Depreciation	<u>(20,733)</u>	<u>(29,106)</u>
	<u><u>\$ 1,447</u></u>	<u><u>\$ 621</u></u>

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015

NOTE 11: LOAN ORIGINATION FEES

Loan origination fees consisted of the following as of June 30:

	2015	2014
Loan Origination Fees	\$ 44,200	\$ 44,200
Less: Accumulated Amortization	(25,783)	(11,050)
	\$ 18,417	\$ 33,150

NOTE 12: TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Eastside Housing Initiative	\$ 32,400	\$ -
Bennett Street Project	70,000	-
VFW Club Project	10,000	-
	\$ 112,400	\$ -

NOTE 13: 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, 2015, remaining contract commitments for contracts in progress totaled approximately \$160,000.

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, 2015

NOTE 14: RESTATEMENT AND RECLASSIFICATION

The Corporation has restated previously issued financial statements to more accurately reflect its financial position. The Corporation has entered into grant contracts with various government agencies that are on reimbursement basis. The Corporation recognizes revenue on the date that a request for reimbursement (an invoice) is sent to the applicable government agency. The adjustment to previously issued financial statements is to recognize a reimbursement request related to a City Home Grant for 800 North Spruce Street in the fiscal year ended June 30, 2014. This reimbursement was received in cash during the fiscal year ended June 30, 2015, but the request for such reimbursement, and incurrence of related costs, occurred in the prior year.

The following is an analysis of the restatement:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
For the Year Ended June 30, 2014			
Grant Revenue	\$ 126,663	\$ 200,333	\$ 73,670
Change in Net Assets	(1,226,366)	(1,152,696)	73,670
As of June 30, 2014			
Pledges Receivable	83,333	157,003	73,670
Unrestricted Net Assets	(923,545)	(849,875)	73,670

SUPPLEMENTAL INFORMATION

WILMINGTON HOUSING PARTNERSHIP CORPORATION
SCHEDULES OF PROGRAM ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Advertising	\$ 2,550	\$ 250
Consulting/Promotion Fees	500	8,499
Depreciation and Amortization	15,276	12,104
Dues and Subscriptions	1,963	2,499
Interest Expense	29,552	12,736
Legal and Accounting Fees	27,702	30,918
Meetings	7,133	8,423
Office Expense	6,602	5,034
Payroll - Employee Benefits	34,201	35,657
Payroll - Salaries	258,648	249,138
Payroll - Taxes	20,335	19,096
Postage	71	91
Printing	100	-
Public Relations	6,207	1,500
Taxes and Licenses	640	713
Training	-	1,319
Travel	6,095	6,073
	<u>6,095</u>	<u>6,073</u>
TOTAL PROGRAM ADMINISTRATIVE EXPENSES	<u><u>\$ 417,575</u></u>	<u><u>\$ 394,050</u></u>

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SINGLE AUDIT



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*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
Wilmington Housing Partnership Corporation

We have audited, in accordance with 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 Wilmington Housing Partnership Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 December 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wilmington Housing Partnership Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity'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 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.

To the Board of Directors
Wilmington Housing Partnership Corporation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilmington Housing Partnership Corporation'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 Corporation'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 Corporations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

December 9, 2015
Wilmington, Delaware



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***Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133***

To the Board of Directors
Wilmington Housing Partnership Corporation

Report on Compliance for Each Major Federal Program

We have audited Wilmington Housing Partnership Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wilmington Housing Partnership Corporation's major federal programs for the year ended June 30, 2015. Wilmington Housing Partnership Corporation'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Wilmington Housing Partnership Corporation'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Wilmington Housing Partnership Corporation'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 of Wilmington Housing Partnership Corporation's compliance.

To the Board of Directors
Wilmington Housing Partnership Corporation

Opinion on Each Major Federal Program

In our opinion, Wilmington Housing Partnership Corporation's complied, in all material respects, with the types 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 June 30, 2015.

Report on Internal Control Over Compliance

Management of Wilmington Housing Partnership Corporation 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, we considered Wilmington Housing Partnership Corporation'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Wilmington Housing Partnership Corporation'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 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.

To the Board of Directors
Wilmington Housing Partnership Corporation

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Belfint, Lyons & Shurman, P.A.

December 9, 2015
Wilmington, Delaware

**WILMINGTON HOUSING PARTNERSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA#</u>	<u>Expenditures</u>
Direct Programs		\$ -
Pass-Through Programs		
<u>Department of Housing and Urban Development</u>		
City of Wilmington		
Community Development Block Grants	14.228	258,377
Home Investment Partnership Program	14.239	<u>264,710</u>
Total Pass-Through Programs		<u>523,087</u>
Total Expenditures of Federal Awards		<u>\$ 523,087</u>

WILMINGTON HOUSING PARTNERSHIP CORPORATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wilmington Housing Partnership Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WILMINGTON HOUSING PARTNERSHIP CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: **Unmodified**

Internal Control Over Financial Reporting:

- Material Weakness(es) Identified? ___ Yes x No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? ___ Yes x No
- Noncompliance Material to Financial Statements Noted? ___ Yes x No

Federal Awards

Internal Control Over Major Programs:

- Material Weakness(es) Identified? ___ Yes x No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? ___ Yes x No

Type of Auditors' Report Issued on Compliance for Major Programs: **Unmodified**

Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of Circular A-133? ___ Yes x No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants
14.239	Home Investment Partnership Program

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? ___ Yes x No

WILMINGTON HOUSING PARTNERSHIP CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2015 AND 2014

II. FINDINGS

A. Current Year Findings - Financial Statements

There were no current year findings.

B. Current Year Findings - Federal Awards

There were no current year findings.

C. Prior Year Findings - Financial Statements

Not Applicable – No prior year Single Audit

D. Prior Year Findings - Federal Awards

Not Applicable – No prior year Single Audit

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