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**BELFINT • LYONS • SHUMAN**  
Certified Public Accountants

*34 pages.*

**WILMINGTON HOUSING PARTNERSHIP  
CORPORATION**

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

**JUNE 30, 2016 AND 2015**

*Draft (Subject to Change)*

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016 AND 2015**

	<u>Page No.</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	8
<b>Supplemental Information</b>	
Schedules of Program Administrative Expenses	18
<b>Single Audit</b>	
<b>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 <i>Government Auditing Standards</i></b>	20
<b>Independent Auditors' Report on Compliance for Each Major Program and on Internal     Control over Compliance Required by the Uniform Guidance</b>	22
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27



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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, 2016 and 2015, 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 and the 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 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, 2016 and 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 \_\_\_\_\_, 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

To the Board of Directors  
Wilmington Housing Partnership Corporation

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.

Insert Report Date  
Wilmington, Delaware

Draft (Subject to Change)

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

**ASSETS**

	<b>2016</b>	<b>2015</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 41,215	\$ 440,452
Pledges Receivable	176,500	287,476
Current Maturities of Notes Receivable	18,700	18,700
<b>TOTAL CURRENT ASSETS</b>	<b>236,415</b>	<b>746,628</b>
<b>OTHER ASSETS</b>		
Notes Receivable (Net of Current Maturities)	1,394,026	1,576,967
Advances Receivable - Net	43,222	-
Property Held for Development - Net	3,943,713	2,539,367
Capital Assets - Net	991	1,447
Loan Origination Fees - Net	3,683	18,417
<b>TOTAL OTHER ASSETS</b>	<b>5,385,635</b>	<b>4,136,198</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,622,050</b>	<b>\$ 4,882,826</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 186,784	\$ 339,167
Retainage Payable	58,391	50,827
<b>TOTAL CURRENT LIABILITIES</b>	<b>245,175</b>	<b>389,994</b>
<b>OTHER LIABILITIES</b>		
Loans Payable (Net of Current Maturities)	5,028,567	4,003,264
Conditional Grants - Notes Payable	860,820	258,377
<b>TOTAL OTHER LIABILITIES</b>	<b>5,889,387</b>	<b>4,261,641</b>
<b>TOTAL LIABILITIES</b>	<b>6,134,562</b>	<b>4,651,635</b>
<b>NET ASSETS</b>		
Unrestricted - Accrued Subsidies on Property Held for Development	(3,527,737)	(3,324,039)
Unrestricted - Other	2,935,025	3,442,830
Unrestricted Net Assets	(592,712)	118,791
Temporarily Restricted	80,200	112,400
<b>TOTAL NET ASSETS</b>	<b>(512,512)</b>	<b>231,191</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,622,050</b>	<b>\$ 4,882,826</b>

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



**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016		
	Unrestricted	Temporarily Unrestricted	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Real Estate Sales			
Sales Revenue	\$ 218,009	\$ -	\$ 218,009
Cost of Sales and Accrued Subsidies	(1,417,516)	(87,400)	(1,504,916)
Total Real Estate Activity - Net	(1,199,507)	(87,400)	(1,286,907)
Other Support			
Contributions	765,100	55,200	820,300
Grants	602,214	-	602,214
Contributed Use of Facilities	39,187	-	39,187
Total Other Support	1,406,501	55,200	1,461,701
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>206,994</b>	<b>(32,200)</b>	<b>174,794</b>
<b>EXPENSES</b>			
Property Planning, Predevelopment, and Maintenance	292,158	-	292,158
Program Administrative Expenses	444,816	-	444,816
Bad Debt Expense	142,336	-	142,336
Contributed Use of Facilities	39,187	-	39,187
<b>TOTAL EXPENSES</b>	<b>918,497</b>	<b>-</b>	<b>918,497</b>
<b>CHANGE IN NET ASSETS</b>	<b>(711,503)</b>	<b>(32,200)</b>	<b>(743,703)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>118,791</b>	<b>112,400</b>	<b>231,191</b>
<b>NET ASSETS - End of Year</b>	<b>\$ (592,712)</b>	<b>\$ 80,200</b>	<b>\$ (512,512)</b>

2015		
Unrestricted	Temporarily Unrestricted	Total
\$ 605,558	\$ -	\$ 605,558
(795,373)	-	(795,373)
(189,815)	-	(189,815)
640,975	112,400	753,375
1,341,465	-	1,341,465
30,929	-	30,929
2,013,369	112,400	2,125,769
1,823,554	112,400	1,935,954
384,234	-	384,234
417,575	-	417,575
22,150	-	22,150
30,929	-	30,929
854,888	-	854,888
968,666	112,400	1,081,066
(849,875)	-	(849,875)
<u>\$ 118,791</u>	<u>\$ 112,400</u>	<u>\$ 231,191</u>

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

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from Real Estate Sales	\$ 218,009	\$ 605,558
Cash Received from Contributions, Grants, and Other Support	1,533,490	1,964,367
Collections on Notes Receivable	40,605	36,641
Cash Paid for Property Acquisition and Development	(2,932,272)	(3,164,957)
Cash Paid for Employee Costs	(318,150)	(313,184)
Cash Paid to Other Suppliers and Vendors	(525,443)	(372,423)
	<u>(1,983,761)</u>	<u>(1,243,998)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances Made for the Development and Settlement of Properties	(43,222)	-
Payments for the Purchase of Capital Assets	-	(1,369)
	<u>(43,222)</u>	<u>(1,369)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Conditional Grants - Notes Payable	602,443	258,377
Proceeds from Loans Payable	1,025,303	1,300,000
	<u>1,627,746</u>	<u>1,558,377</u>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(399,237)	313,010
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>440,452</u>	<u>127,442</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 41,215</u>	<u>\$ 440,452</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accounts Payable Incurred for Property Held for Development	<u>\$ 149,976</u>	<u>\$ 180,550</u>
Retainage Payable Incurred for Property Held for Development	<u>\$ 58,391</u>	<u>\$ 50,827</u>

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



**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (743,703)	\$ 1,081,066
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	456	543
Amortization	14,734	14,733
Bad Debts on Notes Receivable	142,336	22,150
(Increase) Decrease in Assets		
Notes Receivable	40,605	36,641
Pledges Receivable	110,976	(130,473)
Property Held for Development (Net) (See Note 7)	(1,427,356)	(2,369,584)
Increase (Decrease) in Liabilities		
Accounts Payable	(121,809)	100,926
Total Adjustments	(1,240,058)	(2,325,064)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ (1,983,761)</b>	<b>\$ (1,243,998)</b>

Draft (Subject to Change)

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

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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, 2016 and 2015 were \$3,527,737 and \$3,324,039, 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, 2016**

**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 statements of financial position as of June 30, 2016 and 2015.

The Corporation's federal Forms 990 for the years ended June 30, 2013, 2014, and 2015 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 \$0 and \$2,550 for the years ended June 30, 2016 and 2015, 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, 2016**

**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, 2016 and 2015, the amount uninsured was \$0 and \$295,328, 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, 2016 and 2015, 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 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:

	2016	2015
<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.	93,500	112,200
<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.	1,758,968	1,780,873
<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

*W. P. O.*



**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 5: NOTES RECEIVABLE - CONTINUED**

	2016	2015
<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.	\$ 133,605	\$ 133,605
Total Notes Receivable	2,188,073	2,228,678
Less: Current Maturities Notes Receivable	(18,700)	(18,700)
Notes Receivable (Net of Current Maturities)	\$ 2,169,373	\$ 2,209,978

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:

	2016	2015
Total Notes Receivable	\$ 2,188,073	\$ 2,228,678
Allowance for Uncollectible Accounts as of June 30		
Cameo Enterprises	66,125	66,125
LIDPSA/DPSA	439,742	297,406
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	775,347	633,011
Notes Receivable - Net of Allowance	\$ 1,412,726	\$ 1,595,667

**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, 2016**

**NOTE 6: ADVANCES RECEIVABLE - CONTINUED**

Advances receivable consisted of the following as of June 30:

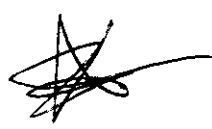
Agency or Project Name	2016	2015
Christina Overlook	\$ 43,222	\$ -

**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, 2016			
Currently Being Developed	\$ 2,278,517	\$ (1,232,024)	\$ 1,046,493
Plans to Develop	2,868,269	(2,295,713)	572,556
No Planned Development	2,324,664	-	2,324,664
	<u>\$ 7,471,450</u>	<u>\$ (3,527,737)</u>	<u>\$ 3,943,713</u>
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
	<u>\$ 5,863,406</u>	<u>\$ (3,324,039)</u>	<u>\$ 2,539,367</u>

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, 2016**

**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>2016</u>	<u>2015</u>
Number of Units Sold During the Year	<u>13</u>	<u>12</u>
Proceeds From Sales Revenue	\$ 218,009	\$ 605,558
Cost of Units Sold During the Year	<u>(1,301,218)</u>	<u>(1,681,161)</u>
Gross Profit (Loss) on Sales	(1,083,209)	(1,075,603)
Change in Accrued Subsidies on All Units	<u>(203,698)</u>	<u>885,788</u>
Total Real Estate Activity - Net	<u>\$ (1,286,907)</u>	<u>\$ (189,815)</u>

# unit

**NOTE 8: CAPITAL ASSETS**


Capital assets consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Furniture and Fixtures	\$ 22,180	\$ 22,180
Less: Accumulated Depreciation	<u>(21,189)</u>	<u>(20,733)</u>
	<u>\$ 991</u>	<u>\$ 1,447</u>

**NOTE 9: LOAN ORIGATION FEES**

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

	<u>2016</u>	<u>2015</u>
Loan Origination Fees	\$ 44,200	\$ 44,200
Less: Accumulated Amortization	<u>(40,517)</u>	<u>(25,783)</u>
	<u>\$ 3,683</u>	<u>\$ 18,417</u>



**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 10: 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, 2016 and 2015, the interest rates were 1.76% and 1.44%, 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 \$3,303,264 and \$3,203,264 as of June 30, 2016 and 2015, respectively.

The Corporation has three 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 payments are due 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, 2016	Balance Due as of June 30, 2015
\$ 800,000	July 2018	\$ 800,000	\$ 800,000
235,000	February 2019	100,000	-
11,000	February 2019	825,303	-
<u>\$ 1,046,000</u>		<u>\$ 1,725,303</u>	<u>\$ 800,000</u>

As of June 30, 2016, future principal maturities of loans payable, which include the effects of agreements refinanced subsequent to June 30, 2016 but prior to issuance of the financial statements, are as follows:

For the Years Ending June 30

2017	\$ -
2018	-
2019	1,725,303
2020	3,303,264
2021	-
	<u>\$ 5,028,567</u>

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2016**

**NOTE 11: 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 Avenue, 527/529 Vandever Avenue, 1007 Coleman Street, 607 E. 7<sup>th</sup> Street, 907 N. Church Street, 404 W. 30<sup>th</sup> Street, 1332 W. 5<sup>th</sup> Street, 406 W. 30<sup>th</sup> Street, and 706 Kirkwood 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, 2016, the Corporation renovated and drew on the loans related to the nine properties noted above. As of June 30, 2016 and 2015, the total outstanding balance of conditional grants from the City was \$860,820 and \$258,377, respectively. There were no home sales which resulted in loans converting to grants during the years ended June 30, 2016 and 2015.

**NOTE 12: TEMPORARILY RESTRICTED NET ASSETS**

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

	2016	2015
Eastside Housing Initiative	\$ -	\$ 32,400
Bennett Street Project	45,000	70,000
VFW Club Project	-	10,000
Vandever Avenue Project	35,200	-
	\$ 80,200	\$ 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, 2016, remaining contract commitments for contracts in progress totaled approximately \$95,000.

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.

SUPPLEMENTAL INFORMATION

Draft (Subject to Change)

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**SCHEDULES OF PROGRAM ADMINISTRATIVE EXPENSES**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Advertising	\$ -	\$ 2,550
Consulting/Promotion Fees	-	500
Depreciation and Amortization	15,190	15,276
Dues and Subscriptions	1,535	1,963
Interest Expense	39,074	29,552
Legal and Accounting Fees	41,960	27,702
Meetings	7,828	7,133
Office Expense	8,297	6,602
Payroll - Employee Benefits	37,197	34,201
Payroll - Salaries	264,558	258,648
Payroll - Taxes	20,595	20,335
Postage	54	71
Printing	-	100
Public Relations	280	6,207
Taxes and Licenses	514	640
Travel	7,737	6,095
	<u>          </u>	<u>          </u>
<b>TOTAL PROGRAM ADMINISTRATIVE EXPENSES</b>	<u>\$ 444,816</u>	<u>\$ 417,575</u>

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SINGLE AUDIT

Draft (Subject to Change)





***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, 2016, 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 \_\_\_\_\_.

***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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be significant deficiencies.

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*.

***Wilmington Housing Partnership Corporation's Response to Findings***

Wilmington Housing Partnership Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wilmington Housing Partnership Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Insert Report Date  
Wilmington, Delaware



***Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance***

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

To the Board of Directors  
Wilmington Housing Partnership Corporation

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.

***Opinion on Each Major Federal Program***

In our opinion, Wilmington Housing Partnership Corporation 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, 2016.

***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 of compliance, 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of this section 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Insert Report Date  
Wilmington, Delaware

Draft (Subject to Change)

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Program Title/Pass-Through Grantor</u>	<u>CFDA#</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
<b>Direct Programs</b>		\$ -	\$ -
<b>Pass-Through Programs</b>			
<u>Department of Housing and Urban Development</u>			
Community Development Block Grants City of Wilmington	14.218	163,581	-
Community Development Block Grants - Neighborhood Stabilization City of Wilmington	14.228	602,443	-
Home Investment Partnership Program City of Wilmington	14.239	72,785	-
<b>Total Pass-Through Programs</b>		<u>838,809</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 838,809</u>	<u>\$ -</u>

Draft (Subject to Change)

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Wilmington Housing Partnership Corporation under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the operations of Wilmington Housing Partnership Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wilmington Housing Partnership Corporation.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Wilmington Housing Partnership Corporation has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Draft (Subject to Change)

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of Auditors' Report Issued:

**Unmodified**

Internal Control Over Financial Reporting:

• Material Weakness(es) Identified?  Yes  No

• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?  Yes  No

Noncompliance Material to Financial Statements Noted?  Yes  No

**Federal Awards**

Internal Control Over Major Programs:

• Material Weakness(es) Identified?  Yes  No

• Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?  Yes  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  No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program

14.228

Community Development Block Grants -  
Neighborhood Stabilization

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

\$ 750,000

Auditee Qualified as Low-Risk Auditee?

Yes  No



**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2016 AND 2015**

**II. FINDINGS**

**A. Current Year Findings - Financial Statements**

**Reference Number:** 2016-001

**Type of Finding:** Significant Deficiency

**Financial Reporting Close Process**

*Condition:* Audit procedures revealed 19 auditor-proposed adjustments that were required to present the financial statements in accordance with accounting principles generally accepted in the United States of America. Accounting assistance was provided during the audit process affecting certain financial statement accounts that resulted in corrections posted by management. The nature of this assistance was primarily in the form of recognizing year-end accruals and adjustments for certain assets and liabilities. The following financial statement accounts were adjusted by a material amount during this process:

- Mortgages Receivable and Bad Debt Expense
- Pledges Receivable/Contribution and Grant Income
- Notes Payable/Contribution and Grant Income
- Property Held for Development/Cost of Sales/Property Development Costs
- Accounts Payable/Expenses
- Conditional Grants - Notes Payable

*Criteria:* The Corporation utilizes an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Cause:* The Corporation utilized the auditor to assist in adjusting the financial statement accounts.

*Effect:* Adjustments were required to correct misstatements.

*Recommendation:* We recommend the Corporation design period-end processes for the aforementioned accounts to attempt to reduce the quantity and materiality of audit adjustments.

*Views of Responsible Officials and Planned Corrective Actions:* We will work to implement the auditors' recommendation to reduce the number of audit adjustments needed.

**WILMINGTON HOUSING PARTNERSHIP CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2016 AND 2015**

**II. FINDINGS - CONTINUED**

**B. Current Year Findings - Federal Awards**

There were no current year findings.

**C. Prior Year Findings - Financial Statements**

There were no prior year findings.

**D. Prior Year Findings - Federal Awards**

There were no prior year findings.

Draft (Subject to Change)



*BLS*

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