

**Wayne Metropolitan Community Action Agency  
and Affiliates  
Detroit, Michigan**

**CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2015 and 2014**

Wayne Metropolitan Community Action Agency and Affiliates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wayne Metropolitan Community Action Agency  
and Affiliates  
Detroit, Michigan

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Wayne Metropolitan Community Action Agency and Affiliates, which comprise the consolidated balance sheet as of September 30, 2015, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wayne Metropolitan Community Action Agency and Affiliates as of September 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The consolidated financial statements of Wayne Metropolitan Community Action Agency and Affiliates as of September 30, 2014 were audited by other auditors whose report dated February 13, 2015 expressed an unmodified opinion on those statements.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of activities are presented for purposes of additional analysis and are not required parts of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 12, 2016, on our consideration of Wayne Metropolitan Community Action Agency and Affiliates' 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 Wayne Metropolitan Community Action Agency and Affiliates' internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 12, 2016

## **CONSOLIDATED FINANCIAL STATEMENTS**

## Wayne Metropolitan Community Action Agency and Affiliates

## CONSOLIDATED BALANCE SHEETS

September 30, 2015

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 659,279	\$ 283,754
Cash - restricted	96,476	139,601
Receivables	2,934,032	4,812,768
Prepaid expenses	<u>67,528</u>	<u>69,221</u>
Total current assets	3,757,315	5,305,344
Noncurrent assets		
Funded reserves	725,937	264,743
Construction in progress	65,722	52,417
Property and equipment - net of accumulated depreciation	22,058,057	18,618,317
Deferred costs - net of accumulated amortization	<u>10,043</u>	<u>12,553</u>
TOTAL ASSETS	<u>\$ 26,617,074</u>	<u>\$ 24,253,374</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 3,029,191	\$ 3,028,016
Line of credit	1,107,272	2,220,107
Current portion of notes payable	534,345	3,865,624
Deferred revenue	1,515,864	1,273,698
Accrued liabilities	<u>1,048,044</u>	<u>611,011</u>
Total current liabilities	7,234,716	10,998,456
Noncurrent liabilities		
Noncurrent portion of notes payable	<u>7,640,041</u>	<u>7,399,722</u>
TOTAL LIABILITIES	14,874,757	18,398,178
<b>NET ASSETS</b>		
Unrestricted		
Controlling interest	2,512,184	1,861,586
Noncontrolling interest	<u>9,230,133</u>	<u>3,993,610</u>
TOTAL NET ASSETS	<u>11,742,317</u>	<u>5,855,196</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,617,074</u>	<u>\$ 24,253,374</u>

## Wayne Metropolitan Community Action Agency and Affiliates

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended September 30, 2015

	Unrestricted	
	2015	2014
<b>SUPPORT AND REVENUE</b>		
Michigan Department of Human Services	\$ 10,681,616	\$ 12,712,597
Wayne County Head Start	6,026,480	6,677,225
Michigan Community Action Agency Association	3,726,468	2,356,742
U.S. Department of Housing and Urban Development	1,912,328	1,716,118
Michigan Department of Education	1,614,351	2,016,307
United Way	762,581	357,470
Other revenue	883,064	1,385,684
U.S. Department of Veteran Affairs	693,971	580,273
Paczki Properties	70,884	-
DTE Energy	340,008	-
Michigan State Housing Development Authority	452,456	525,351
Rental income	184,931	215,197
Wayne County Community Mental Health	220,679	255,973
JP Morgan Chase	90,098	-
Excellent Construction	186,952	420,074
U.S. Department of Health and Human Services	12,011	122,781
Walmart Foundation	50,000	-
Michigan Muslim Community Council	50,000	-
U.S. Department of Treasury	44,063	-
Fifth Third Bank	26,225	-
Plymouth Housing Commission	43,590	-
Barbara Bush Foundation	44,627	-
Kellogg Foundation	40,850	-
City of Melvindale	-	179,569
Wayne County Home and Economic Development	-	118,362
Wayne County - CDBG	-	16,530
<b>TOTAL SUPPORT AND REVENUE</b>	<b>28,158,232</b>	<b>29,656,253</b>
<b>EXPENSES</b>		
<b>Programs</b>		
CONNECT - Crisis and Emergency Intervention	5,594,667	-
ENGAGE - Stabilizing Supports	10,638,335	-
BUILD - Resource and Skill Building	8,811,429	-
THRIVE - Self-Driven Planning and Goal Attainment	1,125,242	-
Homeless services	-	3,578,525
Youth and family programs	-	6,655,553
Community development	-	4,689,961
Basic needs	-	9,961,707
Stability and life skills	-	2,257,612
<b>Total programs</b>	<b>26,169,673</b>	<b>27,143,358</b>
General and administrative - agency support costs	1,683,350	2,427,220
<b>TOTAL EXPENSES</b>	<b>27,853,023</b>	<b>29,570,578</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 305,209</b>	<b>\$ 85,675</b>

Wayne Metropolitan Community Action Agency and Affiliates  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
Years Ended September 30, 2015

	Wayne Metropolitan Community Action Agency and Subsidiaries	Raupp LDHA	Lincoln Park Lofts LDHA	Total
Balance - October 1, 2013	\$ 1,337,424	\$ 2,156,501	\$ 2,275,596	\$ 5,769,521
Change in unrestricted net assets	<u>524,162</u>	<u>(438,487)</u>	<u>-</u>	<u>85,675</u>
Balance - September 30, 2014	1,861,586	1,718,014	2,275,596	5,855,196
Partner capital contributions	-	-	5,581,912	5,581,912
Change in unrestricted net assets	<u>650,598</u>	<u>(198,111)</u>	<u>(147,278)</u>	<u>305,209</u>
Balance - September 30, 2015	<u><u>\$ 2,512,184</u></u>	<u><u>\$ 1,519,903</u></u>	<u><u>\$ 7,710,230</u></u>	<u><u>\$ 11,742,317</u></u>



## Wayne Metropolitan Community Action Agency and Affiliates

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 305,209	\$ 85,675
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	590,054	382,844
Amortization	2,510	2,510
(Increase) decrease in:		
Grants receivable	1,878,736	(697,877)
Prepaid expenses	1,693	14,488
Increase (decrease) in:		
Accounts payable and accrued compensation	438,208	185,953
Funded reserves	(461,194)	(23,753)
Deferred cost	2,510	5,022
Deferred revenue	242,166	546,351
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,999,892</u>	<u>501,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,045,609)</u>	<u>(5,216,912)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(4,045,609)</u>	<u>(5,216,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	(3,345,960)	-
Proceeds from notes payable	255,000	4,275,304
Proceeds from (repayments to) related lines of credit - net	-	370,235
Advances from lines of credit	17,312,960	-
Repayments on line of credit	(18,425,795)	-
Partner capital contributions	5,581,912	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,378,117</u>	<u>4,645,539</u>
Net increase (decrease) in cash and cash equivalents	332,400	(70,160)
Cash and cash equivalents - beginning of year	<u>423,355</u>	<u>493,515</u>
Cash and cash equivalents - end of year	<u>\$ 755,755</u>	<u>\$ 423,355</u>
Cash paid for interest	<u>\$ 297,248</u>	<u>\$ 272,882</u>
Cash	\$ 659,279	\$ 283,754
Cash - restricted	<u>96,476</u>	<u>139,601</u>
Total	<u>\$ 755,755</u>	<u>\$ 423,355</u>

Wayne Metropolitan Community Action Agency and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE A: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Wayne Metropolitan Community Action Agency (Wayne Metro) is a Michigan nonprofit corporation created to plan, establish, coordinate, and carry out programs to promote the health, education, and welfare of Wayne County residents.

Excellent Construction, LLC (Excellent) is a single-member limited liability company in which Wayne Metro is the sole member. Excellent maintains accounts for Wayne Metro's affordable residential housing construction activity.

Biddle Management, LLC (Biddle) is a single-member limited liability company in which Wayne Metro is the sole member. Biddle provides contract monitoring and compliance services.

Paczki Properties, LLC (Paczki) is a limited liability company of which Biddle is a 99.99 percent member. Paczki is a property holding company. The .01 percent member is PNC Bank, through which Paczki has a mortgage note payable (see Note C).

Raupp Street Housing, Inc. (Raupp Housing) is a single-member limited liability company in which Wayne Metro is the sole member. Raupp Housing was created to hold a .01 percent general partnership interest in Raupp Street Housing Limited Dividend Housing Association Limited Partnership (Raupp LDHA) and oversee the development of an affordable housing project constructed by Raupp LDHA. As general partner, Raupp Housing is guarantor of the project obligations and may also be obligated to repay creditors of the limited partnership under normal partnership requirements. All activity and balances of Raupp Housing are passed through to its sole member, Wayne Metro.

Raupp Street Housing Limited Dividend Housing Association Limited Partnership (Raupp LDHA) was formed as a limited partnership in August 2006 to acquire an interest in real property and to purchase, construct, develop, maintain, and operate an affordable housing complex consisting of 24 units located in Melvindale, Michigan. Raupp LDHA has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42.

Fort Street Housing, Inc. (Fort Street Housing) is a single-member limited liability company in which Wayne Metro is the sole member. Fort Street Housing was created to hold a .01 percent general partnership interest in Lincoln Park Lofts Limited Dividend Housing Association Limited Partnership (Lincoln Park LDHA) and oversee the development of an affordable housing project constructed by Lincoln Park LDHA. As general partner, Fort Street Housing is guarantor of the project obligations and may also be obligated to repay creditors of the limited partnership under normal partnership requirements. All activity and balances of Fort Street Housing are passed through to its sole member, Wayne Metro. During 2015 and 2014, there was no activity for Fort Street Housing.

Lincoln Park Lofts Limited Dividend Housing Association Limited Partnership (Lincoln Park LDHA) was formed as a limited partnership in May 2009 to acquire an interest in real property and to purchase, construct, develop, maintain, and operate an affordable housing complex located in Lincoln Park, Michigan. Lincoln Park LDHA qualified for and was allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42.

The entities referred to above are collectively referred to as the "Organization." Sources of revenue are principally derived from federal, state, and local grants, contributions, and construction-related activities.

A summary of the significant accounting policies is as follows:

Principles of Consolidation - The consolidated financial statements include the wholly owned and majority-owned subsidiaries of Wayne Metro as well as variable interest entities (VIE) Raupp LDHA and Lincoln Park Lofts LDHA, for which Wayne Metro is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated upon consolidation. Raupp LDHA had assets of \$3,850,008 and \$3,995,554 and liabilities of \$2,330,105 and \$2,277,540 at September 30, 2015 and 2014, respectively. Lincoln Park Lofts LDHA had assets of \$12,620,531 and \$9,624,740 and liabilities of \$4,260,301 and \$6,949,144 at September 30, 2015 and 2014, respectively.

Wayne Metropolitan Community Action Agency and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE A: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents - Cash consists of checking and savings accounts. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash - The Organization has agreed to maintain bank accounts funded by federal programs under the terms of the grant agreements. At September 30, 2015 and 2014, \$96,476 and \$139,601, respectively, of cash is restricted for that purpose.

Receivables - Receivables represent amounts due from granting agencies for expenses incurred in conjunction with grant agreements stated at reimbursable invoice amounts as well as grant monies awarded and due at year end from federal and local funding units. Also included in receivables are tenant accounts receivable that are stated at net rent amounts. An allowance has not been established on a consolidated basis as management considers all receivables to be fully collectible. Any amounts that are subsequently deemed to be uncollectible will be written off in the period they become uncollectible.

Construction in Progress - The Organization has been contracted by local municipalities, governmental agencies, and other nonprofit groups to build affordable homes for low to moderate income families. Construction revenue is recognized on the completed contract method. Under this method, revenue, direct construction costs, and related indirect costs are recognized upon the closing of a sale. Contracts are short term and this method of accounting does not result in a significant variation of reporting from the percentage-of-completion method. Construction costs consist of several affordable housing projects that are being rehabilitated. Projects are located throughout Wayne County. Construction in progress presented on the consolidated balance sheet does not include the construction activity related to Lincoln Park Lofts, which is included in property and equipment.

Funded Reserves - Per the Raupp LDHA partnership agreement, it is required to maintain and fund a replacement and operating reserve. As of September 30, 2015 and 2014, these reserves have been funded at an amount of \$263,619 and \$249,186, respectively. Per the Lincoln Park Lofts LDHA partnership agreement, it is required to maintain and fund a replacement and operating reserve. As of September 30, 2015 and 2014, these reserves have been funded at \$445,735 and \$-0-, respectively. Wayne Metro also has a replacement reserve requirement of \$1,500 per year pertaining to its Visger Supportive Housing project from Michigan State Housing Development Authority (MSHDA). This accumulated amount has been funded at September 30, 2015 and 2014 for \$16,583 and \$15,557, respectively.

Property and Equipment - All equipment of Wayne Metro has been purchased with state or federal money and, as such, ultimate title rests with the funder. Wayne Metro tracks and safeguards the assets. The Organization has several buildings that are recorded at cost when purchased and/or constructed or at fair value at the date of donation. Depreciation on the building, furniture, and fixtures is computed using the straight-line method over the useful lives of the asset (3-20 years for furniture/equipment and 15-40 years for building and building improvements). Costs of maintenance and repairs are charged to expense when incurred.

Deferred Costs - Included in deferred revenue are tax credit fees of \$25,103 as of September 30, 2015 and 2014, which are amortized over the tax credit compliance term. Accumulated amortization for the years ended September 30, 2015 and 2014 was \$15,060 and \$12,550, respectively.

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. All net assets as of September 30, 2015 and 2014 are considered unrestricted.

Wayne Metropolitan Community Action Agency and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE A: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Grant/Deferred Revenue - Grant revenue is recognized as it is expended. Grant money received in excess of that expended is recorded as deferred revenue.

Rental Income - Wayne Metro, Lincoln Park LDHA, and Raupp LDHA record apartment rental revenue. Units that are designated for occupancy by eligible low-income tenants under a Section 8 Housing Assistance Payment Contract require tenants to contribute a portion of the contract rent based on formulas prescribed by the U.S. Department of Housing and Urban Development (HUD). Housing assistance payments are received for the balance of contract rent from HUD. The current contract with HUD expires on February 28, 2025.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the consolidated statements of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Federal Income Taxes - Wayne Metro is exempt from income tax as provided for under Internal Revenue Code Section 501 (c)(3). The income and losses of Excellent, Biddle, Lincoln Park Lofts, and Raupp Housing are allocated fully to Wayne Metro and reported in its tax return. The income and losses of Paczki, Lincoln Park LDHA, and Raupp LDHA are allocated to the partners and reported on their respective tax returns. The activities of Excellent, Biddle, Paczki, Lincoln Park Lofts, Lincoln Park LDHA, Raupp Housing, and Raupp LDHA are within the exempt purpose of Wayne Metro.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to 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 consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification - Certain reclassifications were made to amounts in the 2014 consolidated financial statements to conform to the classifications used in 2015. These reclassifications related to changes in presentation of restricted cash.

Impairment or Disposal of Long-lived Assets - The Organization reviews the recoverability of long-lived assets, including buildings, equipment, internal-use software, and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. No impairment was recognized for 2015 or 2014.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up to and including February 12, 2016, which is the date the consolidated financial statements were available to be issued.

Wayne Metropolitan Community Action Agency and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE B: PROPERTY AND EQUIPMENT**

The cost of property and equipment is summarized as follows as of September 30, 2015:

	Wayne Metropolitan Community Action Agency	Excellent Construction, LLC	Paczki Properties, LLC	Lincoln Park Lofts LDHA	Raupp LDHA	Total	
						2015	2014
Land	\$ 59,390	\$ 1,000	\$ 1,307,409	\$ 215,000	\$ 435,000	\$ 2,017,799	\$ 1,967,799
Building and building improvements	640,000	-	5,550,741	12,179,082	4,086,758	22,456,581	18,476,787
Furniture and fixtures	230,122	-	-	-	125,544	355,666	355,666
Total cost	929,512	1,000	6,858,150	12,394,082	4,647,302	24,830,046	20,800,252
Accumulated depreciation	(358,122)	-	(1,069,791)	(221,439)	(1,122,637)	(2,771,989)	(2,181,935)
Net property and equipment	\$ 571,390	\$ 1,000	\$ 5,788,359	\$ 12,172,643	\$ 3,524,665	\$ 22,058,057	\$ 18,618,317

Depreciation expense was \$590,054 and \$382,844 for 2015 and 2014, respectively.

**NOTE C: NOTES PAYABLE AND LINE OF CREDIT**

Wayne Metropolitan Community Action Agency has a line of credit with PNC Bank in the amount of \$2,900,000. The line bears interest at a rate based on the bank's prime rate, 3.34 percent at September 30, 2015 (daily LIBOR plus 3.25). The line is collateralized by all personal property of Wayne Metro and provides working capital for general operations. The amounts as of September 30, 2015 and 2014 were \$1,107,272 and \$2,220,107, respectively. Interest is due monthly, with the principal due on demand. The loan matures in March 2016.

	2015	2014
Wayne Metro has received two loans from the Michigan State Housing Development Authority and Wayne County in the amount of \$180,000 each for Visger Road Supportive Housing project. This project also serves as collateral for the loans. As of September 30, 2015, the obligations bear no interest and are not required to be repaid as long as the housing continues to be used as affordable housing, as outlined in the Organization's application of program funds, for a period of 20 years from the date of completion. It is the Organization's intent to comply with the time requirement. However, based on the restriction of the loans, the amount has been recorded as an obligation of the Organization.	\$ 360,000	\$ 360,000
Raupp LDHA has received loans from the Michigan State Housing Development Authority in the amount of \$1,298,700 with an implied monthly interest rate of 3.25 percent and Wayne County in the amount of \$470,000 with an implied monthly interest rate of 1.50 percent for the Raupp 24-unit affordable housing complex. This project also serves as collateral for the loans. As of September 30, 2015, the obligations are not required to be repaid as long as the housing continues to be used as affordable housing, as outlined in the Organization's application of program funds, for a period of 50 years from the date of completion. It is the Organization's intent to comply with the time requirement. However, based on the restriction of the loans, the amount has been recorded as an obligation of the Organization.	1,768,700	1,768,700

## Wayne Metropolitan Community Action Agency and Affiliates

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE C: NOTES PAYABLE AND LINE OF CREDIT - CONTINUED**

	<u>2015</u>	<u>2014</u>
Wayne Metro has a land contract with D-M Company for the building located at 2121 Biddle Avenue. This land contract has been assigned to Paczki Properties, LLC and is collateralized by real estate. The note has a fixed rate of interest of 5.0 percent. The note matures in July 2038.	\$ 3,066,124	\$ 3,136,366
Paczki has a mortgage note payable with PNC Bank. The loan is collateralized by the early childhood center. The note was refinanced in March 2014 over a five year term with one loan in the amount of \$608,000 and a second loan in the amount of \$267,824 with fixed interest rates of 5.1 and 4.4 percent, respectively. Biddle and Wayne-Metro have guaranteed the debt.	759,941	838,213
Lincoln Park LDHA has a construction line of credit with Key Bank in the amount of \$6,225,000. The line bears interest 3.25 percent. The line provides financing for housing construction. The debt is guaranteed by the housing project. The loan matures in fiscal year 2016.	358,121	3,535,167
Lincoln Park LDHA has received loans from the Michigan State Housing Development Authority in the amount of \$1,100,000 with an implied monthly interest rate of 3 percent and Wayne County in the amount of \$600,000 with a monthly interest rate of 1.50 percent for the affordable housing complex in Lincoln Park, Michigan. This project also serves as collateral for the loans. As of September 30, 2015, the obligations are not required to be repaid as long as the housing continues to be used as affordable housing, as outlined in the Organization's application of program funds, for a period of 50 years from the date of completion. It is the Organization's intent to comply with the time requirement. However, based on the restriction of the loans, the amount has been recorded as an obligation of the Organization.	1,700,000	1,445,000
PNC Development Corporation loaned \$340,000 as a construction loan to Paczki, in which it is a limited partner. The purpose of this investment was to provide additional capital for the construction of the early childhood center located in the City of Hamtramck. The center serves as collateral for the loan. This loan is noninterest-bearing and is payable on demand.	161,500	181,900
Total	8,174,386	11,265,346
Less current portion	534,345	3,865,624
Long-term portion	<u>\$ 7,640,041</u>	<u>\$ 7,399,722</u>

Wayne Metropolitan Community Action Agency and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE C: NOTES PAYABLE AND LINE OF CREDIT - CONTINUED**

The balance of the above note payable debt matures as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 534,345
2017	184,057
2018	192,179
2019	607,873
2020	110,546
Thereafter	<u>6,545,386</u>
	<u><u>\$ 8,174,386</u></u>

Interest expense was \$382,366 and \$577,870 for 2015 and 2014, respectively.

**NOTE D: MINIMUM FUTURE RENTALS**

Wayne Metro and Paczki are parties in several operating leases for land, copiers, and facilities. The lease expenses were approximately \$792,000 and \$732,000 for the years ended September 30, 2015 and 2014, respectively. The minimum future lease commitments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 588,926
2017	395,266
2018	387,267
2019	<u>307,007</u>
	<u><u>\$ 1,678,466</u></u>

Paczki was the lessee in a 99-year lease with the City of Hamtramck that expires in 2104. Annual lease payments were \$12,984 and \$21,956, respectively, in 2015 and 2014. In May 2015, Paczki exercised its option to buy out the lease for \$1 with the City of Hamtramck and the ownership is currently in the process of being transferred to Paczki for the building at 12031 Mitchell.

**NOTE E: RETIREMENT PLAN**

Wayne Metro maintains a 401(k) plan. Under this plan, employees with at least one year of service, defined as 1,000 hours, and who are 18 years of age or older can elect to have a portion of their wages deferred and set aside for retirement. Nondiscretionary contributions are also made by Wayne Metro as a direct match, up to a maximum of 6 percent of eligible employees' gross wages. Wayne Metro's contributions to the plan totaled \$419,039 and \$329,255 for the years ended September 30, 2015 and 2014, respectively.

## Wayne Metropolitan Community Action Agency and Affiliates

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2015

**NOTE F: INFORMATION ABOUT VARIABLE INTEREST ENTITIES**

Raupp LDHA and Lincoln Park Lofts LDHA are considered to be variable interest entities because Wayne Metro is the general partner and is responsible for the day-to-day operations of the partnerships.

Wayne Metro determined that it is the primary beneficiary of Raupp LDHA and Lincoln Park Lofts LDHA because the general partner (Wayne Metro) has guaranteed the obligations of the partnerships. The LDHAs may also be obligated to repay creditors of the partnerships under normal partnership requirements. The general partner is also required to loan to the partnerships the funds to pay any operating deficits prior to the project achieving break-even operations.

Included in the consolidated balance sheet as of 2015 and 2014 are the following amounts related to Raupp LDHA and Lincoln Park Lofts LDHA:

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 53,834	\$ 62,787
Fixed assets	15,697,308	12,236,547
Other assets	<u>69,397</u>	<u>261,739</u>
Total assets	<u>\$ 15,820,539</u>	<u>\$ 12,561,073</u>
Liabilities:		
Current liabilities	\$ 3,121,706	\$ 5,353,763
Long-term debt	<u>3,468,700</u>	<u>3,213,700</u>
Total liabilities	<u>\$ 6,590,406</u>	<u>\$ 8,567,463</u>
Equity - Noncontrolling interest	<u>\$ 9,230,133</u>	<u>\$ 3,993,610</u>

As of September 30, 2015 and 2014, Raupp LDHA had bank debt obligations totaling \$1,768,700 for an affordable housing complex project. The project serves as collateral for the debt obligations.

Lincoln Park LDHA had fixed assets totaling \$12,172,643 and \$12,236,547 at September 30, 2015 and 2014, respectively, related to the construction of the Lincoln Park Lofts (the "Lofts"), an affordable housing complex project. The project is included in long-term assets because it is held for long-term use in the operations of Lincoln Park LDHA. The Lofts were placed into service during fiscal year 2015 and are generating rental revenue. The Lofts serve as collateral on Lincoln Park LDHA's bank debt obligations totaling \$1,700,000 and \$650,000 and a construction line of credit totaling \$358,121 and \$3,535,167 at September 30, 2015 and 2014, respectively. The construction line of credit of \$358,121 is expected to be repaid in fiscal year 2016 with scheduled partner capital contributions. The bank debt obligation of \$1.7 million is not required to be repaid as long as the housing continues to be used as affordable housing for a period of 50 years, as disclosed in Note C.

**NOTE G: RELIANCE ON FUNDING SOURCES**

Wayne Metro receives a substantial amount of its support from Federal and State grant revenues. A significant reduction in the level of this support, if it were to occur, would have an effect on its programs and activities.



## **SUPPLEMENTARY INFORMATION**

## Wayne Metropolitan Community Action Agency and Affiliates

## CONSOLIDATING BALANCE SHEET

September 30, 2015

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC	Paczki Properties, LLC
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 162,432	\$ 24,511	\$ 27,378	\$ 319,808
Cash - restricted	96,476	-	-	-
Receivables	3,317,458	80	-	4,000
Prepaid expenses	29,640	-	-	-
Due to/due from	<u>2,420,188</u>	<u>90,789</u>	<u>(637,002)</u>	<u>(1,728,868)</u>
Total current assets	6,026,194	115,380	(609,624)	(1,405,060)
Noncurrent assets				
Funded reserves	16,583	-	-	-
Construction in progress	-	-	65,722	-
Investments	650,000	-	-	-
Property and equipment - net of accumulated depreciation	571,390	-	1,000	5,788,359
Deferred costs - net of accumulated amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,264,167</u></u>	<u><u>\$ 115,380</u></u>	<u><u>\$ (542,902)</u></u>	<u><u>\$ 4,383,299</u></u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 1,006,273	\$ -	\$ 7,885	\$ 41,711
Line of credit	1,107,272	-	-	-
Current portion of notes payable	-	-	-	176,224
Deferred revenue	1,453,012	10,754	16,011	-
Accrued liabilities	<u>656,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	4,222,937	10,754	23,896	217,935
Noncurrent liabilities				
Noncurrent portion of notes payable	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>3,811,341</u>
<b>TOTAL LIABILITIES</b>	4,582,937	10,754	23,896	4,029,276
<b>NET ASSETS</b>				
Unrestricted				
Controlling Interest	2,681,230	104,626	(566,798)	354,023
Noncontrolling Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,264,167</u></u>	<u><u>\$ 115,380</u></u>	<u><u>\$ (542,902)</u></u>	<u><u>\$ 4,383,299</u></u>

Total Wayne Metropolitan Community Action Agency and Subsidiaries	Raupp LDHA	Lincoln Park Lofts LDHA	Eliminating Entries	Total
\$ 534,129	\$ 56,684	\$ 68,466	\$ -	\$ 659,279
96,476	-	-	-	96,476
3,321,538	5,563	30,340	(423,409)	2,934,032
29,640	10,893	26,995	-	67,528
145,107	(21,459)	(123,648)	-	-0-
4,126,890	51,681	2,153	(423,409)	3,757,315
16,583	263,619	445,735	-	725,937
65,722	-	-	-	65,722
650,000	-	-	(650,000)	-0-
6,360,749	3,524,665	12,172,643	-	22,058,057
-	10,043	-	-	10,043
<u>\$ 11,219,944</u>	<u>\$ 3,850,008</u>	<u>\$ 12,620,531</u>	<u>\$ (1,073,409)</u>	<u>\$ 26,617,074</u>
\$ 1,055,869	\$ 209,319	\$ 2,126,515	\$ (362,512)	\$ 3,029,191
1,107,272	-	-	-	1,107,272
176,224	-	358,121	-	534,345
1,479,777	11,285	24,802	-	1,515,864
656,380	340,801	50,863	-	1,048,044
4,475,522	561,405	2,560,301	(362,512)	7,234,716
4,171,341	1,768,700	1,700,000	-	7,640,041
8,646,863	2,330,105	4,260,301	(362,512)	14,874,757
2,573,081	-	-	(60,897)	2,512,184
-	1,519,903	8,360,230	(650,000)	9,230,133
<u>\$ 11,219,944</u>	<u>\$ 3,850,008</u>	<u>\$ 12,620,531</u>	<u>\$ (1,073,409)</u>	<u>\$ 26,617,074</u>

## Wayne Metropolitan Community Action Agency and Affiliates

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC
<b>SUPPORT AND REVENUE</b>			
Michigan Department of Human Services	\$ 10,681,616	\$ -	\$ -
Wayne County Head Start	6,026,480	-	-
Michigan Community Action Agency Association	3,726,468	-	-
U.S. Department of Housing and Urban Development	1,912,328	-	-
Michigan Department of Education	1,614,351	-	-
United Way	762,581	-	-
Other revenue	499,842	3,500	-
U.S. Department of Veteran Affairs	693,971	-	-
Paczki Properties	-	-	-
DTE Energy	340,008	-	-
Michigan State Housing Development Authority	452,456	-	-
Rental income	184,931	-	-
Wayne County Community Mental Health	220,679	-	-
JP Morgan Chase	90,098	-	-
Excellent Construction	-	-	186,952
U.S. Department of Health and Human Services	12,011	-	-
Walmart Foundation	50,000	-	-
Michigan Muslim Community Council	50,000	-	-
U.S. Department of Treasury	44,063	-	-
Fifth Third Bank	26,225	-	-
Plymouth Housing Commission	43,590	-	-
Barbara Bush Foundation	44,627	-	-
Kellogg Foundation	40,850	-	-
	<u>27,517,174</u>	<u>3,500</u>	<u>186,952</u>
Total support and revenue			
<b>EXPENSES</b>			
Salaries	9,114,802	-	-
Employee benefits	3,049,160	-	-
Occupancy	1,805,202	-	5,267
Communication	566,243	-	54
Supplies	1,035,880	732	-
Travel	307,399	-	8,178
Contractual services	1,490,423	420	-
Construction costs	29,627	-	181,978
Specific assistance	8,948,253	-	-
Other costs	566,511	464	6,238
	<u>26,913,500</u>	<u>1,616</u>	<u>201,715</u>
Total expenses			
Change in net assets	<u>\$ 603,674</u>	<u>\$ 1,884</u>	<u>\$ (14,763)</u>

Paczki Properties, LLC	Total Wayne Metropolitan Community Action Agency and Subsidiaries	Raupp LDHA	Lincoln Park Lofts LDHA	Eliminating Entries	Total
\$ -	\$ 10,681,616	\$ -	\$ -	\$ -	\$ 10,681,616
-	6,026,480	-	-	-	6,026,480
-	3,726,468	-	-	-	3,726,468
-	1,912,328	-	-	-	1,912,328
-	1,614,351	-	-	-	1,614,351
-	762,581	-	-	-	762,581
-	503,342	153,012	226,710	-	883,064
-	693,971	-	-	-	693,971
599,065	599,065	-	-	(528,181)	70,884
-	340,008	-	-	-	340,008
-	452,456	-	-	-	452,456
-	184,931	-	-	-	184,931
-	220,679	-	-	-	220,679
-	90,098	-	-	-	90,098
-	186,952	-	-	-	186,952
-	12,011	-	-	-	12,011
-	50,000	-	-	-	50,000
-	50,000	-	-	-	50,000
-	44,063	-	-	-	44,063
-	26,225	-	-	-	26,225
-	43,590	-	-	-	43,590
-	44,627	-	-	-	44,627
-	40,850	-	-	-	40,850
599,065	28,306,691	153,012	226,710	(528,181)	28,158,232
-	9,114,802	-	-	-	9,114,802
-	3,049,160	-	-	-	3,049,160
123,092	1,933,561	-	-	(528,181)	1,405,380
-	566,297	-	-	-	566,297
-	1,036,612	-	-	-	1,036,612
6	315,583	-	-	-	315,583
-	1,490,843	-	-	-	1,490,843
15,200	226,805	-	-	-	226,805
-	8,948,253	-	-	-	8,948,253
400,964	974,177	351,123	373,988	-	1,699,288
539,262	27,656,093	351,123	373,988	(528,181)	27,853,023
\$ 59,803	\$ 650,598	\$ (198,111)	\$ (147,278)	\$ -0-	\$ 305,209