Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Financial Report with Additional Information September 30, 2017

Wayne Metropolitan Community Action Agency and Affiliates

Contents

Report Letter	1-2
Consolidated Financial Statements	
Balance Sheet	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-19
Additional Information	20
Report Letter	21
Consolidating Balance Sheet	22-23
Consolidating Statement of Activities	24-25

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Independent Auditor's Report

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

Report on the Consolidated 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, 2017 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 consolidated 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 opinions.

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

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, 2017 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 financial statements of Wayne Metropolitan Community Action Agency and Affiliates and its subsidiaries as of September 30, 2016 were audited by other auditors, whose report dated February 1, 2017 expressed an unqualified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2018 on our consideration of Wayne Metropolitan Community Action Agency and Affiliates' internal control over financial reporting and on our tests of their 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 the 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.

Plante & Moran, PLLC

February 16, 2018

Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Balance Sheet

	September 30, 2017	September 30, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 3,224,158	$ 1,235,863
Receivables	3,005,081	3,000,170
Prepaid expenses	157,120	243,408
Total current assets	6,386,359	4,479,441
Funded Reserves	807,126	842,548
Construction in Progress	135,484	-
Property and Equipment - Net (Note 2)	20,505,300	21,219,919
Cash - Designated for programs	83,483	96,468
Deferred Costs - Net	92,113	108,840
Total assets	**$ 28,009,865**	**$ 26,747,216**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 3,939,945	$ 2,576,916
Line of credit (Note 3)	-	1,164,336
Current portion of notes payable (Note 3)	292,479	184,057
Deferred revenue	958,043	1,528,628
Program advance	2,054,477	-
Accrued liabilities	1,001,774	902,828
Total current liabilities	8,246,718	6,356,765
Long-term Note Payable - Net of current portion (Note 3)	7,134,610	7,423,037
Total liabilities	15,381,328	13,779,802
Net Assets - Unrestricted		
Controlling interest	4,115,602	3,916,256
Noncontrolling interest	8,512,935	9,051,158
Total net assets	12,628,537	12,967,414
Total liabilities and net assets	**$ 28,009,865**	**$ 26,747,216**

Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Statement of Activities

	Year Ended September 30, 2017	Year Ended September 30, 2016
Changes in Unrestricted Net Assets		
Support and revenue:		
Michigan Department of Health and Human Services	$ 11,482,881	$ 11,030,834
U.S. Department of Health and Human Services	7,830,202	1,279,231
Great Lakes Water Authority	4,078,301	870,418
Michigan Community Action Agency Association	2,420,316	2,590,738
Michigan Department of Education	2,019,304	1,589,638
U.S. Department of Housing and Urban Development	1,761,251	1,764,402
Excellent Construction, LLC	1,677,243	1,919,660
U.S. Department of Veteran Affairs	656,345	638,555
Other revenue	626,792	543,943
Detroit Water and Sewerage Department	603,420	-
Paczki Properties, LLC	45,135	38,274
United Way	575,487	240,082
Michigan State Housing Development Authority	462,762	472,424
Rental income	449,292	458,620
Wayne County Community Mental Health	282,508	168,981
Wayne County Home and Economic Development	-	105,283
Wayne County Head Start	-	5,207,873
Wayne County - CDBG	198,127	58,965
U.S. Department of Treasury	48,400	42,974
Plymouth Housing Commission	46,590	43,620
Walmart Foundation	19,427	3,370
JPMorgan Chase	122,097	105,922
Barbara Bush Foundation	-	64,814
Kellogg Foundation	-	59,150
Other income	7,000	49,950
Total support and revenue	35,412,880	29,347,721
Expenses:		
Programs:		
CONNECT - Crisis and Emergency Intervention	9,393,279	5,130,488
ENGAGE - Stabilizing Supports	12,649,425	12,021,452
BUILD - Resource and Skill Building	9,945,789	8,473,151
THRIVE - Self-Driven Planning and Goal Attainment	1,598,842	1,282,854
Total programs	33,587,335	26,907,945
General and administrative - Agency support costs	2,164,422	2,813,936
Total expenses	35,751,757	29,721,881
Change in Unrestricted Net Assets	**$ (338,877)**	**$ (374,160)**

See Notes to Consolidated Financial Statements.

Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Statement of Changes in Net Assets

	Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Total
Balance - October 1, 2015	$ 3,566,221	$ 7,017,914	$ 1,519,903	$ 12,104,038
Partner capital contribution	-	1,237,536	-	1,237,536
Change in unrestricted net assets	350,035	(472,588)	(251,607)	(374,160)
Balance - September 30, 2016	3,916,256	7,782,862	1,268,296	12,967,414
Change in unrestricted net assets	199,346	(359,583)	(178,640)	(338,877)
Balance - September 30, 2017	**$ 4,115,602**	**$ 7,423,279**	**$ 1,089,656**	**$ 12,628,537**

Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Statement of Cash Flows

	Year Ended September 30, 2017	Year Ended September 30, 2016
Cash Flows from Operating Activities		
Change in net assets	$ (338,877)	$ (374,160)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	884,254	798,887
Amortization	16,729	7,842
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(4,911)	(195,601)
Prepaid expenses	86,288	(230,880)
Construction in progress	(135,484)	-
Accounts payable and accrued liabilities	1,363,029	93,909
Program advance	2,054,477	-
Deferred revenue	(570,585)	12,764
Funded reserves	35,422	(116,611)
Accrued liabilities	98,946	(145,216)
Net cash provided by (used in) operating activities	3,489,288	(149,066)
Cash Flows from Investing Activities - Purchase of property and equipment	(168,415)	(32,229)
Cash Flows from Financing Activities		
Repayments on note payable	(181,227)	(178,609)
Repayments on line of credit - Net	(1,164,336)	(301,056)
Partner capital contributions	-	1,237,536
Net cash (used in) provided by financing activities	(1,345,563)	757,871
Net Increase in Cash and Cash Equivalents	1,975,310	576,576
Cash and Cash Equivalents - Beginning of year	1,332,331	755,755
Cash and Cash Equivalents - End of year	**$ 3,307,641**	**$ 1,332,331**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 261,936**	**$ 267,589**
Cash and Cash Equivalents are Comprised of the Following		
Cash and cash equivalents	$ 3,224,158	$ 1,235,863
Cash - Restricted for programs	83,483	96,468
Total	**$ 3,307,641**	**$ 1,332,331**

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Organization - 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 in 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 3).

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 on August 24, 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 Lofts LDHA) and oversee the development of an affordable housing project constructed by Lincoln Park Lofts 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 2017 and 2016, there was no activity for Fort Street Housing.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Lincoln Park Lofts Limited Dividend Housing Association Limited Partnership (Lincoln Park Lofts 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 Lofts 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 $3,541,480 and $3,682,774 and liabilities of $2,451,824 and $2,414,478 at September 30, 2017 and 2016, respectively. Lincoln Park Lofts LDHA had assets of $11,694,483 and $12,262,290 and liabilities of $3,621,204 and $3,829,428 at September 30, 2017 and 2016, respectively.

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

Designated Cash - The Organization has agreed to maintain bank accounts funded by federal programs under the terms of the grant agreements. At September 30, 2017 and 2016, $83,483 and $96,468, respectively, of cash is restricted for that purpose.

Receivables - Receivables represent amounts due from granting agencies for expenditures made 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

Funded Reserves - Per the Raupp LDHA and Lincoln Park Lofts LDHA partnership agreements, it is required to maintain and fund a replacement and operating reserve. As of September 30, 2017 and 2016, the Raupp reserves have been funded at an amount of $324,022 and $308,799, respectively. As of September 30, 2017 and 2016, the Lincoln Park Lofts LDHA reserves have been funded at an amount of $457,782 and $515,907, 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, 2017 and 2016 for $25,322 and $17,842, 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 to 20 years for furniture/equipment and 15 to 40 years for building and building improvements). Costs of maintenance and repairs are charged to expense when incurred.

Deferred Costs - Included in deferred costs are tax credit fees related to Raupp Housing of $25,103 as of September 30, 2017 and 2016, which are amortized over the tax credit compliance term. Accumulated amortization for the years ended September 30, 2017 and 2016 was $20,080 and $17,570, respectively. Amortization expense was $2,510 for the years ended September 30, 2017 and 2016.

Also included in deferred costs are tax credit fees of $106,640 related to Lincoln Park Lofts, amortized over the tax credit compliance term, which began on January 1, 2016. Accumulated amortization as of September 30, 2017 and 2016 was $19,550 and $5,332, respectively. Amortization expense for the years ended September 30, 2017 and 2016 was $14,219 and $5,332, respectively.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Sponsor Loans - Lincoln Park Lofts LDHA received $1,183,500 from the general partner as an additional developer fee in 2016. These sponsor loans are to be repaid during the 15-year compliance period per the payout schedule contained in the partnership agreement. These loans are eliminated in consolidation.

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, 2017 and 2016 are considered unrestricted.

Deferred Revenue and Program Advance - Grant revenue is recognized as it is expended. Grant money received in excess of that expended is recorded as deferred revenue. Program advance monies represent 60 days of operating expenses for Community Service Block Grant, Weatherization, and LIHEAP programs.

Rental Income - Wayne-Metro, Lincoln Park Lofts 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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, Fort Street Housing, and Raupp Housing are allocated fully to Wayne-Metro and reported in its tax return. The income and losses of Paczki, Lincoln Park Lofts LDHA, and Raupp LDHA are allocated to the partners and reported on their respective tax returns. The activities of Excellent, Biddle, Paczki, Fort Street Housing, Lincoln Park Lofts 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.

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 2017 or 2016.

Reclassification - Certain reclassifications were made to amounts in the 2016 consolidated financial statements to conform to the classifications used in 2017.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up to and including February 16, 2018, which is the date the consolidated financial statements were available to be issued.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization has determined the effects of the new standards on the consolidated financial statements will change its net assets descriptions and will add additional disclosures on liquidity and availability.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined the potential effects of the new standard on its primary revenue sources, if any, as a complete review has not yet been completed.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending September 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the leases for its land, copier, and facility leases currently classified as operating leases. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Property and Equipment

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

						Total	
	Wayne Metropolitan Community Action Agency	Excellent Construction, LLC	Paczki Properties, LLC	Lincoln Park Lofts LDHA	Raupp LDHA	2017	2016
Land	$ 59,390	$ 1,000	$ 1,307,409	$ 215,000	$ 435,000	$ 2,017,799	$ 2,017,799
Land improvements	-	-	-	-	634,019	634,019	-
Buildings and building improvements	640,000	-	5,584,095	11,924,595	3,452,739	21,601,429	22,429,879
Leasehold improvements	-	-	140,572	-	-	140,572	-
Furniture and fixtures	230,122	-	-	215,236	125,544	570,902	355,667
Total cost	929,512	1,000	7,032,076	12,354,831	4,647,302	24,964,721	24,803,345
Accumulated depreciation	(442,784)	-	(1,386,074)	(1,169,770)	(1,460,793)	(4,459,421)	(3,583,426)
Net property and equipment	$ 486,728	$ 1,000	$ 5,646,002	$ 11,185,061	$ 3,186,509	$ 20,505,300	$ 21,219,919

Depreciation expense was $884,254 and $798,887 for 2017 and 2016, respectively.

Note 3 - Notes Payable and Line of Credit

Wayne-Metro 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, 4.43 percent at September 30, 2017 (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 outstanding as of September 30, 2017 and 2016 were $0 and $1,164,336, respectively. Interest is due monthly, with the principal due on demand. The loan matures in March 2018.

	2017	2016
Wayne-Metro has received two loans from the Michigan State Housing Development Authority and Wayne County for $180,000 each for the Visger Road Supportive Housing project. This project also serves as collateral for the loans. As of September 30, 2017, 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 for $1,298,700, with an implied monthly interest rate of 3.25 percent, and Wayne County for $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, 2017, 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

Note 3 - Notes Payable and Line of Credit (Continued)

		2017		2016
Lincoln Park Lofts LDHA has received loans from the Michigan State Housing Development Authority for $1,100,000, with an implied monthly interest rate of 3 percent, and Wayne County for $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, 2014, 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	$	1,700,000
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		2,914,700		2,992,313
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 for $267,824, with fixed interest rates of 5.1 and 4.4 percent, respectively. Biddle and Wayne-Metro have guaranteed the debt		591,871		675,543

Note 3 - Notes Payable and Line of Credit (Continued)

	2017	2016
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, Michigan. The center serves as collateral for the loan. This loan is noninterest bearing and is payable on demand	$ 120,700	$ 141,100
Unamortized debt issuance costs	(28,882)	(30,562)
Long-term debt less unamortized debt issuance costs	7,427,089	7,607,094
Less current portion	292,479	184,057
Long-term portion	$ 7,134,610	$ 7,423,037

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

Years Ending September 30	Amount
2018	$ 292,479
2019	589,880
2020	91,368
2021	95,980
2022	100,828
Thereafter	6,256,554
Total	$ 7,427,089

Interest expense was $334,156 and $388,203 for 2017 and 2016, respectively.

Note 4 - Minimum Future Rentals

Wayne-Metro and Paczki are parties in several operating leases for land, copiers, and facilities. The lease expenses were approximately $861,737 and $855,112 for the years ended September 30, 2017 and 2016, respectively. The minimum future lease commitments are as follows:

Years Ending September 30		Amount
2018		$ 795,411
2019		571,050
2020		404,858
2021		397,579
2022		318,060
Thereafter		477,937
	Total	$ 2,964,895

Note 5 - 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 $395,446 and $405,149 for the years ended September 30, 2017 and 2016, respectively.

Note 6 - 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.

Note 6 - Information About Variable-interest Entities (Continued)

Included in the consolidated balance sheet as of 2017 and 2016 are the following amounts related to Raupp LDHA and Lincoln Park Lofts LDHA:

	2017	2016
Assets:		
Current and other assets	$ 864,393	$ 215,373
Fixed assets	14,371,570	15,049,129
Total assets	$ 15,235,963	$ 15,264,502
Liabilities:		
Current liabilities	$ 1,449,710	$ 1,591,706
Long-term debt	4,623,318	4,621,638
Total liabilities	$ 6,073,028	$ 6,213,344
Equity - Noncontrolling interest	$ 9,162,935	$ 9,051,158

As of 2017 and 2016, 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 Lofts LDHA had fixed assets totaling $11,185,061 and $11,692,286 at September 30, 2017 and 2016, 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 Lofts LDHA. The Lofts were to be placed in service during the 2015 fiscal year and are expected to generate rental revenue. The Lofts serve as collateral on Lincoln Park Lofts LDHA's bank debt obligations totaling $1,700,000 at September 30, 2017 and 2016. The bank debt obligation 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 3.

Note 7 - Reliance on Funding Sources

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

Note 8 - Change in Accounting Principle

On October 1, 2016, Wayne-Metro adopted new guidance related to the presentation of debt issuance costs in its balance sheet. Under the new guidance, debt issuance costs are reported as a direct deduction from the carrying amount of the related debt. Previously, debt issuance costs were presented as an asset. The new presentation requirements have been applied retrospectively, and amounts reported in the 2016 balance sheet have been restated as follows:

Balance Sheet
September 30, 2016

	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Assets - Debt issuance costs	$ 30,562	$ -	$ (30,562)
Liabilities - Long-term debt	$ 7,453,599	$ 7,423,037	$ (30,562)

The new guidance does not affect how the debt issuance costs are accounted for after initial recognition, and these amounts continue to be amortized over the term of the related debt and reported as a component of interest expense.

Additional Information

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Independent Auditor's Report on Additional Information

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

We have audited the consolidated financial statements of Wayne Metropolitan Community Action Agency and Affiliates as of and for the year ended September 30, 2017 and have issued our report thereon dated February 16, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet as of September 30, 2017 and the consolidating statement of activities for the year ended September 30, 2017 are presented for the purpose of additional analysis and are not a required part 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.

Plante & Moran, PLLC

February 16, 2018

Wayne Metropolitan Community Action Agency and Affiliates

Consolidating Balance Sheet
September 30, 2017

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC	Paczki Properties, LLC	Total Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Eliminating Entries	Total
Assets									
Current Assets									
Cash and cash equivalents	$ 2,610,285	$ 13,902	$ 351,892	$ 111,591	$ 3,087,670	$ 107,612	$ 28,876	$ -	$ 3,224,158
Receivables	4,471,223	-	311,170	-	4,782,393	4,649	2,222	(1,784,183)	3,005,081
Due from (to)	2,957,714	101,733	(1,125,062)	(1,739,298)	195,087	(173,628)	(21,459)	-	-
Prepaid expenses	113,416	-	1,500	-	114,916	25,917	16,287	-	157,120
Total current assets	10,152,638	115,635	(460,500)	(1,627,707)	8,180,066	(35,450)	25,926	(1,784,183)	6,386,359
Funded Reserves	25,322	-	-	-	25,322	457,782	324,022	-	807,126
Construction in Progress	-	-	27,350	108,134	135,484	-	-	-	135,484
Property and Equipment - Net	486,728	-	1,000	5,646,002	6,133,730	11,185,061	3,186,509	-	20,505,300
Cash	83,483	-	-	-	83,483	-	-	-	83,483
Deferred Costs - Net	-	-	-	-	-	87,090	5,023	-	92,113
Total assets	**$ 10,748,171**	**$ 115,635**	**$ (432,150)**	**$ 4,126,429**	**$ 14,558,085**	**$ 11,694,483**	**$ 3,541,480**	**$ (1,784,183)**	**$ 28,009,865**

Wayne Metropolitan Community Action Agency and Affiliates

Consolidating Balance Sheet (Continued)
September 30, 2017

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC	Paczki Properties, LLC	Total Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Eliminating Entries	Total
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Accounts payable	$ 3,931,614	$ -	$ 76,907	$ 33,605	$ 4,042,126	$ 626,572	$ 215,070	$ (943,823)	$ 3,939,945
Current portion of notes payable	-	-	-	292,479	292,479	-	-	-	292,479
Deferred revenue	894,183	10,674	16,011	-	920,868	23,151	14,024	-	958,043
Program advance	2,054,477	-	-	-	2,054,477	-	-	-	2,054,477
Accrued liabilities	430,881	-	-	-	430,881	116,863	454,030	-	1,001,774
Total current liabilities	7,311,155	10,674	92,918	326,084	7,740,831	766,586	683,124	(943,823)	8,246,718
Long-term Note Payable - Net of current portion	360,000	-	-	3,334,792	3,694,792	2,854,618	1,768,700	(1,183,500)	7,134,610
Net Assets (Deficit) - Unrestricted									
Controlling interest	3,077,016	104,961	(525,068)	465,553	3,122,462	-	-	993,140	4,115,602
Noncontrolling interest	-	-	-	-	-	8,073,279	1,089,656	(650,000)	8,512,935
Total net assets (deficit)	3,077,016	104,961	(525,068)	465,553	3,122,462	8,073,279	1,089,656	343,140	12,628,537
Total liabilities and net assets (deficit)	**$ 10,748,171**	**$ 115,635**	**$ (432,150)**	**$ 4,126,429**	**$ 14,558,085**	**$ 11,694,483**	**$ 3,541,480**	**$ (1,784,183)**	**$ 28,009,865**

Wayne Metropolitan Community Action Agency and Affiliates

Consolidating Statement of Activities
Year Ended September 30, 2017

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC	Paczki Properties, LLC	Total Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Eliminating Entries	Total
Support and Revenue									
Michigan Department of Health and Human Services	$ 11,482,881	$ -	$ -	$ -	$ 11,482,881	$ -	$ -	$ -	$ 11,482,881
U.S. Department of Health and Human Services	7,830,202	-	-	-	7,830,202	-	-	-	7,830,202
Great Lakes Water Authority	4,078,301	-	-	-	4,078,301	-	-	-	4,078,301
Michigan Community Action Agency Association	2,420,316	-	-	-	2,420,316	-	-	-	2,420,316
Michigan Department of Education	2,019,304	-	-	-	2,019,304	-	-	-	2,019,304
U.S. Department of Housing and Urban Development	1,761,251	-	-	-	1,761,251	-	-	-	1,761,251
Excellent Construction, LLC	-	-	1,677,243	-	1,677,243	-	-	-	1,677,243
U.S. Department of Veteran Affairs	656,345	-	-	-	656,345	-	-	-	656,345
Other revenue	573,592	80	-	-	573,672	53,120	-	-	626,792
Detroit Water and Sewerage Department	603,420	-	-	-	603,420	-	-	-	603,420
Paczki Properties, LLC	-	-	-	575,616	575,616	-	-	(530,481)	45,135
United Way	575,487	-	-	-	575,487	-	-	-	575,487
Michigan State Housing Development Authority	462,762	-	-	-	462,762	-	-	-	462,762
Rental income	29,594	-	-	-	29,594	283,447	136,251	-	449,292
Wayne County Community Mental Health	282,508	-	-	-	282,508	-	-	-	282,508
Wayne County - CDBG	198,127	-	-	-	198,127	-	-	-	198,127
U.S. Department of Treasury	48,400	-	-	-	48,400	-	-	-	48,400
Plymouth Housing Commission	46,590	-	-	-	46,590	-	-	-	46,590
Walmart Foundation	19,427	-	-	-	19,427	-	-	-	19,427
JPMorgan Chase	122,097	-	-	-	122,097	-	-	-	122,097
Other income	7,000	-	-	-	7,000	-	-	-	7,000
Total support and revenue	33,217,604	80	1,677,243	575,616	35,470,543	336,567	136,251	(530,481)	35,412,880

Wayne Metropolitan Community Action Agency and Affiliates

Consolidating Statement of Activities (Continued)
Year Ended September 30, 2017

	Wayne Metropolitan Community Action Agency	Biddle Management, LLC	Excellent Construction, LLC	Paczki Properties, LLC	Total Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Eliminating Entries	Total
Expenses									
Salaries	$ 10,116,524	$ -	$ -	$ -	$ 10,116,524	$ -	$ -	$ -	$ 10,116,524
Employee benefits	3,239,845	-	-	-	3,239,845	-	-	-	3,239,845
Occupancy	2,433,825	-	986	96,307	2,531,118	-	-	(530,481)	2,000,637
Communication	435,651	80	391	-	436,122	-	-	-	436,122
Supplies	1,072,109	-	169	22,248	1,094,526	-	-	-	1,094,526
Equipment	215,208	-	-	-	215,208	-	-	-	215,208
Travel	270,444	-	3,203	-	273,647	-	-	-	273,647
Contractual services	3,026,201	-	22,870	14,966	3,064,037	-	-	-	3,064,037
Construction costs	313,125	-	1,630,241	7,453	1,950,819	-	-	-	1,950,819
Specific assistance	10,816,190	-	853	-	10,817,043	-	-	-	10,817,043
Other costs	1,154,417	-	16,290	361,601	1,532,308	696,150	314,891	-	2,543,349
Total expenses	33,093,539	80	1,675,003	502,575	35,271,197	696,150	314,891	(530,481)	35,751,757
Increase (Decrease) in Unrestricted Net Assets	124,065	-	2,240	73,041	199,346	(359,583)	(178,640)	-	(338,877)
Net Assets (Deficit) - Beginning of year	2,952,951	104,961	(527,308)	392,512	2,923,116	8,432,862	1,268,296	343,140	12,967,414
Net Assets (Deficit) - End of year	**$ 3,077,016**	**$ 104,961**	**$ (525,068)**	**$ 465,553**	**$ 3,122,462**	**$ 8,073,279**	**$ 1,089,656**	**$ 343,140**	**$ 12,628,537**