Wayne Metropolitan Community Action Agency and Affiliates

Consolidated Financial Report
with Additional Information
September 30, 2018

Contents

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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, 2018 and 2017 and the related consolidated statements of activities, changes in net assets, and cash flows for the years 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.

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, 2018 and 2017 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019 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 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

March 19, 2019

Consolidated Balance Sheet

September 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 3,936,363	$ 3,224,158
Receivables	2,616,445	3,005,081
Prepaid expenses	121,590	157,120
Total current assets	6,674,398	6,386,359
Funded Reserves	855,277	807,126
Property and Equipment - Net (Note 3)	21,801,491	20,640,784
Cash - Designated for programs	83,696	83,483
Deferred Costs - Net	82,494	92,113
Total assets	**$ 29,497,356**	**$ 28,009,865**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 4,528,939	$ 3,939,945
Accrued liabilities	1,193,570	1,001,774
Deferred revenue	1,178,091	958,043
Current portion of notes payable (Note 4)	94,273	292,479
Program advance (Note 2)	2,054,477	2,054,477
Total current liabilities	9,049,350	8,246,718
Long-term Note Payable - Net of current portion (Note 4)	7,151,004	7,134,610
Total liabilities	16,200,354	15,381,328
Net Assets		
Unrestricted net assets:		
Controlling interest	4,505,395	4,115,602
Noncontrolling interest	8,002,881	8,512,935
Total unrestricted net assets	12,508,276	12,628,537
Temporarily restricted net assets (Note 2)	788,726	-
Total net assets	13,297,002	12,628,537
Total liabilities and net assets	**$ 29,497,356**	**$ 28,009,865**

See notes to consolidated financial statements.

Consolidated Statement of Activities

Years Ended September 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Support and revenue:		
Michigan Department of Health and Human Services	$ 11,423,703	$ 11,482,881
U.S. Department of Health and Human Services	8,231,646	7,830,202
Michigan Community Action Agency Association	3,094,493	2,420,316
Great Lakes Water Authority	2,318,031	4,078,301
U.S. Department of Housing and Urban Development	1,907,472	1,761,251
Michigan Department of Education	1,817,653	2,019,304
Detroit Water and Sewerage Department	1,629,238	603,420
Other revenue	784,568	626,792
United Way	632,096	575,487
U.S. Department of Veteran Affairs	631,898	656,345
Michigan State Housing Development Authority	593,754	462,762
Rental income	515,254	449,292
Excellent Construction, LLC	401,026	1,677,243
Wayne County Community Mental Health	306,429	282,508
Community Foundation of Southeast Michigan Foundation	177,564	-
JPMorgan Chase	94,834	122,097
Wayne County - CDBG	73,914	198,127
Paczki Properties, LLC	70,918	45,135
U.S. Department of Treasury	47,564	48,400
Plymouth Housing Commission	46,050	46,590
Walmart Foundation	44,164	19,427
Other income	-	7,000
Total support and revenue	34,842,269	35,412,880
Expenses:		
Programs:		
CONNECT - Crisis and Emergency Intervention	10,968,927	9,393,279
ENGAGE - Stabilizing Supports	11,363,268	12,649,425
BUILD - Resource and Skill Building	8,772,235	9,945,789
THRIVE - Self-Driven Planning and Goal Attainment	1,711,132	1,598,842
Total programs	32,815,562	33,587,335
General and administrative - Agency support costs	2,371,357	2,164,422
Total expenses	35,186,919	35,751,757
Changes in Temporarily Restricted Net Assets - Contributions	788,726	-
Change in Net Assets	**$ 444,076**	**$ (338,877)**

Consolidated Statement of Changes in Net Assets

Years Ended September 30, 2018 and 2017

	Wayne Metropolitan Community Action Agency and Subsidiaries	Lincoln Park Lofts LDHA	Raupp LDHA	Total
Balance - October 1, 2016	$ 3,916,256	$ 7,782,862	$ 1,268,296	$ 12,967,414
Change in 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
Partner capital contribution	-	224,389	-	224,389
Change in unrestricted net assets	389,793	(497,415)	(237,028)	(344,650)
Change in temporarily restricted net assets	788,726	-	-	788,726
Balance - September 30, 2018	**$ 5,294,121**	**$ 7,150,253**	**$ 852,628**	**$ 13,297,002**

Consolidated Statement of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 444,076	$ (338,877)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	877,332	884,254
Amortization	9,619	16,729
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	388,435	(4,911)
Prepaid expenses	35,530	86,288
Construction in process	-	(135,484)
Accounts payable and accrued liabilities	588,994	1,363,029
Program advance	-	2,054,477
Deferred revenue	220,048	(570,585)
Funded reserves	(48,151)	35,422
Accrued liabilities	191,796	98,946
Net cash and cash equivalents provided by operating activities	2,707,679	3,489,288
Cash Flows Used in Investing Activities - Purchase of property and equipment	(2,038,039)	(168,415)
Cash Flows from Financing Activities		
Proceeds from note payable	537,853	(181,227)
Repayments on note payable	(719,464)	(1,164,336)
Partner capital contributions	224,389	-
Net cash and cash equivalents provided by (used in) financing activities	42,778	(1,345,563)
Net Increase in Cash and Cash Equivalents	712,418	1,975,310
Cash and Cash Equivalents - Beginning of year	3,307,641	1,332,331
Cash and Cash Equivalents - End of year	**$ 4,020,059**	**$ 3,307,641**
Cash and Cash Equivalents are Composed of the Following		
Cash and cash equivalents	$ 3,936,363	$ 3,224,158
Cash - Designated for programs	83,696	83,483
Total cash and cash equivalents	**$ 4,020,059**	**$ 3,307,641**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	$ 477,864	$ 261,936

See notes to consolidated financial statements.

Note 1 - Nature of Business

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 0.01 percent member is PNC Bank, through which Paczki has a mortgage note payable (see Note 4).

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 0.01 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 0.01 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 2018 and 2017, there was no activity for Fort Street Housing.

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.

Note 2 - Significant Accounting Policies

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 $3,394,028 and $3,541,480 and liabilities of $2,541,400 and $2,451,824 at September 30, 2018 and 2017, respectively. Lincoln Park Lofts LDHA had assets of $11,193,374 and $11,694,483 and liabilities of $3,393,121 and $3,621,204 at September 30, 2018 and 2017, respectively.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased 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, 2018 and 2017, $83,696 and $83,483, 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.

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.

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 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 2018 or 2017.

Note 2 - Significant Accounting Policies (Continued)

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, 2018 and 2017, the Raupp reserves have been funded at an amount of $336,508 and $324,022, respectively. As of September 30, 2018 and 2017, the Lincoln Park Lofts LDHA reserves have been funded at an amount of $490,683 and $457,782, 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, 2018 and 2017 for $28,086 and $25,322, respectively.

Deferred Costs

Included in deferred costs are tax credit fees related to Raupp Housing of $25,103 as of September 30, 2018 and 2017, which are amortized over the tax credit compliance term. Accumulated amortization for the years ended September 30, 2018 and 2017 was $22,590 and $20,080, respectively. Amortization expense was $2,510 for the years ended September 30, 2018 and 2017.

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, 2018 and 2017 was $26,659 and $19,550, respectively. Amortization expense for the years ended September 30, 2018 and 2017 was $7,108 and $14,219, respectively.

Sponsor Loans

Lincoln Park Lofts LDHA received $1,216,302 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. A total of $426,337 has been paid back to the general partner to date, and the remaining balance at September 30, 2018 is $789,965. At September 30, 2017, the balance was $894,463. These loans are eliminated in consolidation.

Classification of Net Assets

Net assets of Wayne-Metro are classified based on the presence or absence of donor-imposed restrictions.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired or been fulfilled.

Temporarily restricted net assets consist of contributions received with donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements.

Contribution revenue with donor-imposed restrictions that are met in the same year as received or earned is reported as unrestricted revenue. Contribution revenue with donor-imposed restrictions that are not met in the same year is reported as temporarily restricted revenue and is reclassified to unrestricted net assets when as expense is incurred that satisfies the donor-imposed restriction.

Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

As of September 30, 2018, temporarily restricted net assets totaled $788,726, and the entire amount was restricted for programs that deal with financial empowerment, crisis and emergency intervention, and skill building. There were no temporarily restricted net assets in 2017. All other net assets are considered unrestricted as of September 30, 2018 and 2017.

Note 2 - Significant Accounting Policies (Continued)

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, Great Lakes Water Authorities, Weatherization, and LIHEAP programs. The amount recorded at September 30, 2018 and 2017 was $2,054,477.

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 Department of Housing and Urban Development. Housing assistance payments are received for the balance of contract rent from HUD. The current contract expires on February 28, 2025.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities. Costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

Wayne-Metro is a not-for-profit corporation and is exempt from tax under the provisions of 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 financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 19, 2019, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Wayne-Metro's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. Wayne-Metro has not yet determined which application method it will use. It is also reviewing its various revenue streams to determine the impact, if any.

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-to-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 Wayne-Metro's year ending September 31, 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. Upon adoption, Wayne-Metro will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. 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.

In August 2016, the FASB issued 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 Wayne-Metro’s year ending September 30, 2019 and thereafter and must be applied on a retrospective basis. Wayne-Metro has determined the effects of the new standard on the consolidated financial statements will change its net assets descriptions and will add additional disclosures on liquidity and availability.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for Wayne-Metro’s year ending September 30, 2021 and will be applied on a modified prospective basis. Wayne-Metro does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Note 3 - Property and Equipment

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

	Wayne Metropolitan Community Action Agency	Excellent Construction, LLC	Paczki Properties, LLC	Lincoln Park Lofts LDHA	Raupp LDHA	2018	2017
Land	$ 59,390	$ 1,000	$ 1,307,409	$ 215,000	$ 435,000	$ 2,017,799	$ 2,017,799
Land improvements	-	-	-	-	634,019	634,019	634,019
Buildings and building improvements	640,000	-	6,596,716	11,924,595	3,452,739	22,614,050	21,601,429
Leasehold improvements	-	-	140,572	-	-	140,572	140,572
Furniture and fixtures	230,122	-	15,300	215,236	132,139	592,797	570,902
Construction in progress	-	5,923	1,123,035	-	-	1,128,958	135,484
Total cost	929,512	6,923	9,183,032	12,354,831	4,653,897	27,128,195	25,100,205
Accumulated depreciation	(458,783)	-	(1,602,859)	(1,646,484)	(1,618,578)	(5,326,704)	(4,459,421)
Net property and equipment	$ 470,729	$ 6,923	$ 7,580,173	$ 10,708,347	$ 3,035,319	$ 21,801,491	$ 20,640,784

Depreciation expense for 2018 and 2017 was $877,332 and $884,254, respectively.

Note 4 - 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, 4.92 percent at September 30, 2018 (daily LIBOR plus 2.75). The line is collateralized by all personal property of Wayne-Metro and provides working capital for general operations. There are no amounts outstanding as of September 30, 2018 and 2017. Interest is due monthly, with the principal due on demand. The loan matures in March 2019 and is currently in the process of being renewed.

	2018	2017
Wayne-Metro has received two loans from the Michigan State Housing Development Authority and Wayne County, Michigan for $180,000 each for the Visger Road Supportive Housing project. This project also serves as collateral for the loans. As of September 30, 2018, 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, which is June 2027. 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

Note 4 - Notes Payable and Line of Credit (Continued)

	2018	2017
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, Michigan 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, 2018, 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, which is July 2058. 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
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, Michigan 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, 2018, 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 mortgage note payable with PNC Bank for the building located at 2121 Biddle Avenue. This mortgage has been assigned to Paczki Properties, LLC and is collateralized by real estate. The loan was converted from a land contract with D-M Company in 2018 and an additional $600,000 was added for the purchase of two condominiums on the building. The note bears interest at a rate based on the bank's prime rate, 4.42 percent at September 30, 2018 (daily LIBOR plus 2.25). The note matures in August 2025	3,392,295	-
Paczki has a construction note payable to support renovations and system upgrades to the Head Start wing of 138 Cortland Street. The maximum loan amount is $1,450,000. The interest rate is fixed at 5.875 percent during the interest-only period and for 15 years thereafter. Then adjusted every five years based on the greater of the yield of the United States Treasury obligations with the same maturity plus 3 percent, or 5 percent. The note becomes payable once construction is complete, which is anticipated in 2019. The note matures in October 2033	52,553	-
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 was paid off in 2018 and converted to the mortgage note payable with PNC Bank described above	-	2,914,700
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, and it was paid off in 2018	-	591,871

Note 4 - Notes Payable and Line of Credit (Continued)

	2018	2017
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 was paid off in 2018	$ -	$ 120,700
Unamortized debt issuance costs	(28,271)	(28,882)
Long-term debt less unamortized debt issuance costs	7,245,277	7,427,089
Less current portion	94,273	292,479
Long-term portion	$ 7,151,004	$ 7,134,610

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

Years Ending	Amount
2019	$ 94,273
2020	153,768
2021	106,571
2022	112,803
2023	119,266
Thereafter	6,658,596
Total	$ 7,245,277

Interest expense for 2018 and 2017 was $288,148 and $334,156, respectively.

Subsequent to September 30, 2018, $913,772 was received by Paczki for the construction note payable to support renovations and system upgrades to the Head Start wing of 138 Cortland Street described above. These expenses related to costs that were incurred during 2018.

Note 5 - Minimum Future Rentals

Wayne-Metro and Paczki are parties in several operating leases for land, copiers, and facilities. The lease expenses were approximately $879,212 and $861,737 for the years ended September 30, 2018 and 2017, respectively. The minimum future lease commitments are as follows:

Years Ending	Amount
2019	$ 711,243
2020	667,222
2021	617,030
2022	483,350
2023	483,350
Thereafter	3,383,447
Total	$ 6,345,642

Note 6 - 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 $415,718 and $395,446 for the years ended September 30, 2018 and 2017, respectively.

Note 7 - 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 2018 and 2017 are the following amounts related to Raupp LDHA and Lincoln Park Lofts LDHA:

	2018	2017
Assets:		
Current and other assets	$ 1,055,614	$ 864,393
Fixed assets	13,743,666	14,371,570
Total assets	14,799,280	15,235,963
Liabilities:		
Current liabilities	(938,560)	(1,449,710)
Long-term debt	(5,207,839)	(4,623,318)
Total liabilities	(6,146,399)	(6,073,028)
Equity - Noncontrolling interest	$ 8,652,881	$ 9,162,935

As of 2018 and 2017, 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 $10,708,347 and $11,185,061 at September 30, 2018 and 2017, 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 serve as collateral on Lincoln Park Lofts LDHA's bank debt obligations totaling $1,700,000 at September 30, 2018 and 2017. 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 4.

Note 8 - 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.

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 years ended September 30, 2018 and 2017 and have issued our report thereon dated March 19, 2019, 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, 2018 and consolidating statement of activities for the year ended September 30, 2018 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

March 19, 2019

Consolidating Balance Sheet

September 30, 2018

	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	$ 3,555,552	$ 19,391	$ 121,209	$ 154,161	$ 3,850,313	$ 70,770	$ 15,280	$ -	$ 3,936,363
Receivables	3,937,779	-	50,448	36,242	4,024,469	6,260	11,208	(1,425,492)	2,616,445
Due from (to)	4,150,271	96,194	(568,844)	(3,465,743)	211,878	(190,419)	(21,459)	-	-
Prepaid expenses	79,179	-	-	-	79,179	27,752	14,659	-	121,590
Total current assets	11,722,781	115,585	(397,187)	(3,275,340)	8,165,839	(85,637)	19,688	(1,425,492)	6,674,398
Funded Reserves	28,086	-	-	-	28,086	490,683	336,508	-	855,277
Property and Equipment - Net	470,729	-	6,923	7,580,173	8,057,825	10,708,347	3,035,319	-	21,801,491
Cash - Designated for programs	83,696	-	-	-	83,696	-	-	-	83,696
Deferred Costs - Net	-	-	-	-	-	79,981	2,513	-	82,494
Total assets	**$ 12,305,292**	**$ 115,585**	**$ (390,264)**	**$ 4,304,833**	**$ 16,335,446**	**$ 11,193,374**	**$ 3,394,028**	**$ (1,425,492)**	**$ 29,497,356**

Consolidating Balance Sheet (Continued)

September 30, 2018

	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	$ 4,027,760	$ -	$ 115,576	$ 383,649	$ 4,526,985	$ 1,954	$ -	$ -	$ 4,528,939
Accrued liabilities	459,027	-	-	15,549	474,576	185,509	533,485	-	1,193,570
Deferred revenue	1,146,894	10,674	16,011	-	1,173,579	3,463	1,049	-	1,178,091
Current portion of notes payable	-	-	-	93,051	93,051	1,222	-	-	94,273
Program advance	2,054,477	-	-	-	2,054,477	-	-	-	2,054,477
Total current liabilities	7,688,158	10,674	131,587	492,249	8,322,668	192,148	534,534	-	9,049,350
Long-term Note Payable - Net of current portion	360,000	-	-	3,351,797	3,711,797	3,200,973	2,006,866	(1,768,632)	7,151,004
Net Assets (Deficit)									
Unrestricted	3,468,408	104,911	(521,851)	460,787	3,512,255	7,800,253	852,628	343,140	12,508,276
Temporarily restricted net assets	788,726	-	-	-	788,726	-	-	-	788,726
Total net assets (deficit)	4,257,134	104,911	(521,851)	460,787	4,300,981	7,800,253	852,628	343,140	13,297,002
Total liabilities and net assets (deficit)	**$ 12,305,292**	**$ 115,585**	**$ (390,264)**	**$ 4,304,833**	**$ 16,335,446**	**$ 11,193,374**	**$ 3,394,028**	**$ (1,425,492)**	**$ 29,497,356**

Consolidating Statement of Activities

Year Ended September 30, 2018

	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
Changes in Unrestricted Net Assets									
Support and revenue:									
Michigan Department of Health and Human Services	$ 11,423,703	$ -	$ -	$ -	$ 11,423,703	$ -	$ -	$ -	$ 11,423,703
U.S. Department of Health and Human Services	8,231,646	-	-	-	8,231,646	-	-	-	8,231,646
Michigan Community Action Agency Association	3,094,493	-	-	-	3,094,493	-	-	-	3,094,493
Great Lakes Water Authority	2,318,031	-	-	-	2,318,031	-	-	-	2,318,031
U.S. Department of Housing and Urban Development	1,907,472	-	-	-	1,907,472	-	-	-	1,907,472
Michigan Department of Education	1,817,653	-	-	-	1,817,653	-	-	-	1,817,653
Detroit Water and Sewerage Department	1,629,238	-	-	-	1,629,238	-	-	-	1,629,238
Other revenue	755,216	-	-	26,819	782,035	-	2,533	-	784,568
United Way	632,096	-	-	-	632,096	-	-	-	632,096
U.S. Department of Veteran Affairs	631,898	-	-	-	631,898	-	-	-	631,898
Michigan State Housing Development Authority	593,754	-	-	-	593,754	-	-	-	593,754
Rental income	-	-	-	-	-	312,834	202,420	-	515,254
Excellent Construction, LLC	-	-	401,026	-	401,026	-	-	-	401,026
Wayne County Community Mental Health	306,429	-	-	-	306,429	-	-	-	306,429
Community Foundation of Southeast Michigan Foundation	177,564	-	-	-	177,564	-	-	-	177,564
JPMorgan Chase	94,834	-	-	-	94,834	-	-	-	94,834
Wayne County - CDBG	73,914	-	-	-	73,914	-	-	-	73,914
Paczki Properties, LLC	-	-	-	498,886	498,886	-	-	(427,968)	70,918
U.S. Department of Treasury	47,564	-	-	-	47,564	-	-	-	47,564
Plymouth Housing Commission	46,050	-	-	-	46,050	-	-	-	46,050
Walmart Foundation	44,164	-	-	-	44,164	-	-	-	44,164
Total support and revenue	33,825,719	-	401,026	525,705	34,752,450	312,834	204,953	(427,968)	34,842,269
Expenses:									
Salaries	10,785,325	-	-	-	10,785,325	-	-	-	10,785,325
Employee benefits	3,435,074	-	-	-	3,435,074	-	-	-	3,435,074
Occupancy	2,799,366	-	2,926	41,995	2,844,287	-	-	(427,968)	2,416,319
Communication	479,808	-	-	-	479,808	-	-	-	479,808
Supplies	889,081	-	-	195	889,276	-	-	-	889,276
Equipment	136,686	-	-	-	136,686	-	-	-	136,686
Travel	307,721	-	22	26	307,769	-	-	-	307,769
Contractual services	3,355,649	-	9,168	37,668	3,402,485	-	-	-	3,402,485
Construction costs	256,821	-	385,115	23,406	665,342	-	-	-	665,342
Specific assistance	9,922,468	-	-	-	9,922,468	-	-	-	9,922,468
Other costs	1,066,328	50	578	427,181	1,494,137	810,249	441,981	-	2,746,367
Total expenses	33,434,327	50	397,809	530,471	34,362,657	810,249	441,981	(427,968)	35,186,919

Consolidating Statement of Activities (Continued)

Year Ended September 30, 2018

	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
Increase (Decrease) in Unrestricted Net Assets - Before other items	$ 391,392	$ (50)	$ 3,217	$ (4,766)	$ 389,793	$ (497,415)	$ (237,028)	$ -	$ (344,650)
Other Items - Partner contributions	-	-	-	-	-	224,389	-	-	224,389
Changes in Temporarily Restricted Net Assets - Contributions	788,726	-	-	-	788,726	-	-	-	788,726
Increase (Decrease) in Net Assets	1,180,118	(50)	3,217	(4,766)	1,178,519	(273,026)	(237,028)	-	668,465
Net Assets (Deficit) - Beginning 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
Net Assets (Deficit) - End of year	**$ 4,257,134**	**$ 104,911**	**$ (521,851)**	**$ 460,787**	**$ 4,300,981**	**$ 7,800,253**	**$ 852,628**	**$ 343,140**	**$ 13,297,002**