

**DELAWARE HOUSING PARTNERSHIP, INC.  
DOVER, DELAWARE**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2011 AND 2010**

DELAWARE HOUSING PARTNERSHIP, INC.

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INDEPENDENT AUDITOR'S REPORT

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September 16, 2011

Board of Directors  
Delaware Housing Partnership, Inc.  
Dover, Delaware

We have audited the accompanying statements of financial position of Delaware Housing Partnership, Inc. (a non-profit corporation) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Housing Partnership, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011 on our consideration of Delaware Housing Partnership, Inc.'s internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

  
BARBACANE, THORNTON & COMPANY LLP

DELAWARE HOUSING PARTNERSHIP, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 268,983	\$ 284,571
Total Current Assets	268,983	284,571
NONCURRENT ASSETS:		
Mortgages and Accrued Interest Receivable (net of allowance of \$12,638 and \$13,132 for 2011 and 2010, respectively)	619,263	643,434
TOTAL ASSETS	\$ 888,246	\$ 928,005
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 7,000	\$ 109,323
TOTAL LIABILITIES	7,000	109,323
NET ASSETS		
Unrestricted	881,246	818,682
TOTAL NET ASSETS	881,246	818,682
TOTAL LIABILITIES AND NET ASSETS	\$ 888,246	\$ 928,005

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

DELAWARE HOUSING PARTNERSHIP, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
REVENUES		
Grants and Contributions	\$ -	\$ 60,000
Interest on Investments	1,195	2,690
Interest on Loans	34,565	36,431
Other Revenue	103,153	7,336
TOTAL REVENUES	138,913	106,457
EXPENSES		
Professional Fees	7,812	6,824
Management fees	60,000	60,000
Loan Losses	8,537	-
TOTAL EXPENSES	76,349	66,824
CHANGE IN NET ASSETS	62,564	39,633
NET ASSETS, BEGINNING OF YEAR	818,682	779,049
NET ASSETS, END OF YEAR	\$ 881,246	\$ 818,682

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

DELAWARE HOUSING PARTNERSHIP, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 62,564	\$ 39,633
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	8,537	-
Decrease in other receivables	-	10,544
(Increase) in interest receivable	(24,477)	(30,188)
(Decrease) in accounts payable	(102,323)	(7,940)
Total Adjustments	(118,263)	(27,584)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(55,699)	12,049
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage principal payments received	40,111	38,687
NET CASH PROVIDED BY INVESTING ACTIVITIES	40,111	38,687
 NET INCREASE (DECREASE) IN CASH	(15,588)	50,736
 CASH, BEGINNING OF THE YEAR	284,571	233,835
 CASH, END OF THE YEAR	\$ 268,983	\$ 284,571
 SUPPLEMENTAL DISCLOSURES:		
Taxes paid during the year	\$ -	\$ -
Interest paid during the year	\$ -	\$ -

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

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A ORGANIZATION

The Delaware Housing Partnership, Inc. (the Corporation) was incorporated December 22, 1992 as a non-stock corporation under the laws of the State of Delaware. The purpose of the Corporation is to promote the public welfare of the citizens of the State of Delaware by promoting and furthering, in any way consistent with its public welfare purposes, the enhancement and development of decent, safe and sanitary housing for persons and families of low and moderate income. It is governed by a Board of Directors, three appointed by State and New Castle County officials, three representing business interests and three at large.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation are prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Income Tax Status

No provision has been made for income taxes since the Corporation qualifies as a tax-exempt corporation under the Internal Revenue Code 501(c)(3), and its activities do not result in any income tax liability. In accordance with the section of the FASB ASC regarding accounting for uncertainty in income taxes, the Corporation is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will be sustained upon examination. The Corporation has no uncertain tax positions that qualify for recognition in the financial statements.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Corporation's tax returns will not be challenged by the taxing authorities and that the Corporation will not be subject to additional tax penalties and interest as a result of such challenge. Generally, the Corporation's tax returns remain open for federal income tax examination for three years from the date of filing.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

Mortgages Receivable

The Corporation provides funds to modest income families under the Delaware Housing Partnership Second Mortgage Assistance Loan Program. The funds are used to help cover down payment and closing costs through a second mortgage.

The principal and interest payments on the mortgages may be deferred until the first mortgage has been paid. Interest accrues on the loans at a rate of six percent.

Mortgage receivables are valued at net realizable value. The allowance for uncollectible accounts is based on historical loss levels and an analysis of individual accounts. Mortgages are charged off against the allowance once the property is in foreclosure.

Cash and Cash Equivalents

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and investments.

Contributions

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Expenses

The Corporation's by-laws call for the Delaware State Housing Authority (DSHA) to pay all administrative costs and perform all administrative functions of the Corporation except independent inspection services, audit and similar independent professional services. The Corporation pays DSHA a management fee for the services provided.

Use of Estimates in the Preparation of Financial Statements

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 revenues and expenses during the reporting period. Actual results could differ from those estimates

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C CASH

At June 30, 2011, the reported amount of the Corporation's deposits was \$268,983 and the bank balance was \$268,983. All of the balance was collateralized by securities held in the name of the management agent, which is DSHA.

At June 30, 2010, the reported amount of the Corporation's deposits was \$284,571 and the bank balance was \$284,571. All of the balance was collateralized by securities held in the name of the management agent, which is DSHA.

NOTE D ACCOUNTS PAYABLE

As of June 30, 2011 and 2010, accounts payable consisted of the following:

	<u>2011</u>	<u>2010</u>
American Home Mortgage	\$ -	\$ 103,153
Other	<u>7,000</u>	<u>6,170</u>
	<u>\$ 7,000</u>	<u>\$ 109,323</u>

NOTE E RELATED PARTY TRANSACTIONS

The Corporation is closely associated with, and related to DSHA.

DSHA was created in 1968 by an act of the General Assembly of the State of Delaware (the "State"). DSHA, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. DSHA was established in 1998 as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy.

DSHA is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E RELATED PARTY TRANSACTIONS (contd.)

The staff of DSHA performs all management and accounting functions for the Corporation. The general ledger and financial statements of the Corporation are maintained and prepared by DSHA. In both 2011 and 2010 the Corporation paid DSHA a management fee of \$60,000.

NOTE F OTHER INCOME

The accounts payable to American Home Mortgage as of June 30, 2010 in the amount of \$103,153 was determined to no longer be payable to the Corporation due to American Home Mortgage's failure to submit the necessary documentation for reimbursement. Accordingly, other income in the amount of \$103,153 has been recognized by the Corporation for the year ended June 30, 2011 in order to remove this liability from the financial statements.

NOTE G SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through September 16, 2011, the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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September 16, 2011

To the Board of Directors  
Delaware Housing Partnership, Inc.  
Wilmington, Delaware

We have audited the financial statements of Delaware Housing Partnership, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware Housing Partnership, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware Housing Partnership, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Housing Partnership, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

To the Board of Directors  
Delaware Housing Partnership, Inc.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, and the Office of Auditor of Accounts; and is not intended to be and should not be used by anyone other than these specified parties.

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