

**OAKLAND LIVINGSTON HUMAN SERVICE
AGENCY AND SUBSIDIARIES**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended December 31, 2014

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oakland Livingston Human Service Agency and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oakland Livingston Human Service Agency (a Michigan nonprofit organization) and its subsidiaries Venture, Inc. and Venture Housing, Inc., which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities 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 did not audit the financial statements of Venture Grand River Limited Dividend Housing Association Limited Partnership or Venture Gateway Limited Dividend Housing Association Limited Partnership, subsidiaries of Venture, Inc. and Venture Housing, Inc., which statements reflect total assets of \$4,681,206 as of December 31, 2014, and total revenues of \$524,470 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

To the Board of Directors
of Oakland Livingston Human Service Agency and Subsidiaries
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oakland Livingston Human Service Agency and Subsidiaries as of December 31, 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 22 to the consolidated financial statements, the beginning net assets as of January 1, 2014 have been restated as a result of prior period adjustments. The effect of the adjustments was to reduce unrestricted net assets by \$146,426, temporarily restricted net assets by \$128,766 and permanently restricted net assets by \$219,636. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015 on our consideration of the Oakland Livingston Human Service Agency and Subsidiaries internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakland Livingston Human Service Agency and Subsidiaries internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

Farmington Hills, Michigan
June 26, 2015

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2014**

ASSETS

Cash and cash equivalents	\$ 1,895,282
Grants receivable	5,018,529
Other receivables	251,045
Mortgages and notes receivable	996,517
Inventory	18,357
Prepaid expenses and deposits	185,322
Investments	1,445,726
Investments in related entities	53,239
Property and equipment - net	<u>4,737,140</u>
 Total assets	 <u><u>\$ 14,601,157</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Accounts payable	\$ 2,376,294
Other payables	1,470,037
Accrued expenses and deposits held	1,977,988
Funds held for beneficiaries	351,574
Deferred revenue	2,533,475
Line of credit	73,908
Mortgages and notes payable	4,559,674
Post-retirement obligation - health benefits	1,489,196
Post-retirement obligation - pension benefits	<u>33,188</u>
 Total liabilities	 <u>14,865,334</u>

NET ASSETS (DEFICIT)

Unrestricted:	
Undesignated	(1,423,111)
Board designated	236,890
Temporarily restricted	<u>922,044</u>
 Total net assets (deficit)	 <u>(264,177)</u>
 Total liabilities and net assets (deficit)	 <u><u>\$ 14,601,157</u></u>

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Government grants and contracts	\$ 21,053,045	\$ -	\$ -	\$ 21,053,045
Public contributions	2,981,146	544,273	-	3,525,419
Performance fees	1,838,248	-	-	1,838,248
Non-cash commodities	963,698	6,501	-	970,199
Net investment income	85,330	-	-	85,330
Rental income	456,133	-	-	456,133
Income from related parties	904	-	-	904
Other income	86,625	-	-	86,625
	<u>27,465,129</u>	<u>550,774</u>	<u>-</u>	<u>28,015,903</u>
Total revenues and support				
NET ASSETS RELEASED FROM RESTRICTIONS	<u>323,033</u>	<u>(323,033)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Salaries and wages	8,087,504	-	-	8,087,504
Fringe benefits	4,178,449	-	-	4,178,449
Consultants and contract services	5,084,233	-	-	5,084,233
Subgrants	5,007,566	-	-	5,007,566
Consumable supplies	404,215	-	-	404,215
Non-cash assistance - commodities	235,300	-	-	235,300
Occupancy costs and rentals	2,259,846	-	-	2,259,846
Equipment costs	227,373	-	-	227,373
Travel	276,390	-	-	276,390
Other costs	2,513,357	-	-	2,513,357
Interest	157,126	-	-	157,126
Depreciation and amortization	172,313	-	-	172,313
	<u>28,603,672</u>	<u>-</u>	<u>-</u>	<u>28,603,672</u>
Total expenses				
Change in net assets before change in pension and post retirement liabilities	(815,510)	227,741	-	(587,769)
Change in pension and postretirement liabilities	148,097	-	-	148,097
CHANGE IN NET ASSETS	<u>(667,413)</u>	<u>227,741</u>	<u>-</u>	<u>(439,672)</u>
NET ASSETS , beginning of year before adjustment	(372,382)	823,069	219,636	670,323
Prior period adjustment	(146,426)	(128,766)	(219,636)	(494,828)
NET ASSETS , beginning of year after adjustment	<u>(518,808)</u>	<u>694,303</u>	<u>-</u>	<u>175,495</u>
NET ASSETS , end of year	<u>\$ (1,186,221)</u>	<u>\$ 922,044</u>	<u>\$ -</u>	<u>\$ (264,177)</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2014**

OPERATING ACTIVITIES

Change in net assets	\$ (439,672)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation and amortization	172,313
Realized and unrealized (gain) on marketable securities	(14,727)
Income from related parties	(904)
Changes in:	
Grants receivables	(625,538)
Other receivables	421,701
Inventory	(6,501)
Prepaid expenses and deposits	(144,122)
Accounts payable	1,066,807
Other payables	23,889
Accrued expenses and deposits held	398,987
Funds held for beneficiaries	(54,617)
Deferred revenue	(539,874)
Post-retirement obligation - health benefits	(105,911)
Post-retirement obligation - pension benefits	<u>57,167</u>
Net cash provided by operating activities	<u>208,998</u>

INVESTING ACTIVITIES

Purchases of investments	(93,477)
Proceeds from sale of investments	58,714
Purchases of fixed assets	(154,746)
Borrowings on note receivable	(75,498)
Proceeds from notes receivable	<u>10,112</u>
Net cash (used in) investing activities	<u>(254,895)</u>

FINANCING ACTIVITIES

Net borrowings (repayments) under line of credit	(654)
Repayments of long-term debt	<u>(22,544)</u>
Net cash (used in) financing activities	<u>(23,198)</u>

CHANGE IN CASH AND CASH EQUIVALENTS (69,095)

CASH AND CASH EQUIVALENTS, beginning of year 1,964,377

CASH AND CASH EQUIVALENTS, at end of year \$ 1,895,282

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

NOTE 1 – ORGANIZATIONS

Oakland Livingston Human Service Agency (“OLHSA”) is a Community Action Agency, that, through collaboration and partnership, empowers people in need of assistance who live in the communities OLHSA serves, to gain the knowledge, skills, and resources to improve the quality of their lives.

OLHSA was founded in 1964 as a part of President Lyndon B. Johnson's War on Poverty. OLHSA provides dozens of services to assist families and individuals to succeed. OLHSA is the largest private nonprofit agency delivering human services to Oakland and Livingston Counties. OLHSA helps those in need with a comprehensive set of services, focusing on meeting the basic needs of senior citizens, persons with disabilities, and people suffering from economic hardship. OLHSA provides a broad range of connected services that empower more than 13,000 clients each year to reach or maintain self-sufficiency. OLHSA's services address specific needs in Oakland and Livingston County communities.

OLHSA's primary source of revenue, 76 percent, is derived from third-party reimbursement arrangements to carry out specific program activities. The Agency works in a cooperative environment with various units of government, churches, and civil groups in order to help alleviate the causes and effects of poverty.

Venture, Inc., a 100% controlled nonprofit subsidiary of OLHSA, was established for the purpose of providing decent affordable housing for persons of low and moderate income by facilitating home purchase, rehabilitation, construction and lending and to perform other community development activity to assist in such objectives including promoting employment and business opportunities for low-income people who are residents of the State of Michigan.

Venture, Inc. receives funds from various sources, including grants, donations, and loans in order to acquire, rehabilitate, and construct homes for eligible participants. All costs incurred for this purpose are expensed and not capitalized.

Venture Housing, Inc., a 100% owned for-profit subsidiary of Venture, Inc., was established for the purpose of creating Limited Dividend Housing Association Limited Partnerships (LDHA LP) within the State of Michigan to create affordable low to moderate housing through tax credit initiatives.

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

NOTE 1 – ORGANIZATIONS (Continued)

The following four LDHA LP were established in conjunction with Venture, Inc. and Venture Housing, Inc.:

	<u>Ownership Percentage</u>	
	<u>Venture, Inc.</u>	<u>Venture Housing, Inc.</u>
Venture Grand River LDHA LP	10.0%	90.0%
Venture Gateway LDHA LP	10.0%	90.0%
Venture Centerpark LDHA LP	-	0.1%
Venture Pontiac Homes I LDHA LP	-	0.1%

Venture Grand River LDHA LP is organized as a limited partnership to acquire, construct, rehabilitate, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with 33 units of multi-family rental housing projects for persons of low and moderate income. The scattered site development known as Grand River Shores consists of certain housing developments located in Howell, Brighton, and Fowlerville, Michigan.

Venture Gateway LDHA LP is organized as a limited partnership to acquire an interest in real property located in Linden, Michigan and to rehabilitate and operate thereon an apartment complex of 32 units.

Venture Centerpark LDHA LP is organized as a limited partnership to acquire an interest in real property located in Otisville, Michigan and to renovate and operate thereon an apartment complex of 24 units. This LDHA LP is not controlled by Venture, Inc. or Venture Housing, Inc. and therefore is not included in these consolidated financial statements.

Venture Pontiac Homes I LDHA LP is organized as a limited partnership to acquire, construct, develop, maintain, and operate a family housing complex consisting of 10 units located in Pontiac, Michigan. This LDHA LP is not controlled by Venture, Inc. or Venture Housing, Inc. and therefore is not included in these consolidated financial statements.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these consolidated financial statements.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidated assets and liabilities, changes in net assets, and cash flows of Oakland Livingston Human Service Agency, Venture, Inc., Venture Housing, Inc., Venture Grand River LDHA LP and Venture Gateway LDHA LP (collectively, the "Agency"). All significant interrelated transactions have been eliminated in consolidation.

Basis of Presentation

The Agency follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Agency follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC)*.

Financial statement presentation follows the recommendations of the ASC topic - Presentation of Financial Statements for Not-for-Profit Entities. The Agency 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.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents, marketable securities and accounts receivable. The Agency places its cash, cash equivalents and marketable securities with high credit qualified financial institutions. At times the Agency has balances on deposit with certain institutions that may exceed federally insured limits. The Agency has not experienced any losses in such accounts. Management believes that the Agency is not exposed to any significant credit risk for cash. Marketable securities, other than cash deposits, are at risk equal to their market value.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk (Continued)

With respect to accounts receivable, the Agency attempts to minimize credit risk by reviewing and monitoring credit exposure on a continuing basis. Any unanticipated change in credit worthiness or other matters affecting the collectability of accounts receivable that could have a material effect on the Consolidated Statements of Activities and the Consolidated Statements of Financial Position are recorded in the period in which such events occur.

Approximately 40% of the Agency's financial support was provided by Head Start grants received from the Department of Health and Human Services. As of December 31, 2014, approximately \$2.4 million was due from the Department of Health and Human Services.

Cash Equivalents

For purposes of the statement of cash flows; cash equivalents include deposits in money market fund accounts and investments in short-term certificates of deposit.

Grants Receivable and Allowance for Doubtful Accounts

The Agency carries its grants receivable at net realizable value less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its grants receivable and establishes an allowance, when deemed necessary, based upon the anticipated collectability of each specific account. Management has estimated no allowance is needed for the year ended December 31, 2014.

Inventory

Commodities are valued at fair market value or values determined by the grantor. Materials and supplies purchased with grant funds are expensed in the period in which purchased, accordingly, no inventory is recognized.

Investments

The Agency records its investments in marketable equity securities in accordance with ASC topic Not-for-Profit Entities Investments. Accordingly, investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Any related gains or losses are reported in the consolidated statement of activities and changes in net assets.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Fixed Assets, Depreciation and Amortization

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization expense is computed over the estimated useful lives of the assets (ranging from 5 to 40 years) using the straight-line method. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss is included in Consolidated Statement of Activities. For trade-ins, any gain becomes an adjustment to the new asset basis and any loss is included in the Consolidated Statement of Activities.

Funds Held for Beneficiaries

The Agency has been authorized to serve as a representative payer for Social Security and Supplemental Security Income beneficiaries. As such, the Agency helps beneficiaries obtain and account for the use of their benefits. In as much as the Agency is acting only as a payee for the Social Security Administration and their beneficiaries, funds received and disbursed through the program are not reported in the financial statements. A custodial cash balance and contra liability account, each in the amount of \$351,574 is included on the Agency's statement of financial position. The Beneficiary Program is not within the scope of this audit.

Deferred Revenue

Revenues received from grantors in advance are deferred until related expenses have occurred. Deferred revenues as of December 31, 2014 were \$2,626,027.

Classification of Net Assets

Net assets of the Agency are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Agency'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 completion of purpose can be removed by meeting certain requirements are recorded as 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.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Support

Program fees and other

Program service fees represent the estimated net realizable amounts from clients and others for services rendered. Revenue is recorded from these sources when earned and collectible.

Fees from Government Agencies

Revenue from government contracts under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the funds, revenue and contract receivable are recorded in the period during which the expenses are incurred.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Agency. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions

The Agency reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported by the Agency as unrestricted support in these consolidated financial statements.

Donated Goods and Services

A substantial number of volunteers have donated significant amounts of their time in the Agency's program services and its fund raising campaigns. Donated services of \$89,787 were not recognized in the consolidated financial statements since they did not meet the criteria for recognition under ASC topic - Contributions. For the years ended December 31, 2014, the Agency recorded in-kind services and donations of \$2,205,694 in the Consolidated Statement of Activities as public contributions.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Commodities

Non-monetary assistance is recorded at the fair market value of the commodities received and disbursed. Total non-monetary assistance received during the year ended December 31, 2014 was \$970,199.

Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2014, there were no uncertain tax positions that required accrual.

The Agency believes that it has been operating within its tax exempt status and has no unrelated business income. Further, it is not currently under examination by the Internal Revenue Service or state authorities, however, fiscal year 2011 and later remain subject to examination.

Cost Allocation

Costs are allocated to benefiting programs using various allocation methods, depending on the type of cost being allocated. Costs are those costs incurred for the common benefit of all agency programs, but which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Personnel-Agency

Administrative and financial personnel record the time they spend working on specific programs and general agency matters using time sheets. The time specifically identifiable to a particular program is charged to that program. The time not specifically identifiable is charged to the C.S.B.G. grant awarded to cover such expenditures.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Cost Allocation (Continued)

Supplies

All supplies are expensed to specific programs as acquired.

Building

Space costs (maintenance costs, supplies, etc.) are directly charged to each program occupying the space.

Copy Costs

A record is maintained of copies made for each program. Copy costs are charged to programs based on the percentage of copies made in the month.

Insurance

Insurance is allocated to benefiting programs depending on the equipment, space or people covered by the insurance.

Other Joint Costs

Other joint costs (telephone, computer usage, etc.) are charged to agency programs based on the amounts used by each program.

Functional Expenses

Approximately 92% of the Agency's expenses relate to program services, 7% to supporting services, and 1% to fund raising activities. Expenses were allocated as follows for the year ended December 31, 2014:

Program services	\$ 26,255,311
Management and general	2,231,086
Fundraising	<u>117,275</u>
	<u>\$ 28,603,672</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Subsequent Events

The Agency has performed a review of events subsequent to the Consolidated Statement of Financial Position through June 26, 2015, the date the financials were available to be issued.

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE

Mortgages and notes receivable consist of the following as of December 31, 2014:

Venture, Inc. provided a second mortgage loan in the amount of \$610,000 to Venture Pontiac Homes I LDHA LP, using funds provided from a HOME contract with the City of Pontiac. The second mortgage, to be used for the construction of ten homes, matures 18 years after construction completion and earns interest at a rate of 4.55% compounded annually.	\$ 781,398
Venture, Inc. holds one interest free down-payment assistance loan issued in connection with the Agency's sale of a home, totaling \$4,500. If certain conditions are met, the loan is forgiven. The loan is offset by a liability account in the same amount.	4,500
Various notes receivable related to development costs associated with creating Limited Dividend Housing Association Limited Partnerships (LDHA LP). These notes are due from the LDHA LP's upon creation. These notes are expected to be paid within one year.	90,009
Development fee receivable from a related party, Venture Centerpark LDHA LP. The receivable is due by December 2018.	120,610
	<u>\$ 996,517</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 3 – MORTGAGES AND NOTES RECEIVABLE (Continued)

Following is the maturity of the mortgage and notes receivable for each of the next five years and thereafter:

Year ending December 31,	Amount
2015	\$ 90,009
2016	-
2017	-
2018	781,398
2019	-
Thereafter	<u>125,110</u>
	<u><u>\$ 996,517</u></u>

NOTE 4 – PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following as of December 31, 2014:

Rent	\$ 77,695
Insurance	30,051
Other	21,571
Deferred compliance fees, net	11,005
Deposits	<u>45,000</u>
	<u><u>\$ 185,322</u></u>

NOTE 5 – INVESTMENTS

Investments consist of the following as of December 31, 2014:

Cash and cash equivalents	\$ 17,015
Bond funds	141,601
Equity funds	666,368
Community foundation endowment	236,890
Certificates of deposit	<u>383,852</u>
	<u><u>\$ 1,445,726</u></u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 5 – INVESTMENTS (Continued)

Investment returns are summarized as follows:

Dividend and interest income	\$ 70,603
Net realized gains on investments	40,318
Net unrealized loss on investments	<u>(25,591)</u>
Investment income - net	<u>\$ 85,330</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

ASC topic - *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the abilities to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents and certificates of deposit: Valued at cost plus interest earnings through the year end.

Equity funds: Valued at the net asset value of shares held by the Agency at year end.

Bond funds: Valued at the closing price reported in the active market on which the individual securities are traded.

Community Foundation of Southeast Michigan: Valued at accumulated unit value of units held by the Agency at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 17,015	\$ -	\$ -	\$ 17,015
Bond funds	383,852	-	-	383,852
Equity funds	666,368	-	-	666,368
Community foundation endowment		236,890	-	236,890
Certificates of deposit	-	141,601	-	141,601
Total	<u>\$ 1,067,235</u>	<u>\$ 378,491</u>	<u>\$ -</u>	<u>\$ 1,445,726</u>

NOTE 7 - ENDOWMENT

The Agency established an endowment fund known as the Oakland Livingston Human Service Agency Fund, (Endowment). The Endowment is held and administered by the Community Foundation of Southeastern Michigan (Foundation), a Michigan nonprofit corporation classified as a tax-exempt Agency within Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The purpose of the Endowment is to support the general charitable purposes of the Agency.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 7 - ENDOWMENT FUND (Continued)

ASC topic Not-for-Profits Investments establishes standards for transactions in which a not-for-profit Agency accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. ASC topic Not-for-Profits Investments specifically requires that if a not-for-profit Agency establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the not-for-profit Agency must account for the transfer of such assets as an asset, and not recognize the transfer as a contribution made. The Agency refers to such transfers as endowments.

At December 31, 2014, the Agency's entire endowment fund, administered by the Community Foundation of Southeastern Michigan, had a fair value of \$236,890. The portion of the Fund contributed by OLHSA directly is considered a reciprocal transfer and is recorded as an asset because the Agency is also the beneficiary of the Fund.

Contributions made by unrelated third party donors are considered to be made to the Foundation and are not part of the Agency's net assets. In accordance with ASC topic Not-for-Profits Investments, this portion of the endowment investments are not reflected in the Agency's financial statements. The market value of this portion of the endowment fund was \$141,033 at December 31, 2014.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2014:

Furniture and fixtures	\$ 6,040
Computer equipment	24,100
Land	55,000
Equipment	170,175
Vehicles	166,890
Buidlings	<u>5,397,702</u>
	5,819,907
Less: Accumulated depreciation and amortization	<u>1,082,767</u>
	<u><u>\$ 4,737,140</u></u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 9 – OTHER PAYABLES

Other payables consist of the following as of December 31, 2014:

Venture, Inc. owns fourteen completed homes and two vacant lots. Currently, the homes are being rented, however, if they are sold, the funds are due back to the grantor. Therefore a payable equal to the book value of the assets has been recorded. This payable is not expected to be paid within one year.	\$ 383,075
Venture, Inc. entered into a consulting services agreement with Watermark Consultants, LLC. The consulting services agreement calls for 60% of the development fee received two LDHA LP developments to be paid to Watermark Consultants, LLC. The development fee is expected to be received in December 2018.	238,691
Venture Gateway LDHA LP deferred tax credit exchange program funds	<u>848,271</u>
	<u>\$ 1,470,037</u>

NOTE 10 – ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31, 2014:

Payroll	\$ 790,932
Vacation	576,986
Employee benefits	360,548
Other	222,984
Security deposits	<u>26,538</u>
	<u>\$ 1,977,988</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 – WORKERS’ COMPENSATION ACCOUNT

The Agency maintains a workers' compensation insurance policy, which covers employees of programs funded by various sources. The Agency, using a Workers' Compensation Account as a conduit, charges each program for its distributive share of the costs using a fixed rate with a carry-forward provision. The carry-forward provision, which is included in deferred revenue, was \$15,365 as of December 31, 2014.

NOTE 12 – HEALTH INSURANCE FUND / SELF INSURANCE PROVISION

The Agency provides employees covered under fully insured plans the option to participate in a lower cost health insurance plan that passed a portion of risk to the Agency. The Agency engages a third party administrator (Humana) to operate the program. OLHSA is liable for the first \$75,000 of eligible health care costs incurred by each participant, each year, with an aggregate stop loss amount of \$2,810,450 for the plan year May 1, 2013 through April 30, 2014, and increased to \$3,009,286 for the plan year ended April 30, 2015.

The Agency, using a Health Insurance Account as a conduit, charges each program monthly for its distributive share of estimated costs. The carry-forward balance in the account is then monitored to provide a basis for adjustments to costs charged to grants in subsequent months. The carry-forward provision, which is included in deferred revenue, was \$613,098 as of December 31, 2014.

NOTE 13 – NOTE PAYABLE – BANK

OLHSA has an unused line of credit with a bank as of December 31, 2014. The line has a maximum draw of \$600,000. Interest on the line is variable at 3.00% over LIBOR (the LIBOR rate was 0.11% as of December 31, 2014). The line of credit matures August 2015.

Venture, Inc. has a working capital line of credit with a bank as of December 31, 2014. The line has a maximum draw of \$200,000. Interest on the line is variable at 1.25% over PRIME (the PRIME rate was 3.25% as of December 31, 2014), and is payable monthly. The amount due at December 31, 2014 was \$73,908. The line of credit matures August 2015.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 14 – MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable consist of the following as of December 31, 2014:

Venture, Inc. received \$610,000 from a HOME contract with the City of Pontiac to construct ten single family homes in targeted areas. Fifty percent of project proceeds if applicable and other returns on the investment of HOME funds in this project can be returned to the City of Pontiac. Any project proceeds retained must be used for future affordable housing projects according to a pre-approved housing plan. Such approval must be obtained from the City and be described fully in a written agreement to be executed between the city and Venture, Inc. prior the expenditure of the funds. Venture, Inc. will reduce the liability balance as project proceeds are returned to the City or approval for reobligation by the City.	\$ 610,000
Venture, Inc. received \$119,700 from the Michigan State Housing Development Authority to rehabilitate single family homes. The funds were advanced to Venture Gateway LDHA LP to rehab a 32 unit residential apartment complex. Any project proceeds retained must be used for future affordable housing projects according to a pre-approved plan. Venture, Inc. will reduce the liability balance as project proceeds are returned to the grantor or approval for reobligation is received.	119,700
Venture, Inc. holds a \$4,500 down payment assistance loan issued in connection with the Agency's sale of a home. If the loan is collected the amount is to be paid to the Grantor who funded the project.	4,500
Venture Grand River LDHA LP received an interest free mortgage from Michigan State Housing Development Authority which requires no annual principal or interest payments and is payable upon sale or transfer of the collateralized development.	1,320,000

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 14 – MORTGAGES AND NOTES PAYABLE (Continued)

Venture Grand River LDHA LP received an interest free mortgage from Michigan State Housing Development Authority which requires annual principal payments of 40% of all net cash, providing availability from the prior operating year, due no later than April 30th of that year. The mortgage note matures December 2056 and all real and personal property of the Partnership is pledged as collateral.	456,000
Venture Grand River LDHA LP received a mortgage from Michigan Interfaith Trust Fund, requiring monthly installments of \$7,477 including interest of 7% per annum. The mortgage note matures December 2021 and all real and personal property of the Partnership is pledged as collateral.	1,008,765
Venture Gateway, LDHA LP purchased real property and obtained a mortgage for \$830,400 from Rural Development. The note matures January 2039, when all accrued interest of 4.785% per annum is due. All real and personal property of the Partnership is pledged as collateral.	827,258
Venture Gateway, LDHA LP has a general operating loan from Michigan State Housing Development Authority payable annually to the extent of surplus cash, as defined by a regulatory agreement.	213,451
	<u>\$ 4,559,674</u>

Following is the maturity of the mortgages and notes payable for each of the next five years and thereafter:

Year ending December 31,	Amount
2015	\$ 19,987
2016	21,233
2017	22,966
2018	24,627
2019	26,407
Thereafter	4,444,454
	<u>\$ 4,559,674</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 – POSTRETIREMENT PLAN

The Agency has a post-retirement plan that provides health insurance benefits to eligible former employees. To qualify, the retiree must have had twenty years of full-time equivalent employment with the Agency, be medicare eligible and an Agency employee before December 31, 2006.

The benefit obligation and net benefit costs were determined using an assumed weighted average discount rate of 4.4% for 2014 and 2013.

The following relates to postretirement benefits provided by the Agency as of and for the year ended December 31, 2014:

Accumulated postretirement benefit obligation	\$ 1,512,179
Plan assets	<u>22,983</u>
Projected benefit obligation in excess of plan assets	<u>\$ 1,489,196</u>
Net periodic postretirement cost	<u>\$ 88,753</u>
Benefits paid	<u>\$ (200,187)</u>

Healthcare costs trends have no effect on the Agency's liability and thus sensitivity analysis of those trends is not applicable.

The net periodic cost related to this plan was as follows:

Service cost	\$ 23,294
Interest cost	60,266
Expected return on plan assets	(160)
Amortization of net transition asset	38,607
Amortization of prior service costs	15,093
Amortization of actuarial loss	<u>(48,347)</u>
Net periodic cost	<u>\$ 88,753</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 15 – POSTRETIREMENT PLAN (Continued)

The following benefit payments are expected to be paid:

Years ending December 31,	Amount
2015	\$ 109,244
2016	\$ 98,277
2017	\$ 94,475
2018	\$ 88,067
2019	\$ 88,744
2020 - 2024	\$ 457,656

NOTE 16 – PENSION PLAN

The Agency sponsors a single-employer defined benefit retirement plan (the “Plan”). The Plan’s benefits are frozen with no further benefits accruing to existing participants.

The net periodic pension cost was as follows for the year ended December 31, 2014:

Service cost*	\$ -
Interest cost	8,289
Expected return on plan assets	(16,505)
Amortization of prior service costs	15,446
Amortization of actuarial loss	3,430
Net periodic pension cost	<u>\$ 10,660</u>

The following table presents the Plan’s funded status as of December 31, 2014:

Change in projected benefit obligation:	
Projected benefit obligation, beginning of year	\$ 184,341
Service cost	-
Interest cost	8,289
Actuarial (gain)	1,860
Change due to change in assumption	53,227
Benefits paid	(2,740)
Projected benefit obligation, end of year	<u>\$ 244,977</u>

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 16 – PENSION PLAN (Continued)

Change in plan assets:	
Fair value of plan assets, beginning of year	\$ 208,320
Actual return on plan assets	6,209
Contributions	-
Benefits paid	(2,740)
	<u>211,789</u>
Plan assets at fair value	<u>\$ 211,789</u>
Funded status, end of year	
Projected benefit obligation in excess of plan assets	<u>\$ (33,188)</u>

The amount of net actuarial loss that arose previously, and is expected to be recognized as a component of net periodic benefit cost over the next fiscal year is \$11,491. The accumulated unrecognized actuarial loss at December 31, 2014 was \$104,938.

Expected future annual benefit payments to retirees are as follows:

Years ending December 31,	Amount
2015	\$ 3,889
2016	\$ 4,043
2017	\$ 4,147
2018	\$ 4,214
2019	\$ 4,269
2020 - 2024	\$ 35,439

The assumptions used to determine net periodic benefit cost for the Plan were as follows as of December 31, 2014:

Discount rate	4.50%
Expected rate of long-term return on plan assets	8.00%
Rate of compensation increase	N/A

The expected long-term rate of return of Plan assets is determined by reflecting expectations regarding future rates of return at prevailing rates, as published.

The assumptions used to determine the above benefit obligations and fair value of Plan assets include the following as of December 31, 2014:

Discount rate	3.75%
Rate of compensation increase	N/A

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 16 – PENSION PLAN (Continued)

Plan Assets

The Plan assets were 100% allocated to a fixed income account as of December 31, 2014.

Contributions

The Agency does not expect to contribute to the Plan, during the year ended December 31, 2015. It is the intention of management to terminate the Plan during the year ended December 31, 2015.

NOTE 17 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted activities of the Agency consist of contributions received and endowment earnings that are restricted as to use or time as specified by the donor. The restrictions expire when the purpose or time of the restrictions have been accomplished. Temporarily restricted net assets consisted of the following as of December 31, 2014:

Restrictions:	
Commodities restricted for use	\$ 18,357
Purpose restrictions	<u>903,687</u>
	<u>\$ 922,044</u>

NOTE 18 – DEFINED CONTRIBUTION PLAN

The Agency makes a tax deferred contribution to a Defined Contribution Profit Sharing Plan equal to 7.25 percent of each eligible employee's pay, whether or not the employee elects to contribute between 1 and 10 percent of their compensation on an after-tax basis. The Chief Executive Officer receives a 12 percent employer contribution. The tax deferred contribution made by the Agency for employees hired after December 31, 2006 is 4.00 percent. Required contributions in the amount of \$630,390 were made to the Trust by the Agency during the year ended December 31, 2014.

Employees are eligible to participate in the plan when they have completed one year of service, regardless of age. The Plan is designed to encourage employees to stay with the Agency until they reach 65 or retire (if later). Payment of employee accounts from the Plan is available only upon death, total and permanent disability or retirement. If an employee leaves the Agency before their death, total and permanent disability or retirement at 65, they will only be entitled to receive a vested part of the value of their account with 100% of their contributions refunded. The vested part of their account is based on the number of Years of Service with the Agency.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 19 – OPERATING LEASES

A summary of the Agency's significant lease obligations are as follows for the year ended December 31, 2014:

Lessor	Purpose	Monthly Rate	Expiration Date
OLHSA Building, LLC	Primary facility	\$ 72,495	March 2020
Canon Solutions America, Inc.	Office equipment	\$ 1,862	April 2016
Hilton Plaza LK, LLC	WIC clinic	\$ 1,050	Month-to-Month
School District of Royal Oak	Head Start site	\$ 2,500	August 2017
OLHSA Buliding, LLC	Parking	\$ 500	Month-to-Month
Gleaners	Facility	\$ 1,300	September 2016
Accounting Aid Society	Welcome center site	\$ 450	November 2015
13 Stephenson, LLC	WIC clinic	\$ 700	March 2015
The Point Investment	Agency storage	\$ 750	December 2015
Baker College	Head Start site	\$ 2,083	August 2017
Christ the King Church	Head Start site	\$ 1,500	July 2015

Minimum future rental payments under non-cancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2014 for each of the next five years and thereafter are:

Year ending December 31,	Amount
2015	\$ 990,665
2016	945,769
2017	906,607
2018	869,941
2019	869,941
Thereafter	217,485
	<u>\$ 4,800,408</u>

NOTE 20 – LITIGATION

Various claims and lawsuits incidental to the ordinary course of business are pending against the Agency. In the opinion of management, after consultation with legal counsel, resolution of these matters is not expected to have a material effect on the Agency's consolidated financial statements.

**OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND
SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2014

NOTE 21 – CONTINGENT LIABILITY

During the year ended December 31, 2013, the Agency received a letter from the Pension Benefit Guaranty Corporation (PBGC) regarding the United Way for Southeastern Michigan Plan (United Way Plan) that the Agency elected to disaffiliate from effective January 1, 2006. The United Way Plan filed for distressed termination and it was granted that status effective March 1, 2010. Based on the letter received, the PBGC noted that under section 4062(b) of ERISA, the Agency's portion of the unfunded liability was \$129,490 and the PBGC requested information to establish a payment plan or compromise amount.

The Agency disagrees with their portion of the unfunded liability noted in the letter, and have sent a response letter to the PBGC. As of the date of this report, no response to this letter had been received from the PBGC and no liability had been reflected in the consolidated financial statements as of December 31, 2014.

NOTE 22 – PRIOR PERIOD ADJUSTMENT

The consolidated beginning net assets as of January 1, 2014, have been restated to properly report various transactions, as noted below. The net effect of the restatement was to reduce unrestricted net assets by \$146,426, temporarily restricted net assets by \$128,766 and permanently restricted net assets by \$219,636.

Following is a summary of the prior period adjustments:

	Net Assets		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Record property and equipment	\$ 39,869	\$ -	\$ -
Properly state deferred revenues	(121,665)	(811,213)	-
Properly state board designated endowment	219,636	-	(219,636)
To accrued vacation time	(545,704)	-	-
To properly record temporarily restricted assets	-	682,447	-
To record developer fees receivable	159,128	-	-
To reduce over accrual of post-retirement benefits	79,801	-	-
To properly eliminate intercompany transactions	22,509	-	-
Total	<u>\$ (146,426)</u>	<u>\$ (128,766)</u>	<u>\$ (219,636)</u>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Oakland Livingston Human Service Agency and Subsidiaries

We have audited the consolidated financial statements of Oakland Livingston Human Service Agency and Subsidiaries as of and for the year ended December 31, 2014, and have issued our report thereon dated June 26, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and statement of activities are presented for the purposes 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.

UHY LLP

Farmington Hills, Michigan
June 26, 2015

OAKLAND LIVINGSTON HUMAN SERVICE AGENCY AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2014

	<u>OLHSA</u>	<u>Venture, Inc.</u>	<u>Venture Housing, Inc.</u>	<u>Venture Grand River LDHA LP</u>	<u>Venture Gateway LDHA LP</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 1,312,668	\$ 38,807	\$ 218	\$ 121,191	\$ 422,398	\$ -	\$ 1,895,282
Grants receivable	5,018,529	-	-	-	-	-	5,018,529
Other receivables	-	241,724	192	8,020	1,109	-	251,045
Due from (to) related entities	1,077,744	(892,607)	(65,437)	-	(119,700)	-	-
Mortgages and notes receivable	-	1,273,726	-	-	-	(277,209)	996,517
Inventory	18,357	-	-	-	-	-	18,357
Prepaid expenses and deposits	163,886	-	-	8,643	12,793	-	185,322
Investments	1,445,726	-	-	-	-	-	1,445,726
Investments in related entities	-	(110,697)	(311,881)	-	-	475,817	53,239
Property and equipment - net	127,313	383,075	-	2,296,274	1,930,478	-	4,737,140
Total assets	<u>\$ 9,164,223</u>	<u>\$ 934,028</u>	<u>\$ (376,908)</u>	<u>\$ 2,434,128</u>	<u>\$ 2,247,078</u>	<u>\$ 198,608</u>	<u>\$ 14,601,157</u>
LIABILITIES AND NET ASSETS (DEFICIT)							
LIABILITIES							
Accounts payable	\$ 2,355,768	\$ 17,832	\$ -	\$ 2,654	\$ 40	\$ -	\$ 2,376,294
Other payables	-	621,766	-	-	1,125,480	(277,209)	1,470,037
Accrued expenses and deposits held	1,771,484	6,020	-	29,628	170,856	-	1,977,988
Funds held for beneficiaries	351,574	-	-	-	-	-	351,574
Deferred revenue	2,530,084	-	-	1,252	2,139	-	2,533,475
Line of credit	-	73,908	-	-	-	-	73,908
Mortgages and notes payable	-	734,200	-	2,784,765	1,040,709	-	4,559,674
Post-retirement obligation - health benefits	1,489,196	-	-	-	-	-	1,489,196
Post-retirement obligation - pension benefits	33,188	-	-	-	-	-	33,188
Total liabilities	<u>8,531,294</u>	<u>1,453,726</u>	<u>-</u>	<u>2,818,299</u>	<u>2,339,224</u>	<u>(277,209)</u>	<u>14,865,334</u>
NET ASSETS (DEFICIT)							
Unrestricted:							
Undesignated	(526,005)	(519,698)	(376,908)	(384,171)	(92,146)	475,817	(1,423,111)
Board designated	236,890	-	-	-	-	-	236,890
Temporarily restricted	922,044	-	-	-	-	-	922,044
Total net assets (deficit)	<u>632,929</u>	<u>(519,698)</u>	<u>(376,908)</u>	<u>(384,171)</u>	<u>(92,146)</u>	<u>475,817</u>	<u>(264,177)</u>
Total liabilities and net assets (deficit)	<u>\$ 9,164,223</u>	<u>\$ 934,028</u>	<u>\$ (376,908)</u>	<u>\$ 2,434,128</u>	<u>\$ 2,247,078</u>	<u>\$ 198,608</u>	<u>\$ 14,601,157</u>

CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	OLHSA			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND SUPPORT				
Government grants and contracts	\$ 20,532,414	\$ -	\$ -	\$ 20,532,414
Public contributions	2,981,146	544,273	-	3,525,419
Performance fees	1,820,798	-	-	1,820,798
Non-cash commodities	963,698	6,501	-	970,199
Net investment income	36,614	-	-	36,614
Rental income	6,780	-	-	6,780
Income (loss) from subsidiaries	-	-	-	-
Other income	-	-	-	-
Total revenues and support	<u>26,341,450</u>	<u>550,774</u>	<u>-</u>	<u>26,892,224</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>323,033</u>	<u>(323,033)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Salaries and wages	8,062,234	-	-	8,062,234
Fringe benefits	4,176,085	-	-	4,176,085
Consultants and contract services	4,913,171	-	-	4,913,171
Subgrants	5,007,566	-	-	5,007,566
Consumable supplies	404,215	-	-	404,215
Non-cash assistance - commodities	235,300	-	-	235,300
Occupancy costs and rentals	2,152,839	-	-	2,152,839
Equipment costs	165,916	-	-	165,916
Travel	274,891	-	-	274,891
Other costs	1,838,208	-	-	1,838,208
Interest	928	-	-	928
Depreciation	21,808	-	-	21,808
Total expenses	<u>27,253,161</u>	<u>-</u>	<u>-</u>	<u>27,253,161</u>
Change in net assets before change in pension and post retirement liabilities	(588,678)	227,741	-	(360,937)
Change in pension and postretirement liabilities	148,097	-	-	148,097
CHANGE IN NET ASSETS	<u>(440,581)</u>	<u>227,741</u>	<u>-</u>	<u>(212,840)</u>
NET ASSETS , beginning of year before adjustment	479,529	823,069	219,636	1,522,234
Prior period adjustment	(328,063)	(128,766)	(219,636)	(676,465)
NET ASSETS , beginning of year after adjustment	<u>151,466</u>	<u>694,303</u>	<u>-</u>	<u>845,769</u>
NET ASSETS , end of year	<u>\$ (289,115)</u>	<u>\$ 922,044</u>	<u>\$ -</u>	<u>\$ 632,929</u>

Venture, Inc.	Venture Housing, Inc.	Venture Grand River LDHA LP	Venture Gateway LDHA LP	Eliminations	Total
\$ 505,353	\$ -	\$ 15,278	\$ -	\$ -	\$ 21,053,045
-	-	-	-	-	3,525,419
17,450	-	-	-	-	1,838,248
-	-	-	-	-	970,199
27,755	-	62	20,899	-	85,330
5,179	-	274,027	170,147	-	456,133
-	(86,870)	-	-	87,774	904
42,568	-	1,499	42,558	-	86,625
<u>598,305</u>	<u>(86,870)</u>	<u>290,866</u>	<u>233,604</u>	<u>87,774</u>	<u>28,015,903</u>
-	-	-	-	-	-
2,477	-	22,793	-	-	8,087,504
695	-	1,669	-	-	4,178,449
138,182	-	32,880	-	-	5,084,233
-	-	-	-	-	5,007,566
-	-	-	-	-	404,215
-	-	-	-	-	235,300
3,441	-	72,903	30,663	-	2,259,846
-	-	21,934	39,523	-	227,373
1,499	-	-	-	-	276,390
552,936	-	42,722	79,491	-	2,513,357
39,037	-	66,912	50,249	-	157,126
-	-	76,631	73,874	-	172,313
<u>738,267</u>	<u>-</u>	<u>338,444</u>	<u>273,800</u>	<u>-</u>	<u>28,603,672</u>
(139,962)	(86,870)	(47,578)	(40,196)	87,774	(587,769)
-	-	-	-	-	148,097
<u>(139,962)</u>	<u>(86,870)</u>	<u>(47,578)</u>	<u>(40,196)</u>	<u>87,774</u>	<u>(439,672)</u>
(538,864)	(290,038)	(336,593)	(51,950)	365,534	670,323
159,128	-	-	-	22,509	(494,828)
<u>(379,736)</u>	<u>(290,038)</u>	<u>(336,593)</u>	<u>(51,950)</u>	<u>388,043</u>	<u>175,495</u>
<u>\$ (519,698)</u>	<u>\$ (376,908)</u>	<u>\$ (384,171)</u>	<u>\$ (92,146)</u>	<u>\$ 475,817</u>	<u>\$ (264,177)</u>