

Office of Legislative
Auditor General

WILLIE MAYO, CPA, CIA, CICA
AUDITOR GENERAL

July 2, 2010



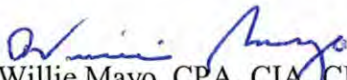
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FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commission:

Enclosed is our final copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review report for the Wayne County-Detroit Community Development Entity, Inc.'s audited financial statements for the fiscal year ended August 31, 2009. Our report is dated June 3, 2010; DAP No. 2010-57-910. The draft report was accepted by the Audit Committee at its meeting held on Tuesday, June 22, 2010, and formally received by the Wayne County Commission on July 1, 2010.

We are pleased to inform you that officials from the Wayne County-Detroit Community Development Entity, Inc. and Economic Development Growth Engine provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all office of Legislative Auditor General's final reports can be found on our website at: http://www.waynecounty.com/comm_depts_auditor_reports.htm


Willie Mayo, CPA, CIA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County-Detroit Community Development Entity, Inc.
Bella Marshall, Chairperson, Board of Directors

Economic Development Growth Engine
Turkia A. Mullin, Chief Development Officer
Taylor Segue III, Project Manager

Department of Management & Budget
Carla E. Sledge, Chief Financial Officer
Terry L. Hasse, Director, Grants and Contract Administration
Melinda Haner, Finance & Compliance Manager, WC-Detroit, CDE
Barbara Cerda, Director, Financial Services

Wayne County Executive



Office of Legislative
Auditor General

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June 3, 2010

DAP No. 2010-57-910

Honorable Gary Woronchak, Chairman
Audit Committee
Wayne County Commission
County of Wayne, Michigan
500 Griswold Ave., Suite 766
Detroit, MI 48226

Subject: Office of Legislative Auditor General's Financial Assessment -- Limited Review Report for the Wayne County-Detroit Community Development Entity, Inc.'s (WCD-CDE) Financial Report, including its audited financial statements and related reports for the fiscal year ended August 31, 2009.

Dear Chairman Woronchak:

The Office of Legislative Auditor General (OAG) received the Wayne County-Detroit Community Development Entity, Inc.'s (WCD-CDE) financial report, including audited financial statements for the fiscal year ended August 31, 2009 (attached) from the Department of Economic Development Growth Engine (EDGE) in accordance with Wayne County Ordinance 98-59. This ordinance requires all county departments, agencies, and units to provide a copy of any audit or consulting report to the Legislative Auditor General.

Because we have performed more extensive financial reviews of the WCD-CDE's financial reports in the past few years in accordance with professional attestation standards, and determined they were complete, thorough, and in accordance with generally accepted accounting principles, we elected to conduct a limited review of their financial reports for the fiscal year ended August 31, 2009.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards or Generally Accepted Auditing Standards,



the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.

Our limited review of the WCD-CDE's financial report and audited financial statements for the fiscal year ended August 31, 2009, included, but was not necessarily limited to: a thorough and complete review of the documents; limited inquiries of WCD-CDE and County officials; and, analytical review procedures. Below we have summarized some key items from the financial statements and other reports for consideration by the Committee and Commission members:

BACKGROUND

- The Wayne County – Detroit Community Development Entity was created in August 2003 by EDGE (formerly, Department of Economic & Neighborhood Development) to serve as the county's economic development tool for the purpose of taking advantage of federal income tax credits granted by the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) Fund to encourage investment in economically depressed areas of the county.
- The WCD-CDE is governed by an 11 member board of directors; six of which are appointed by the Wayne County CEO, three from area banks, and two from the Detroit Economic Growth Corporation. It appears the Wayne County Commission does not approve the CEO's appointments.
- The income tax credits are formally known as the New Market Tax Credits (NMTC) programs. The NMTC allows investors making qualified equity investments in designated Community Development Entities (CDE) projects to receive a credit against federal income taxes. In order to receive NMTC, the WCD-CDE was certified as a CDE by the CDFI Fund. To receive certification and an "allocation" of NMTC, a CDE among other requirements must: 1) be a domestic for profit or non-profit entity or partnership; 2) comply with the requirements of the Allocation Agreement; and, 3) comply with section 45D of the Internal Revenue Code (IRC). That section of the IRC indicates the NMTC can only be used for Qualified Active Low Income Community Businesses for investment in projects that develop or revitalize low-income neighborhoods and communities or provide services to the same.
- In October 2004, the WCD-CDE was allocated \$27,000,000 in NMTC by the CDFI Fund; The CDFI Fund allows allocatees to partner with other CDEs and award all or a portion of their NMTC to these CDEs. These other CDEs are referred to as "Subsidiary Allocatees". The WCD-CDE has elected to operate under this approach and as of August 31, 2009 had awarded all of its \$27,000,000 NMTC to four CDEs. Since 2004, no NMTC funds have been distributed to the subsidiary allocatees.

- The WCD-CDE earns its income through a variety of fees: loan servicing, asset management, organizational and loan placement, and income from investments in limited liability companies (the subsidiary allocatees).
- For financial reporting purposes, the WCD-CDE is a component unit of the County of Wayne, and though the WCD-CDE is a separate legal entity, its financial results are included in the County's CAFR as a component unit. As a component unit, the County is financially accountable.

EXTERNAL AUDITORS REPORTS AND LETTERS

- The WCD-CDE received an "unqualified opinion" on the audited financial statements from Reznick Group, P.C. An unqualified opinion is issued by an external auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles (GAAP), which in other words means that the entity's financial condition, position, and operations are fairly presented in the financial statements. It is the best type of report an entity may receive from an external auditor.

FINANCIAL RESULTS/OPERATIONS

Description	FY 2009	FY 2008	Increase (Decrease)	Primary Reason(s)
Assets	\$272,810	\$325,106	\$(52,296)	Cash
Liabilities	\$34,730	\$9,236	\$25,494	Accounts Payable
Net Asset – Unrestricted	\$238,080	\$315,870	\$(77,790)	Operating loss
Net Operating Surplus (Loss)	\$(77,790)	\$130,346	\$(208,136)	No earning in loan placement and organization fee

POTENTIAL RISK EXPOSURE

- The WCD-CDE and its subsidiary allocatees pose some risk to the county related to the receipt of \$27,000,000 in NMTC from the CDFI Fund. The risk primarily relates to compliance requirements contained in the Allocation Agreement, IRC 45D, and the CDFI Fund. If program compliance requirements are not met or timely remediated once notified, the CDFI Fund could revoke the CDE status of the WCD-CDE. A

revocation of CDE status could cause the WCD-CDE to: 1) lose NMTC; or, 2) cause a recapture of NMTC occurrence or event and possibly expose the WCD-CDE to fines and penalties.

The WCD-CDE has contracted with two companies experienced in NMTC matters to assist in monitoring and ensuring compliance with the NMTC program requirements/filings for itself and its subsidiary allocatees. The WCD-CDE also maintains an insurance policy to cover certain losses related to the potential liabilities arising due to non-compliance and other matters. Moreover, the organizational structure of the WCD-CDE and its subsidiary allocatees are designed to mitigate the county's exposure to risk related to the NMTC program.

It appears appropriate county management and WCD-CDE officials are aware of the risk associated with the WCD-CDE and have implemented reasonable measures to mitigate and manage the risk.

- A number of county departments provide management and financial accounting services to the WCD-CDE for which they are not financially reimbursed. Those services may cost the county thousands of dollars annually. If the WCD-CDE reimburses the county for the services it receives, it could reduce a portion of General Fund dollars devoted to that department, thus reducing the projected deficit for the fund.

STATUS OF PRIOR YEAR'S RECOMMENDATION

Recommendation: We recommended officials in EDGE and other county departments providing services to the WCD-CDE perform a cost/benefit analysis to determine the feasibility of seeking reimbursement for services it provides.

Status – Unresolved: No action has been taken to address the recommendation.

CONCLUSION and RECOMMENDATION:

Based on our limited review, nothing came to our attention that caused us to believe the 2009 financial report, including audited financial statements of the Wayne County-Detroit Community Development Entity, Inc. (WCD-CDE) are not presented in conformity with generally accepted accounting principles.

It is our recommendation that the Wayne County-Detroit Community Development Entity, Inc. financial report, including audited financial statements, and the OAG's related Financial Assessment – Limited Review Report for fiscal year ended August 31, 2009, be forwarded to the Wayne County Commission to receive and file.

Respectfully submitted,



Willie Mayo, CPA, CIA, CICA
Auditor General

Attachment

CC: Turkia Mullin, Chief Development Officer,
Taylor Segue III, Project Manager, Economic Development Growth Engine
Carla E. Sledge, Chief Financial Officer, Wayne County
Bella Marshall, Chairperson, Board of Directors, WC-Detroit, CDE
Melinda Haner, Finance & Compliance Manager, Economic Development Growth
Engine, Department of Management & Budget
Terry L. Hasse, Director, Grants and Contracts Administration, Department of
Management & Budget
Barbara Cerda, Department of Management & Budget
Steven Collins, Department of Corporation Counsel

ATTACHMENT

FINANCIAL REPORT FOR
WAYNE COUNTY- DETROIT
COMMUNITY DEVELOPMENT ENTITY, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED AUGUST 31, 2009

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**WAYNE COUNTY - DETROIT CDE, INC.
(A DISCRETELY PRESENTED COMPONENT
UNIT OF THE CHARTER COUNTY
OF WAYNE, MICHIGAN)**

AUGUST 31, 2009 AND 2008

Wayne County - Detroit CDE, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wayne County - Detroit CDE, Inc.

We have audited the accompanying statements of financial position of Wayne County - Detroit CDE, Inc., a component unit of the Charter County of Wayne, Michigan, as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company'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. Those standards require that we plan and perform the audits 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 Wayne County - Detroit CDE, Inc. as of August 31, 2009 and 2008, 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.

Reznick Group, P.C.

Baltimore, Maryland
February 12, 2010

Wayne County - Detroit CDE, Inc.

STATEMENTS OF FINANCIAL POSITION

August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 80,026	\$ 213,891
Accounts receivable	190,768	109,103
Investments in limited liability companies	1,480	1,474
Prepaid expense	<u>536</u>	<u>638</u>
Total assets	<u>\$ 272,810</u>	<u>\$ 325,106</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 34,730	\$ 9,236
NET ASSETS - UNRESTRICTED	<u>238,080</u>	<u>315,870</u>
Total liabilities and net assets	<u>\$ 272,810</u>	<u>\$ 325,106</u>

See notes to financial statements

Wayne County - Detroit CDE, Inc.

STATEMENTS OF ACTIVITIES

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Income		
Loan servicing and asset management fee income	\$ 80,000	\$ 71,667
Organization fee income	-	140,000
Loan placement fee income	-	65,000
Income from investments in limited liability companies	<u>121</u>	<u>55</u>
Total income	<u>80,121</u>	<u>276,722</u>
Expenses		
Program expense	157,911	146,253
Miscellaneous administrative expense	<u>-</u>	<u>123</u>
Total expenses	<u>157,911</u>	<u>146,376</u>
Change in net assets	(77,790)	130,346
Net assets - unrestricted, beginning	<u>315,870</u>	<u>185,524</u>
Net assets - unrestricted, end	<u>\$ 238,080</u>	<u>\$ 315,870</u>

See notes to financial statements

Wayne County - Detroit CDE, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ (77,790)	\$ 130,346
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Income from investments in limited liability companies	(121)	(55)
Decrease (increase) in assets		
Prepaid expenses	102	76
Accounts receivable	(81,665)	(71,898)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>25,494</u>	<u>(10,163)</u>
Net cash (used in) provided by operating activities	<u>(133,980)</u>	<u>48,306</u>
Cash flows from investing activities		
Distributions from (investments in) limited liability companies	<u>115</u>	<u>(338)</u>
Net cash provided by (used in) investing activities	<u>115</u>	<u>(338)</u>
NET (DECREASE) INCREASE IN CASH	(133,865)	47,968
Cash, beginning	<u>213,891</u>	<u>165,923</u>
Cash, end	<u><u>\$ 80,026</u></u>	<u><u>\$ 213,891</u></u>

See notes to financial statements

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Wayne County - Detroit CDE, Inc. (the Company) was formed on August 25, 2003 under the laws of the State of Michigan as a taxable subchapter C corporation. The Company is a discretely presented component unit of the Charter County of Wayne, Michigan (the County), and its financial statements are included in the County's comprehensive financial report because the County is in control of the selection and approval of the Company's board of directors. The Articles of Incorporation and the by-laws were amended on November 17, 2005 in order to reorganize as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code of 1986. The Company filed IRS Form 1023, "Application for Recognition of Exemption" in order to change its taxable corporation status to that of a nonprofit organization exempt from taxation. This election was filed by the end of the 27th month of the Company's formation. This election is retroactive to the Company's formation.

The Company is a qualified Community Development Entity (CDE) that holds New Markets Tax Credit (NMTC) allocation authority to be used for investment in Qualified Active Low Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code. The Company was granted an allocation of \$27,000,000 of NMTC authority from the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) under an Allocation Agreement dated October 26, 2004. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the NMTC to be used to reduce Federal taxes otherwise due in each year of a seven-year period.

The Company's principal business objective is to receive, administer, and distribute funds for religious, charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, including:

- the revitalization of low income communities;
- to create community, economic and service programs which will assist in the redevelopment of low income neighborhoods and communities;
- to attract private and/or public investors which will rebuild neighborhoods and create jobs to benefit low-income communities and/or low-income individuals;

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

- to facilitate and distribute investment capital to benefit low-income communities and/or low-income individuals;
- to lessen the burdens of governments by creating programs and supporting projects designed to stimulate economic growth and job creation; and
- to develop an advisory board to oversee and maintain the plans of action of the Company. The advisory board will consist of residents of low-income communities, representatives of organizations servicing these low-income communities, and other members of these communities

Under the Company's allocation agreement with the CDFI Fund, WC-D CDE #1, LLC, WC-D CDE #2, LLC, WC-D CDE #3, LLC, WC-D CDE #4, LLC, WC-D CDE #5, LLC, WC-D CDE #6, LLC, WC-D CDE #7, LLC, and WC-D CDE #8, LLC have become approved "Subsidiary Allocatees" of the Company. The Company is the managing member of the Subsidiary Allocatees. An allocation agreement places restrictions on the CDE's operations, including, but not limited to, a specific geographical area of the low-income communities the CDE must serve. The Company has been approved to serve low-income communities accountable to Wayne County in Michigan. As of August 31, 2009, the Company has allocated \$27,000,000 of its NMTC authority. The Company allocated \$5,400,000 of its NMTC authority to WC-D CDE #1, LLC, \$2,000,000 of its NMTC authority to WC-D CDE #2, LLC, \$5,000,000 of its NMTC authority to WC-D CDE #3 and \$14,600,000 of its NMTC authority to WC-D CDE #4, LLC.

As a CDE, the Company is continually required to demonstrate to the CDFI Fund that its primary mission is serving, or providing investment capital for low-income communities or low-income persons and that it is accountable to residents of the low-income communities it serves. As a CDE, the Company is required to comply with various rules and regulations of the CDFI Fund and Section 45D of the Internal Revenue Code. Failure to comply with these or other requirements could result in the loss of future NMTC.

The Company shall continue to be in full force indefinitely unless terminated pursuant to the articles of incorporation or law.

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

Net Assets

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restriction. When a 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 statement of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

Investments in Limited Liability Companies

The Company accounts for its investment in the limited liability companies using the equity method of accounting. Under the equity method of accounting, each investment is recorded at cost, and is subsequently increased or decreased by its share of each limited liability company's income or losses, and increased or decreased by the amount of any contributions made or distributions received, all to the extent the investment exceeds zero. The following is a summary of the Company's investment in the limited liability companies on August 31, 2009.

<u>Limited Liability Companies</u>	<u>Ownership Percentage</u>
WC-D CDE #1, LLC (CDE I)	0.01%
WC-D CDE #2, LLC (CDE II)	0.01%
WC-D CDE #3, LLC (CDE III)	0.01%
WC-D CDE #4, LLC (CDE IV)	0.01%
FFP Investment Company, LLC (FFP)	0.01%
Oakland Park Investors, LLC (OPI)	0.01%

The Company regularly assesses the carrying value of its investment in the limited liability companies. If the carrying value exceeds the estimated value derived by management, the Company reduces its investment and includes such reduction as impairment loss. As of August 31, 2009, no impairment loss has been recognized.

Revenue Recognition

Fee income associated with the assignment of NMTC to the Subsidiary Allocatees and for organizing the Subsidiary Allocatees is recognized when earned.

Fee income associated with the loan servicing and asset management of the Subsidiary Allocatees is recognized when earned.

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

Functional Expenses

The Company reports its expenses on a functional basis. The Company's program services are all related to one program, which is the revitalization of low income communities through the New Markets Tax Credit Program.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Income Taxes

No provision for income taxes has been recorded in the accompanying financial statements as the Company is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Company's accounting policies. The adoption of the Codification did not have a material impact on the Company's financial position or results of operations.

On September 2, 2009, the FASB issued Accounting Standards Update (ASU) 2009-061 (formerly proposed as FSP FIN 48-d2) which ended the FASB's deferral for certain nonpublic entities surrounding the accounting for tax positions under FIN 48. Under the new FASB Codification, the new standard is located in ASC 740. ASU 2009-06, which is

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

effective for periods ending after September 15, 2009, is applicable to all entities, including tax-exempt not-for-profit entities.

NOTE 2 - RELATED PARTY TRANSACTIONS

Loan Servicing and Asset Management Fee

In consideration for loan servicing and asset management services provided to the Subsidiary Allocatees, the Company earned fees in the amount of \$80,000 and \$71,667, respectively, during the years ended August 31, 2009 and 2008. As of August 31, 2009 and 2008, \$188,872 and \$108,872 of such fees, respectively, remain receivable and are included in accounts receivable.

Loan Placement Fee

During the year ended August 31, 2008 and in accordance with the operating agreement of CDE III, the Company earned and was paid a fee of \$65,000 in connection with the making of the loans to the QALICB.

Organizational Fee

During the year ended August 31, 2008 and in accordance with the operating agreement of CDE III, the Company earned and was paid a fee of \$140,000 in connection with services related to the organization of CDE III.

Due to Affiliates

In connection with CDE III and OPI's operating agreements, the Company was required to make capital contributions to the limited liability companies. As of August 31, 2009 and 2008, \$650 of capital contributions, respectively, remain payable to CDE III and OPI and are included in accounts payable.

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

NOTE 3 - INVESTMENTS IN LIMITED LIABILITY COMPANIES

As of August 31, 2009 and 2008, the Company holds membership interests in limited liability companies, as described in Note 1. The following is summarized and combined financial information for these limited liability companies as of and for the years ended December 31, 2008 and 2007.

SUMMARIZED COMBINED BALANCE SHEETS

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 955,787	\$ 1,071,278
Loans receivable	33,264,982	34,776,545
Other assets	<u>12,702,225</u>	<u>11,102,441</u>
	<u>\$ 46,922,994</u>	<u>\$ 46,950,264</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES	\$ 14,434,396	\$ 14,514,280
MEMBERS' EQUITY	<u>32,488,598</u>	<u>32,435,984</u>
Total liabilities and members' equity	<u>\$ 46,922,994</u>	<u>\$ 46,950,264</u>

Wayne County - Detroit CDE, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2009 and 2008

SUMMARIZED COMBINED STATEMENTS OF OPERATIONS

	<u>2008</u>	<u>2007</u>
Interest and other income	\$ 1,899,419	\$ 1,768,635
Expenses	<u>687,636</u>	<u>1,222,345</u>
Net income	<u>\$ 1,211,783</u>	<u>\$ 546,290</u>
Net income allocated to the Company	<u>\$ 121</u>	<u>\$ 55</u>
Net income allocated to other members	<u>\$ 1,211,662</u>	<u>\$ 546,235</u>

NOTE 4 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through February 12, 2010 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.