Metro Community Development, Inc.

(A Nonprofit Organization)
Flint, Michigan

Annual Financial Statements,
Auditors' Report,
and
Single Audit Report

June 30, 2010

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Independent Auditors' Report

To the Board of Directors of
Metro Community Development, Inc.
Flint, Michigan

We have audited the accompanying statement of financial position of Metro Community Development, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the fiscal year then ended. These financial statements are the responsibility of Metro Community Development Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Metro Community Development, Inc.'s June 30, 2009 financial statements and, in our report dated September 3, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides 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 Metro Community Development, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the fiscal year 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 2, 2010, on our consideration of Metro Community Development, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Metro Community Development, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
September 2, 2010

Metro Community Development, Inc.
Statement of Financial Position
June 30, 2010
(With Comparative Totals for Fiscal 2009)

	2010	2009
Assets		
Cash and cash equivalents	**$ 1,763,965**	$ 328,040
Cash - restricted	**185,777**	182,379
Certificates of deposit	**417,130**	1,585,949
Grants receivable	**129,947**	14,712
Microloans receivable	**17,058**	-
Investments	**1,031**	815
Promises to give	**22,500**	30,000
Prepaid expenses	**-**	3,583
Deferred loans receivable, net of allowance $ 220,125 and $ 253,375, respectively	**196,875**	201,625
Mortgage loans - Senior Home	**14,223**	16,803
Equipment of $ 13,274, net of accumulated depreciation of $ 13,274 and $ 12,336, respectively	**-**	938
Land development sites	**18,327**	18,327
Total assets	**$ 2,766,833**	$ 2,383,171
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 136,785**	$ 62,166
Accrued expenses	**36,935**	33,480
Deferred revenue	**34,598**	24,035
Advance on grants	**252,820**	-
Total liabilities	**461,138**	119,681
Net assets		
Unrestricted	**1,760,567**	1,494,081
Temporarily restricted	**545,128**	769,409
Total net assets	**2,305,695**	2,263,490
Total liabilities and net assets	**$ 2,766,833**	$ 2,383,171

See Accompanying Notes to Financial Statements

Metro Community Development, Inc.
Statement of Activities
For the Year Ended June 30, 2010
(With Comparative Totals for Fiscal 2009)

	Unrestricted	Temporarily Restricted	Totals 2010	Totals 2009
Support, revenues, and gains				
Foundation support	$ 140,900	$ 22,700	**$ 163,600**	$ 138,586
Local funds	299,206	11,676	**310,882**	237,484
MSHDA - Chronic Homeless Initiative	316,756	-	**316,756**	267,950
Federal funds				
Department of Housing and Urban Development (HUD) - Supportive Housing Program (SHP) grant	2,199,936	-	**2,199,936**	1,597,895
HUD - Housing counseling subgrant	123,754	-	**123,754**	138,833
Department of Labor (DOL) - Summer Youth Program	210,203	-	**210,203**	-
DOL - Youth Build	251,095	-	**251,095**	-
HUD - Homeless Prevention and Rapid Re-Housing Program (HPRP)	207,111	-	**207,111**	-
Department of Treasury - CDFI - Technical assistance grant	-	-	**-**	100,000
Fees for services	129,965	-	**129,965**	99,786
Interest income	24,183	-	**24,183**	34,149
Unrealized gain (loss)	216	-	**216**	(189)
Net assets released from restrictions	258,657	(258,657)	**-**	-
Total support, revenues and gains	4,161,982	(224,281)	**3,937,701**	2,614,494
Expenses				
Salaries	432,359	-	**432,359**	346,328
Payroll taxes and fringe benefits	114,913	-	**114,913**	83,725
Accounting	20,323	-	**20,323**	18,188
Amortization of deferred loans	4,750	-	**4,750**	26,104
Communications and marketing	1,809	-	**1,809**	1,225
Consultants and contracting	99,344	-	**99,344**	20,490
Depreciation	938	-	**938**	1,349
Insurance	3,978	-	**3,978**	3,570
Memberships and subscriptions	2,923	-	**2,923**	1,998
Miscellaneous	19,171	-	**19,171**	6,939
Rent	35,688	-	**35,688**	32,674
Repairs and maintenance	9,914	-	**9,914**	5,925
Supplies and materials	8,211	-	**8,211**	7,633
Travel	12,256	-	**12,256**	2,404
Telephone and utilities	6,927	-	**6,927**	5,047
Loss on disposal of assets	-	-	**-**	85

(continued on next page)

Metro Community Development, Inc.
Statement of Activities
For the Year Ended June 30, 2010
(With Comparative Totals for Fiscal 2009)

	Unrestricted	Temporarily Restricted	Totals 2010	Totals 2009
Summer youth program - stipends	151,936	-	**151,936**	-
Youth build expenses	160,428	-	**160,428**	-
HPRP	186,922	-	**186,922**	-
MSHDA - Chronic Homeless Initiative	311,015	-	**311,015**	270,568
Community programs	8,282	-	**8,282**	25,147
Neighborhood projects	176,795	-	**176,795**	3,500
Homeless Management Information System (HMIS)	62,071	-	**62,071**	57,438
Subrecipient expenses	2,064,531	-	**2,064,531**	1,421,918
Total expenses	3,895,496	-	**3,895,496**	2,342,255
Change in net assets	266,486	(224,281)	**42,205**	272,239
Net assets at beginning of year	1,494,081	769,409	**2,263,490**	1,991,251
Net assets at end of year	$ 1,760,567	$ 545,128	**$ 2,305,695**	$ 2,263,490

Metro Community Development, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2010
(With Comparative Totals for Fiscal 2009)

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 42,205	$ 272,239
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization of deferred loans	4,750	26,104
Depreciation	938	1,349
Unrealized (gain) loss on investments	(216)	189
Loss on disposal of assets	-	85
Decrease (increase) in:		
Grant receivable	(115,235)	153,170
Microloans receivable	(17,058)	-
Promises to give	7,500	(25,000)
Prepaid expenses	3,583	866
Mortgage loans - Senior Home	2,580	(2,586)
Increase (decrease) in:		
Accounts payable	74,619	(65,010)
Accrued expenses	3,455	3,151
Deferred revenue	10,563	(31,253)
Grant advance	252,820	-
Net cash provided by operating activities	270,504	333,304
Cash flows from investing activities		
Purchase of certificates of deposit	(308,929)	(1,370,766)
Maturity of certificates of deposit	1,477,748	784,817
Net cash provided (used) by investing activities	1,168,819	(585,949)
Net increase (decrease) in cash and cash equivalents	1,439,323	(252,645)
Cash and cash equivalents at beginning of year	510,419	763,064
Cash and cash equivalents at end of year	$ 1,949,742	$ 510,419

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Metro Community Development, Inc. (the Organization), a nonprofit organization, was established August 21, 1992, by public, private and neighborhood organizations for the purpose of enhancing and expanding housing initiatives in the community.

Metro Community Development, Inc., was formerly Metro Housing Partnership, Inc., before legally changing its corporate name. The new name became effective April 3, 2009.

BASIS OF ACCOUNTING

The Organization prepares financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The following accounting policies are presented to facilitate the understanding of information presented in the financial statements:

- The financial statements are presented in accordance with US GAAP to report information regarding the Organization's financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- The certificates of deposit are recorded on the cost basis which approximates fair value.

- Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. The Organization primarily uses quoted market prices to establish fair value. Investment transactions are recorded on the trade date.

- Equipment is recorded at cost at the date of purchase or fair value at the date of gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years	Method
Equipment	5 - 7	Straight line

  Purchases and improvements in excess of $ 2,500 are capitalized while expenditures for maintenance and repairs are charged to expenses as incurred.

- Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

- Contributions received are recorded as unrestricted or temporarily or permanently restricted 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 the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose of 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.

- Restricted cash is limited to use in the Senior Home Retention Loan Program.

PLANNED MAJOR MAINTENANCE

The Organization expenses planned major maintenance expenses when incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

US GAAP requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization's reported activities, financial condition, or cash flows has not been materially affected by application of the US GAAP requirement. Unforeseen events and changes in circumstances could require the recognition of an impairment loss at some future date.

INCOME TAX STATUS

Metro Community Development, Inc., is a nonprofit exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code, but does file an informational return in the U.S. federal jurisdiction and State of Michigan. The statute of limitations is generally three years for federal returns and four years for Michigan returns.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

RECLASSIFICATION

Certain amounts from the 2009 financial statements have been reclassified to conform to the 2010 presentation.

CONCENTRATION OF CREDIT RISK

The Organization is required to disclose concentration of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents and certificates of deposits. The Organization places its cash and cash equivalents with high quality financial institutions. At June 30, 2010, deposits with financial institutions amounted to $ 2,490,286, of this amount; $ 1,034,921 was insured by FDIC depository insurance and $ 1,463,315 was uncollateralized and uninsured by FDIC depository insurance.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the fiscal year ended June 30, 2009, from which the summarized information was derived.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Organization considers cash on hand and demand deposits in banks as cash and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents for the purpose of the statement of cash flows.

NOTE 3 - INVESTMENTS

The Organization has determined the fair value of certain assets and liabilities through application of US GAAP. Investment securities are all valued using level 1 inputs which are based on unadjusted quoted market prices within active markets. The cost of investments and market values at June 30, 2010 are as follows:

	Cost	Fair Market Value
Certificates of deposit	$ 409,271	$ 409,271
Stock	786	1,031
	$ 410,057	$ 410,302

The unrealized gain on investments amounted to $ 216 for the year ended June 30, 2010.

Fair Value Option

US GAAP provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. When the fair value is elected, unrealized gains and losses are recognized in earnings as they occur. US GAAP permits the fair value option election on an instrument-by-instrument basis at specified election dates, primarily at the initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument.

The Organization did not elect the fair value option for any assets during 2010.

NOTE 4 - PROMISES TO GIVE

Promises to give are to be used for operations. Management expects uncollectible promises to be insignificant. At June 30, 2010, promises to give were:

Amounts receivable in less than one year	$ 7,500
Amounts receivable in one to two years	15,000
Total promises to give	$ 22,500

NOTE 5 - DEFERRED LOANS RECEIVABLE

The Organization is the administrator of two types of deferred loan programs. The first program provides five-year deferred loans to homeowners for down payment and closing costs. The second program provides fifteen-year deferred loans to homeowners for mortgage gap assistance. Liens are placed on the home at the time the deferred loan is made. Current funding for the program is limited to Metro Community Development's collection of program income derived from homeowner's required payments.

Under the five-year deferred loan program, if the homeowner remains in the home for five years, the loan is forgiven. On June 30, 2010, all remaining balances of the five year loans made in 2004 were forgiven in accordance with the fulfillment of the terms of the loan agreements in the amount of $ 38,000. In addition, if the homeowner sells the home any time during the first five years, repayment of the deferred loan funded through the Michigan State Housing Development Authority (MSHDA) is required in full. Five year deferred loans funded through the City of Flint with federal dollars are amortized at twenty percent per year, with the unamortized balance due if the homeowner sells the house before the loan is fully amortized.

Under the fifteen-year deferred loan program, if the homeowner sells the house at any time during the first five years the loan is due in full. Once the homeowner has lived in the house for five years, one-tenth of the loan amortizes annually from year six to fifteen until the loan is fully amortized. None of the fifteen-year loans were forgiven during fiscal 2010.

Because of the inherent uncertainties in estimating the valuation allowance for doubtful loans, it is at least reasonably possible that the estimates used will change within the near term.

Deferred loans under the two programs were made in the following years:

Initial fiscal year loan was originated	5 Year	15 Year	Total
2002	$ -	$ 60,000	$ 60,000
2003	-	120,000	120,000
2004	-	206,000	206,000
2005	-	-	-
2006	10,000	-	10,000
2007	-	-	-
2008	21,000	-	21,000
	31,000	386,000	417,000
Less: valuation allowance	(27,125)	(193,000)	(220,125)
Net deferred loans	$ 3,875	$ 193,000	$ 196,875

NOTE 6 - DEFERRED REVENUE

Deferred revenue consists primarily of grant funds received in advance that will be earned in subsequent fiscal years. Deferred revenue as of June 30, 2010 is summarized as follows:

PIP loan	$ 10,097
Youth Build - Mott	23,176
Other	1,325
	$ 34,598

NOTE 7 - SENIOR HOME RETENTION LOAN PROGRAM

Metro Community Development, Inc. established a Senior Home Retention Loan Program in the amount of $ 200,000. The program was funded with $ 131,000 of un-committed loan funds transferred from the Revolving Loan Program of which $ 100,000 is for the loan pool and $ 31,000 covered program administrative costs. The Charles Stewart Mott Foundation also granted an additional $ 100,000 for the project loan pool for the period March 1, 2006 through February 28, 2011.

The purpose of the program is to provide loans to seniors who have been approved for a Home Equity Conversion Mortgage (commonly known as a Reverse Mortgage) whereby an approval amount does not payoff existing mortgage liens, closing costs and needed repairs to bring a home up to Federal Housing Administration (FHA) standards. The Organization will approve and fund loan shortfalls by granting individual loans for a term not to exceed five years resulting in a substantially reduced monthly payment to borrower as the Reverse Mortgage Loan does not call for any monthly payments. The loan pool fund will be revolving, resulting in payments being "added back" to the pool so that the program will continue to exist.

The features of the program are:

1) Maximum loan of $ 5,000 with exceptions up to $ 10,000 on a case by case basis
2) Monthly fixed interest rate of four percent for a period of five years
3) Second mortgage on the residence
4) Target loan areas include Genesee County and surrounding areas

The benefits of these loans include reduced mortgage payments because of lower interest rates and allowing the seniors to live in their homes for an extended period of time.

Senior Home Loans outstanding as of June 30, 2010 totaled $ 14,223.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose or period at June 30, 2010:

Deferred loans	$ 201,240
Bishop Trust - operations	22,500
Senior Home Retention Fund	200,000
CDFI Technical Assistance	16,362
Chronic Homeless Initiative	50,650
Community Collaborative	22,700
United Way grant	11,676
Ambassador City Summit	20,000
	$ 545,128

During the current year, net assets were released from restrictions as either the purpose or timing restriction was met as follows:

Deferred Loans	$ 4,751
CDFI Technical Assistance	51,061
Chronic Homeless Initiative	195,345
Bishop Trust - operations	7,500
	$ 258,657

NOTE 9 - RETIREMENT PLAN

The Organization offers a retirement plan to its salaried employees in the form of a tax deferred annuity under Code Section 403(b). Employees elect annually to deposit a portion of their salaries into the plan, and the Organization matches up to 3 % of the base salary. Retirement plan expense was $ 5,605 or the fiscal year ended June 30, 2010.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the governing instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Board deems the contingency to be remote, since by accepting the grants and their terms; it has accommodated the objectives of the Organization to the provisions of the grant.

NOTE 11 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS

The Organization receives 65% of its support from the U.S. Department of Housing and Urban Development (HUD) and 35% from other funding sources. It is reasonably possible that in the near term the HUD grant programs could cease, which would cause a severe impact on the Organization's ability to continue its operations. The Organization does not expect that support from HUD will be lost in the near term.

NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES

The statement of activities discloses expenses by natural classification. The classification of expenses by function is as follows:

Program services	$ 3,837,370
Management and general	58,126
	$ 3,895,496

SINGLE AUDIT

YEO & YEO
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Independent Auditors' 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

To the Board of Directors of
Metro Community Development, Inc.
Flint, Michigan

We have audited the financial statements of Metro Community Development, Inc., as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 2, 2010. 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 Metro Community Development, Inc.’s internal control over financial reporting as a basis for designing our audit 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 Metro Community Development, Inc.’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro Community Development, Inc.’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 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 would not necessarily identify all deficiencies in internal control 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 Metro Community Development, 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. 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*. However, we noted certain other matters that we reported to those charged with governance in a separate letter dated September 2, 2010.

This report is intended for the information and use of management, members of the board, others within the entity and related grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
September 2, 2010

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*

To the Board of Directors of
Metro Community Development, Inc.
Flint, Michigan

Compliance

We have audited Metro Community Development, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Metro Community Development, Inc.'s major federal programs for the year ended June 30, 2010. Metro Community Development, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Metro Community Development, Inc.'s management. Our responsibility is to express an opinion on Metro Community Development, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro Community Development Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro Community Development Inc.'s compliance with those requirements.

In our opinion, Metro Community Development, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the fiscal year ended June 30, 2010.

Internal Control over Compliance

Management of Metro Community Development, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Metro Community Development, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro Community Development, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information and use of management, members of the board, others within the entity and related federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Lansing, Michigan
September 2, 2010

Metro Community Development, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting. Expenditures include all accrual basis federal expenditures that result in the receipt of federal monies associated with the project. Any applicable state or city matching funds and expenditures are not included on this schedule.

2. Grant funds of $2,064,531 were passed through to sub-recipients for the Supportive Housing Program, CFDA 14.235.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	________	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	________	yes	X	no
Noncompliance material to financial statements noted?	________	yes	X	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	________	yes	X	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	________	yes	X	no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) or *Circular A-133*?	________	yes	X	no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
14.235	Supportive Housing
17.274	Youthbuild

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee?	X	yes	________	no

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

There were no audit findings for the year ended June 30, 2010.

09-1 HMIS Drawdown

Statement of Condition: Metro Community Development, Inc., (Metro) drew down funds in the amount of $ 9,838 on December 17, 2008 from the U.S. Department of Housing and Urban Development (HUD) related to the Homeless Management Information System (HMIS) grant. Metro withdrew funds again on January 22, 2009 causing the organization to receive federal funds from a reimbursement grant prior to incurring eligible costs.

Criteria: Program compliance requires that eligible expenditures be incurred prior to drawing down HMIS funds from HUD.

Effect of Condition: Noncompliance with the grant agreement for HUD Project MI28B705006 between Metro and HUD dated April 28, 2008.

Cause of the Condition: Metro was in the process of revising drawdown responsibilities due to employee turnover. The individual taking over responsibility for initiating drawdown's from the HUD system overlooked that former employee had already withdrew $ 9,838 from the HMIS grant on December 17, 2008 and consequently drew down the funds again on January 22, 2009. Metro realized the grant was overdrawn after a reconciliation process subsequent to the second draw, but missed correcting the overpayment with the June 25, 2009 withdrawal request due to an oversight.

Recommendation: We recommend that Metro reduce the next drawdown on the HMIS grant by $ 9,838.

Auditee's Response: Auditee concurs with the recommendation and plans to reduce the September, 2009 drawdown from HUD for the HMIS grant by $ 9,838 to correct the overpayment.

Current Status: Metro reduced a fiscal year 2010 drawdown on the HMIS grant to correct the overpayment.