

**Metro Community  
Development, Inc.  
(A Nonprofit Organization)  
Flint, Michigan**

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

**June 30, 2011**

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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, 2011, 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 Metro Community Development, Inc.'s June 30, 2010 financial statements and, in our report dated September 2, 2010, 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, 2011, 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 8, 2011, 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 be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Yeo & Yeo, P.C.*

Lansing, Michigan  
September 8, 2011

**Metro Community Development, Inc.**  
**Statement of Financial Position**  
**June 30, 2011**  
**(With Comparative Totals for Fiscal 2010)**

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 719,332	\$ 1,763,965
Cash - restricted	187,914	185,777
Total cash and cash equivalents	907,246	1,949,742
Certificates of deposit	1,221,177	417,130
Grants receivable	353,326	129,947
Microloans receivable	24,059	17,058
Investments	946	1,031
Promises to give	15,000	22,500
Deferred loans receivable, net of allowance \$ 211,375 and \$ 220,125, respectively	195,625	196,875
Mortgage loans - Senior Home	12,086	14,223
Land development sites	18,327	18,327
Total assets	<u>\$ 2,747,792</u>	<u>\$ 2,766,833</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 55,950	\$ 136,785
Accrued expenses	40,675	36,935
Deferred revenue	699	11,422
Advance on grants	104,161	275,996
Total liabilities	201,485	461,138
Net assets		
Unrestricted	2,027,279	1,760,567
Temporarily restricted	519,028	545,128
Total net assets	2,546,307	2,305,695
Total liabilities and net assets	<u>\$ 2,747,792</u>	<u>\$ 2,766,833</u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**  
**(With Comparative Totals for Fiscal 2010)**

			Totals	
	Unrestricted	Temporarily Restricted	2011	2010
Support, revenues, and gains				
Foundation support	\$ 199,333	\$ 70,667	\$ 270,000	\$ 163,600
Local support	259,751	17,121	276,872	310,882
MSHDA - Chronic Homeless Initiative	172,206	-	172,206	316,756
MSHDA - Emergency Shelter Grant	146,487	-	146,487	-
Other grants	18,075	-	18,075	-
Federal funds				
Department of Housing and Urban Development (HUD) - Supportive Housing Program (SHP) grant	1,636,873	-	1,636,873	2,199,936
HUD - Housing counseling subgrant	152,179	-	152,179	123,754
Department of Labor (DOL) - Summer Youth Program	-	-	-	210,203
DOL - Youth Build	654,051	-	654,051	251,095
HUD - Homeless Prevention and Rapid Re-Housing Program (HPRP)	738,268	-	738,268	207,111
Fees for services	113,237	-	113,237	129,965
Interest income	9,516	-	9,516	24,183
Unrealized gain (loss)	(85)	-	(85)	216
Net assets released from restrictions	113,888	(113,888)	-	-
Total support, revenues and gains	4,213,779	(26,100)	4,187,679	3,937,701
Expenses				
Salaries	470,102	-	470,102	432,359
Payroll taxes and fringe benefits	135,913	-	135,913	114,913
Accounting	24,450	-	24,450	20,323
Amortization of deferred loans	1,250	-	1,250	4,750
Communications and marketing	1,210	-	1,210	1,809
Consultants and contracting	506,117	-	506,117	99,344
Depreciation	-	-	-	938
Insurance	4,288	-	4,288	3,978
Memberships and subscriptions	2,352	-	2,352	2,923
Miscellaneous	27,379	-	27,379	19,171
Rent	41,912	-	41,912	35,688
Repairs and maintenance	18,048	-	18,048	9,914
Supplies and materials	9,463	-	9,463	8,211
Travel	9,990	-	9,990	12,256
Telephone and utilities	11,357	-	11,357	6,927
Computer expense	1,477	-	1,477	12

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See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**  
**(With Comparative Totals for Fiscal 2010)**

			Totals	
	Unrestricted	Temporarily Restricted	2011	2010
Summer youth program - stipends	-	-	-	151,936
Youth build - stipends and site costs	179,165	-	<b>179,165</b>	160,428
Homeless Prevention and Rapid Re-housing Program (HPRP)	589,016	-	<b>589,016</b>	186,922
MSHDA - Chronic Homeless Initiative	186,554	-	<b>186,554</b>	311,015
MSHDA - Emergency Shelter	157,165	-	<b>157,165</b>	-
Community projects	3,608	-	<b>3,608</b>	185,077
Homeless Management Information System (HMIS)	77,647	-	<b>77,647</b>	72,766
Subrecipient expenses	1,488,604	-	<b>1,488,604</b>	2,053,836
Total expenses	<u>3,947,067</u>	<u>-</u>	<u><b>3,947,067</b></u>	<u>3,895,496</u>
Change in net assets	266,712	(26,100)	<b>240,612</b>	42,205
Net assets at beginning of year	<u>1,760,567</u>	<u>545,128</u>	<u><b>2,305,695</b></u>	<u>2,263,490</u>
Net assets at end of year	<u><u>\$ 2,027,279</u></u>	<u><u>\$ 519,028</u></u>	<u><u><b>\$ 2,546,307</b></u></u>	<u><u>\$ 2,305,695</u></u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**  
**(With Comparative Totals for Fiscal 2010)**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 240,612	\$ 42,205
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization of deferred loans	1,250	4,750
Depreciation	-	938
Unrealized (gain) loss on investments	85	(216)
Decrease (increase) in:		
Grant receivable	(223,379)	(115,235)
Microloans receivable	(7,001)	(17,058)
Promises to give	7,500	7,500
Prepaid expenses	-	3,583
Mortgage loans - Senior Home	2,137	2,580
Increase (decrease) in:		
Accounts payable	(80,835)	74,619
Accrued expenses	3,740	3,455
Deferred revenue	(10,723)	10,563
Grant advance	(171,835)	252,820
Net cash provided (used) by operating activities	<u>(238,449)</u>	<u>270,504</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(1,012,975)	(308,929)
Maturity of certificates of deposit	208,928	1,477,748
Net cash provided (used) by investing activities	<u>(804,047)</u>	<u>1,168,819</u>
Net increase (decrease) in cash and cash equivalents	(1,042,496)	1,439,323
Cash and cash equivalents at beginning of year	<u>1,949,742</u>	<u>510,419</u>
Cash and cash equivalents at end of year	<u>\$ 907,246</u>	<u>\$ 1,949,742</u>

See Accompanying Notes to Financial Statements



**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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.

**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. Investment securities are all valued using level one inputs which are based on unadjusted quoted market prices within the markets. 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:

	<u>Years</u>	<u>Method</u>
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.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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- 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. See Note 5.

**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 2010 financial statements have been reclassified to conform to the 2011 presentation.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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, 2011, deposits with financial institutions amounted to \$ 2,447,356, of this amount; \$ 961,350 was insured by FDIC depository insurance and \$ 1,486,006 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, 2010, 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 - PROMISES TO GIVE**

Promises to give are to be used for operations. Management expects uncollectible promises to be insignificant. At June 30, 2011, promises to give were:

Amounts receivable in less than one year	\$ 7,500
Amounts receivable in more than one year	<u>7,500</u>
Total promises to give	<u><u>\$ 15,000</u></u>

**NOTE 4 - 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.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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Under the five-year deferred loan program, if the homeowner remains in the home for five years, the loan is forgiven. On June 30, 2011, all remaining balances of the five year loans made in 2005 were forgiven in accordance with the fulfillment of the terms of the loan agreements in the amount of \$ 10,000. 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 2011.

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 Loans	15 Year Loans	Total
2002	\$ -	\$ 60,000	\$ 60,000
2003	-	120,000	120,000
2004	-	206,000	206,000
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	21,000	-	21,000
	21,000	386,000	407,000
Less: valuation allowance	(18,375)	(193,000)	(211,375)
Net deferred loans	<u>\$ 2,625</u>	<u>\$ 193,000</u>	<u>\$ 195,625</u>

**NOTE 5 - SENIOR HOME RETENTION LOAN PROGRAM**

Metro Community Development, Inc. established a Senior Home Retention Loan Program in the amount of \$ 200,000.

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.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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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, 2011 totaled \$ 12,086.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose or period at June 30, 2011:

Deferred loans	\$ 201,240
Bishop Trust - operations	15,000
Senior Home Retention Fund	200,000
CS Mott Found - Microloans	70,667
United Way grant	17,121
Ambassador City Summit	<u>15,000</u>
	<u><u>\$ 519,028</u></u>

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

CDFI Technical Assistance	\$ 39,062
Chronic Homeless Initiative	50,650
United Way grant	11,676
Ambassador City Summit	5,000
Bishop Trust - operations	<u>7,500</u>
	<u><u>\$ 113,888</u></u>

**NOTE 7 - 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 \$ 8,318 or the fiscal year ended June 30, 2011.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 8 - 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 9 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The Organization receives 60% of its support from the U.S. Department of Housing and Urban Development (HUD) and 40% 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 10 – FUNCTIONAL ALLOCATION OF EXPENSES**

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

Program services	\$ 3,873,981
Management and general	<u>73,086</u>
	<u><u>\$ 3,947,067</u></u>

## **SINGLE AUDIT**

**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, 2011, and have issued our report thereon dated September 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 8, 2011.

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 8, 2011

**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, 2011. 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, 2011.

## 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 8, 2011

**Metro Community Development, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2011
U.S. Department of Housing and Urban Development Direct:						
MI-28B205001 Supportive Housing	14.235	\$ 667,800	\$ (237,558)	\$ -	\$ 181,382	\$ (56,176)
MI-28B505001 Supportive Housing	14.235	930,261	-	72,006	77,133	5,127
MI-28B505003 Supportive Housing	14.235	697,775	17,569	17,569	-	-
MI-28B505006 Supportive Housing	14.235	127,833	-	2,994	2,994	-
MI-292B5F050901 Supportive Housing	14.235	42,611	-	25,814	25,814	-
MI-0142B5F050801 Supportive Housing	14.235	127,394	-	54,757	54,757	-
MI-0143B5F050801 Supportive Housing	14.235	247,570	28,668	31,615	2,947	-
MI-0143B5F050802 Supportive Housing	14.235	247,570	-	238,833	238,833	-
MI-0144B5F050801 Supportive Housing	14.235	124,286	27,478	27,478	-	-
MI-0144B5F050802 Supportive Housing	14.235	124,286	-	31,584	31,584	-
MI-0145B5F050801 Supportive Housing	14.235	55,911	-	18,359	18,359	-
MI-0146B5F050801 Supportive Housing	14.235	89,577	11,061	67,342	67,797	11,516
MI-0147B5F050802 Supportive Housing	14.235	210,426	-	116,877	125,429	8,552
MI-0148B5F050802 Supportive Housing	14.235	50,269	-	50,269	50,269	-
MI-0149B5F050801 Supportive Housing	14.235	311,000	-	141,864	141,864	-
MI-0150B5F050801 Supportive Housing	14.235	66,248	-	11,234	11,234	-
MI-0150B5F050802 Supportive Housing	14.235	66,247	-	43,226	49,790	6,564
MI-0151B5F050802 Supportive Housing	14.235	124,320	-	46,722	56,313	9,591
MI-0152B5F050801 Supportive Housing	14.235	49,006	-	20,738	20,738	-
MI-0153B5F050802 Supportive Housing	14.235	205,542	-	232,397	232,397	-
MI-0156B5F050801 Supportive Housing	14.235	64,750	-	26,101	26,101	-
MI-0156B5F050802 Supportive Housing	14.235	64,750	-	8,743	8,743	-
MI-0157B5F050801 Supportive Housing	14.235	232,913	45,171	176,392	131,221	-
MI-0157B5F050802 Supportive Housing	14.235	231,538	-	37,341	56,474	19,133
MI-0314B5F050900 Supportive Housing	14.235	313,963	-	20,092	24,700	4,608
			(107,611)	1,520,347	1,636,873	8,915

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Metro Community Development, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2010	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2011
Passed through Housing Partnership Network: Housing counseling	14.169	195,833	-	152,179	152,179	-
Passed through MSHDA: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	608,266	-	270,181	310,648	40,467
Passed through Genesee County: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	355,603	-	145,990	201,441	55,451
Passed through City of Flint: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	479,216	-	152,414	226,179	73,765
Total Homeless Prevention and Rapid Re-housing Program - ARRA			-	568,585	738,268	169,683
Total U.S. Department of Housing and Urban Development			(107,611)	2,241,111	2,527,320	178,598
U.S. Department of Labor Direct:						
Youthbuild	17.274	1,084,460	(15,262)	654,051	654,051	(15,262)
Total federal awards			\$ (122,873)	\$ 2,895,162	\$ 3,181,371	\$ 163,336

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Metro Community Development, Inc.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

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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 \$1,488,604 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, 2011**

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**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  
14.257

Supportive Housing  
Homeless Prevention and Rapid Re-housing  
(ARRA)

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, 2011**

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There were no audit findings for the year ended June 30, 2011.



**Metro Community Development, Inc.**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2011**

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