

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

Single Audit Report

June 30, 2012

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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, 2012, and have issued our report thereon dated September 6, 2012. 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*.

We noted certain other matters that we reported to those charged with governance in a separate letter dated September 6, 2012.

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 6, 2012



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**Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major program and 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, 2012. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control over Compliance

Management of Metro Community Development, Inc. is responsible for establishing and maintaining effective internal control over compliance with 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 correct, 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 over compliance 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Metro Community Development, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated September 6, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Metro Community Development, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Metro Community Development, Inc.'s response and, accordingly, we express no opinion on it.

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 6, 2012

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2012
U.S. Department of Housing and Urban Development Direct:						
MI-28B205001 Supportive Housing	14.235	\$ 667,800	\$ (56,176)	\$ -	\$ 12,311	\$ (43,865)
MI-28B505001 Supportive Housing	14.235	930,261	5,127	83,150	78,023	-
MI-0142B5F050802 Supportive Housing	14.235	127,394	-	27,710	27,710	-
MI-0143B5F050802 Supportive Housing	14.235	217,570	-	8,587	8,587	-
MI-0143B5F051003 Supportive Housing	14.235	217,570	-	184,996	194,852	9,856
MI-0144B5F050802 Supportive Housing	14.235	124,287	-	56,520	56,520	-
MI-0144B5F051003 Supportive Housing	14.235	124,287	-	102,331	102,331	-
MI-0145B5F051002 Supportive Housing	14.235	28,251	-	9,943	9,943	-
MI-0146B5F050801 Supportive Housing	14.235	89,577	11,516	11,516	-	-
MI-0146B5F050802 Supportive Housing	14.235	89,577	-	44,542	51,009	6,467
MI-0147B5F050802 Supportive Housing	14.235	210,426	8,552	93,549	84,997	-
MI-0148B5F051003 Supportive Housing	14.235	50,269	-	48,937	48,937	-
MI-0149B5F051801 Supportive Housing	14.235	411,000	-	269,078	269,078	-
MI-0149B5F051002 Supportive Housing	14.235	343,555	-	213,949	213,949	-
MI-0150B5F050802 Supportive Housing	14.235	66,247	-	5,817	5,817	-
MI-0150B5F051003 Supportive Housing	14.235	66,247	-	43,465	43,465	-
MI-0151B5F050802 Supportive Housing	14.235	124,320	9,591	64,742	55,151	-
MI-0152B5F051002 Supportive Housing	14.235	24,749	-	24,540	24,540	-
MI-0153B5F051003 Supportive Housing	14.235	205,542	-	205,542	205,542	-
MI-0156B5F050802 Supportive Housing	14.235	61,518	-	29,974	29,974	-
MI-0157B5F050802 Supportive Housing	14.235	231,538	19,133	136,304	117,171	-
MI-0157B5F051003 Supportive Housing	14.235	231,538	-	66,482	66,482	-
MI-292B5F050901 Supportive Housing	14.235	33,555	-	2,669	3,284	615
MI-0314B5F050900 Supportive Housing	14.235	313,963	4,608	86,133	81,525	-
			2,351	1,820,476	1,791,198	(26,927)

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, 2012

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2011	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2012
Passed through Housing Partnership Network: Housing counseling	14.169	195,833	-	92,210	92,210	-
Passed through MSHDA: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	608,266	40,467	218,534	178,067	-
Passed through Genesee County: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	355,603	55,451	152,646	97,541	346
Passed through City of Flint: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	479,216	73,765	185,471	152,559	40,853
Total Homeless Prevention and Rapid Re-housing Program - ARRA			169,683	556,651	428,167	41,199
Total U.S. Department of Housing and Urban Development			172,034	2,469,337	2,311,575	14,272
U.S. Department of Labor Direct:						
Youthbuild	17.274	1,084,460	(15,262)	428,331	443,593	-
U.S. Department of Treasury Direct:						
Community Development Financial Institutions Program	21.020	1,500,000	-	1,500,000	95,000	(1,406,162)
Total federal awards			\$ 156,772	\$ 4,397,668	\$ 2,850,168	\$ (1,391,890)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Metro Community Development, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. 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.
3. Grant funds of \$1,642,881 were passed through to sub-recipients for the Supportive Housing Program (SHP), CFDA 14.235 as follows:

Subrecipient	Award Number	Current Year Expenditures
Flint Odyssey House	MI 28B505001, MI0142B5F050802	\$ 106,046
Genesee County Community Mental Health	MI0149B5F051002, MI0149B5F050801 MI0157B5F050802	558,664
Shelter of Flint	MI0150B5F050802, MI0151B5F050802 MI0314B5F050900, MI0150B5F051003 MI0153B5F051003	379,793
Genesee County Community Action Resource Department	MI0145B5F051002, MI0148B5F051003 MI0157B5F051003	122,969
Flint Neighborhood Improvement and Preservation Project	MI0143B5F050802, MI0143B5F051003	191,907
Genesee County Youth Corporation	MI0144B5F050802	50,603
Resource Genesee	MI0147B5F050802	79,977
Flint Strive	MI0156B5F050802	27,974
Intake, Assessment and Referral Center	MI292B5F050901	2,255
Transitional Living Program	MI0144B5F051003	99,331
YWCA Safe House	MI0152B5F051002	23,362
		<u><u>\$ 1,642,881</u></u>

4. Beginning accrued revenue on the Schedule of Federal Awards was decreased \$6,564 from the ending accrued revenue balance reported at June 30, 2011 due to a cancelled sub-recipient reimbursement request for SHP grant number MI-0150B5F050802.
5. The total expenditures for Federal Awards equaled the financial statements federal revenue.
6. When applicable, joint costs are charged to grants using the direct allocation method in accordance with an annual cost allocation plan.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☒ Yes ☐ No

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.235

Supportive Housing

14.257

Homeless Prevention and
Rapid Re-housing (ARRA)

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II – Government Auditing Standards

CURRENT YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2012.

PRIOR YEAR

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2011.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section III – Federal Awards Findings and Questioned Costs

CURRENT YEAR

2012-1 Minimize Time Elapsing for Transfer of Federal Funds

Program Name: Supportive Housing Program, CFDA 14.235

Finding Type: Noncompliance and significant deficiency

Criteria: Federal guidance states that recipients of federal funds must minimize the time elapsing between the transfer of federal funds to the entity and disbursement. Metro Community Development, Inc's policy is to disburse these funds within three days of drawing the funds from the federal government.

Statement of Condition: Metro Community Development, Inc, is a pass through entity for funds from the U.S. Department of Housing and Urban Development (HUD) for the Supportive Housing Program (SHP). During our testing, we noted two draws for which Metro Community Development, Inc., did not disburse all funds it drew down from HUD to the subrecipients within three days of the receiving the funds from HUD.

Effect of the Condition: Noncompliance with federal guidelines and Metro Community Development, Inc's internal policy.

Cause of Condition: Metro Community Development, Inc, runs checks twice a month. A drawdown of federal funds was made during the interim period when a check run was not scheduled to occur. Therefore, funds were not disbursed to subrecipients within three days of the drawdown.

Recommendation: We recommend that Metro time all drawdowns to occur just before a check run, or increase the frequency of check runs to subrecipients of federal funds.

Auditee's Response: See attached response.

PRIOR YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2011.

September 5, 2012

Corrective Action Plan Regarding Audit Finding: 2012-1

Contact Person: Ravi Yalamanchi, CEO

Anticipated Completion Date: Implemented as of 8/30/12

Agency Corrective Action Plan: We have established a process to ensure that all drawdowns of federal funds are done at the time checks to subrecipients are run, to ensure timely pass through of all federal funds. Prior to initiating a check run, the Office Administrator will ensure that federal funds drawdown are completed and will verify that the check is released within 3 days of the receipt of funds.



Ravi Yalamanchi, CEO

Metro Community Development, Inc.

