

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

**Annual Financial Report**

**June 30, 2012**

## Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3 - 4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 12

## **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, 2012, 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, 2011 financial statements and, in our report dated September 8, 2011, 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, 2012, 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 6, 2012, 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.

*Yeo & Yeo, P.C.*

Lansing, Michigan  
September 6, 2012

**Metro Community Development, Inc.**  
**Statement of Financial Position**  
**June 30, 2012**  
**(With Comparative Totals for Fiscal 2011)**

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents	\$ 1,392,879	\$ 1,020,519
Cash - restricted	1,692,713	187,914
Certificates of deposit	942,735	919,990
Investments	1,536	946
Grants receivable	58,137	333,326
Promises to give	7,500	15,000
Loans receivable	608,401	56,145
Deferred loans receivable, net of allowance \$ 211,375 and \$ 211,375, respectively	195,625	195,625
Land development sites	<u>18,327</u>	<u>18,327</u>
 Total assets	 <u><u>\$ 4,917,853</u></u>	 <u><u>\$ 2,747,792</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 72,501	\$ 55,950
Accrued expenses	42,786	40,675
Revolving loan	409,265	-
Deferred revenue	700	33,422
Advance on grants	<u>1,468,264</u>	<u>71,438</u>
 Total liabilities	 <u>1,993,516</u>	 <u>201,485</u>
Net assets		
Unrestricted	2,384,376	2,027,279
Temporarily restricted	<u>539,961</u>	<u>519,028</u>
 Total net assets	 <u>2,924,337</u>	 <u>2,546,307</u>
 Total liabilities and net assets	 <u><u>\$ 4,917,853</u></u>	 <u><u>\$ 2,747,792</u></u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for Fiscal 2011)**

			Totals	
	Unrestricted	Temporarily Restricted	2012	2011
Support, revenues, and gains				
Foundation support	\$ 191,500	\$ 10,000	\$ 201,500	\$ 270,000
Local support	140,655	-	140,655	276,872
MSHDA - Chronic Homeless Initiative	170,373	-	170,373	172,206
MSHDA - Emergency Shelter Grant	255,114	-	255,114	146,487
Other grants	28,531	-	28,531	18,075
Federal funds				
Department of Housing and Urban Development (HUD) - Supportive Housing Program (SHP) grant	1,791,198	-	1,791,198	1,636,873
HUD - Housing counseling subgrant	92,210	-	92,210	152,179
HUD - Homeless Prevention and Rapid Re-Housing Program (HPRP)	428,167	-	428,167	738,268
Department of Labor - Youth Build	443,593	-	443,593	654,051
Department of Treasury - CDFI	-	95,000	95,000	-
Fees for services	159,732	-	159,732	113,237
Investment and interest income	32,678	-	32,678	9,516
Unrealized gain (loss) on investments	590	-	590	(85)
Net assets released from restrictions	84,068	(84,068)	-	-
Total support, revenues and gains	3,818,409	20,932	3,839,341	4,187,679
Expenses				
Salaries	474,102	-	474,102	470,102
Payroll taxes and fringe benefits	135,560	-	135,560	135,913
Accounting	25,473	-	25,473	24,450
Amortization of deferred loans	-	-	-	1,250
Communications and marketing	1,710	-	1,710	1,210
Consultants and contracting	204,555	-	204,555	506,117
Insurance	5,463	-	5,463	4,288
Memberships and subscriptions	3,173	-	3,173	2,352
Miscellaneous	25,889	-	25,889	27,379
Rent	46,261	-	46,261	41,912
Repairs and maintenance	6,983	-	6,983	8,925
Supplies and materials	5,922	-	5,922	9,463
Travel	14,906	-	14,906	19,113
Telephone and utilities	8,876	-	8,876	11,357
Computer expense	858	-	858	1,477

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See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for Fiscal 2011)**

			Totals	
	Unrestricted	Temporarily Restricted	2012	2011
Youth build - stipends and site costs	79,040	-	<b>79,040</b>	179,165
Homeless Prevention and Rapid Re-housing Program (HPRP)	295,963	-	<b>295,963</b>	589,016
MSHDA - Chronic Homeless Initiative	172,611	-	<b>172,611</b>	186,554
MSHDA - Emergency Shelter	252,580	-	<b>252,580</b>	157,165
Community projects	3,725	-	<b>3,725</b>	3,608
Homeless Management Information System (HMIS)	54,780	-	<b>54,780</b>	77,647
Subrecipient expenses	1,642,881	-	<b>1,642,881</b>	1,488,604
Total expenses	3,461,311	-	<b>3,461,311</b>	3,947,067
Change in net assets	357,098	20,932	<b>378,030</b>	240,612
Net assets at beginning of year	2,027,278	519,029	<b>2,546,307</b>	2,305,695
Net assets at end of year	<u>\$ 2,384,376</u>	<u>\$ 539,961</u>	<u><b>\$ 2,924,337</b></u>	<u>\$ 2,546,307</u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2012**  
**(With Comparative Totals for Fiscal 2011)**

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	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 378,030	\$ 240,612
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization of deferred loans	-	1,250
Unrealized (gain) loss on investments	(590)	85
Decrease (increase) in:		
Grant receivable	275,189	(223,379)
Promises to give	7,500	7,500
Loans receivable	(552,256)	(4,864)
Increase (decrease) in:		
Accounts payable	16,551	(80,835)
Accrued expenses	2,111	3,740
Revolving loans	409,265	-
Deferred revenue	(32,722)	(10,723)
Grant advance	1,396,826	(171,835)
Net cash provided (used) by operating activities	<u>1,899,904</u>	<u>(238,449)</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(350,000)	(711,788)
Maturity of certificates of deposit	327,255	208,928
Deposits to restricted cash	(1,504,799)	(2,137)
Net cash provided (used) by investing activities	<u>(1,527,544)</u>	<u>(504,997)</u>
Net increase (decrease) in cash and cash equivalents	372,360	(743,446)
Cash and cash equivalents at beginning of year	<u>1,020,519</u>	<u>1,763,965</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,392,879</u></u>	<u><u>\$ 1,020,519</u></u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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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, 2012**

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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.

**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 2011 financial statements have been reclassified to conform to the 2012 presentation.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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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, 2012, deposits with financial institutions amounted to \$ 4,096,117, of this amount; \$ 1,541,895 was insured by FDIC depository insurance and \$ 2,554,222 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, 2011, 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 – RESTRICTED CASH**

Restricted cash of \$1,692,713 consists predominantly of funds advanced by the Department of Treasury for the Community Development Financial Institutions (CDFI) program. Additionally, included are funds advanced by HUD for the Supportive Housing Program and funds to be used for the senior home loan fund.

**NOTE 4 - PROMISES TO GIVE**

Promises to give are to be used for operations. Management expects uncollectible promises to be insignificant. At June 30, 2012, promises to give were:

Amounts receivable in less than one year	<u><u>\$ 7,500</u></u>
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**NOTE 5 – LOANS RECEIVABLE**

Metro Community Development, Inc., loans funds to homeowners and local business owners through the programs noted below:

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS PROGRAM (CDFI)

During the fiscal year, the Organization was awarded \$1,500,000 by the United States Department of Treasury under the financial assistance component of the CDFI Program. The purpose of the program is to promote economic revitalization in low-income communities. The Organization may use the award for financing capital, loan loss reserves, capital reserves, or operations.

As of June 30, 2012, the Organization made two loans to local businesses totaling \$95,000. The outstanding balance on the loans amounted to \$93,838.

SENIOR HOME RETENTION LOANS

The Organization 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. 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, 2012 totaled \$ 47,524

MICRO LOANS

The Organization established micro loan program to provide loans in the range of \$5,000 - \$50,000 to assist business owners towards the purchase or improvement of property, leasehold improvements, equipment, vehicles, hardware and software, and other effective financial needs that contribute to the sustainability and growth of an existing business. Loan terms are for five years.

Micro loans outstanding as of June 30, 2012 totaled \$ 61,239.

AFFORDABLE MORTGAGE LOANS

The Organization established an affordable mortgage program to maintain community stability and stimulate neighborhood revitalization. The Affordable Mortgage Program is established to provide mortgages to residents in City of Flint and Genesee County that cannot obtain financing through conventional sources or other financing from financial institutions. The program creates opportunity for first time homebuyers and former homeowners. Loan amounts range from \$ 15,000 to \$ 75,000 and loan terms vary from 5 to 30 years.

Affordable mortgage loans outstanding as of June 30, 2012 totaled \$ 405,800.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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**NOTE 6 - 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. 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 2012.

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:

<u>Initial fiscal year loan was originated</u>	<u>5 Year Loans</u>	<u>15 Year Loans</u>	<u>Total</u>
2002	\$ -	\$ 60,000	\$ 60,000
2003	-	120,000	120,000
2004	-	206,000	206,000
2005	-	-	-
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	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>

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose or period at June 30, 2012:

Deferred loans	\$ 201,240
Bishop Trust - operations	7,500
Senior Home Retention Fund	200,000
BEST Project grant - TA	10,000
United Way grant	11,221
CDFI Program	95,000
Ambassador City Summit	<u>15,000</u>
	<u><u>\$ 539,961</u></u>

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

CS Mott Foundation - Microloans	\$ 70,667
United Way grant	5,901
Bishop Trust - operations	<u>7,500</u>
	<u><u>\$ 84,068</u></u>

**NOTE 8 - 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 \$ 11,882 or the fiscal year ended June 30, 2012.

**NOTE 9 - 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 10 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The Organization receives 60% of its support from the U.S. Department of Housing and Urban Development (HUD). 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.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012**

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**NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES**

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

Program services	\$ 3,407,700
Management and general	<u>53,611</u>
	<u><u>\$ 3,461,311</u></u>