

Metro Community Development, Inc.

Single Audit Report

June 30, 2017



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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*

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of Metro Community Development, Inc. as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Metro Community Development, Inc.'s basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metro Community Development, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Metro Community Development, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro Community Development, Inc.'s financial statements are free from 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*.

Response to Finding

Metro Community Development, Inc.'s response to the finding identified in our audit and the corrective action plan is described in the accompanying schedule of findings and questioned costs. Metro Community Development, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Lansing, Michigan
November 1, 2017

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Metro Community Development, Inc.'s compliance with the types of compliance requirements described in the *OMB 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, 2017. Metro Community Development, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Metro Community Development, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Metro Community Development, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Metro Community Development, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Metro Community Development, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Metro Community Development, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a significant deficiency.

Metro Community Development, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Metro Community Development, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Metro Community Development, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated November 1, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted 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 the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Yeo & Yeo, P.C.

Lansing, Michigan
November 1, 2017

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
U.S. Department of Housing and Urban Development - Direct:							
MI-0446L5F051400 Continuum of Care	14.267	\$ 45,591	\$ 15,197	\$ 15,197	\$ -	\$ -	\$ -
MI-0447L5F051400 Continuum of Care	14.267	235,835	17,024	66,279	49,255	-	38,828
MI-0373L5F051401 Continuum of Care	14.267	109,674	-	81,513	81,513	-	-
MI-0344L5F051401 Continuum of Care	14.267	127,185	10,684	30,436	19,752	-	19,752
MI-0314L5F051403 Continuum of Care	14.267	117,557	11,795	53,436	41,641	-	38,354
MI-0363L5F051404 Continuum of Care	14.267	78,144	13,780	22,417	8,637	-	5,804
MI-0147L5F051406 Continuum of Care	14.267	107,217	-	7,380	7,380	-	7,380
MI-0149L5F051406 Continuum of Care	14.267	372,137	79,747	111,920	32,173	-	32,173
MI-0151L5F051406 Continuum of Care	14.267	65,049	-	1,973	1,973	-	1,973
MI-0152L5F051406 Continuum of Care	14.267	25,220	5,410	5,410	-	-	-
MI-0143L5F051407 Continuum of Care	14.267	267,834	35,831	35,831	-	-	-
MI-0144L5F051407 Continuum of Care	14.267	126,654	7,625	7,625	-	-	-
MI-0150L5F051407 Continuum of Care	14.267	66,359	4,260	13,976	9,716	-	7,630
MI-0156L5F051407 Continuum of Care	14.267	62,690	2,210	4,054	1,844	-	1,845
MI-0146L5F051508 Continuum of Care	14.267	89,577	-	48,769	48,769	-	-
MI-0149L5F051507 Continuum of Care	14.267	349,972	-	248,293	285,141	36,848	257,677
MI-0150L5F051508 Continuum of Care	14.267	67,500	-	52,752	60,156	7,404	55,984
MI-0151L5F051507 Continuum of Care	14.267	65,799	-	55,329	63,348	8,019	59,204
MI-0314L5F051504 Continuum of Care	14.267	118,957	-	99,364	118,957	19,593	111,810
MI-0344L5F051502 Continuum of Care	14.267	106,817	-	83,638	89,260	5,622	83,204
MI-0363L5F051505 Continuum of Care	14.267	78,144	-	42,817	54,849	12,032	49,737
MI-0373L5F051502 Continuum of Care	14.267	109,674	-	94,271	94,271	-	90,271
MI-0143L5F051508 Continuum of Care	14.267	274,673	-	200,005	240,725	40,720	224,472
MI-0144L5F051508 Continuum of Care	14.267	126,654	-	92,448	99,982	7,534	91,697
MI-0146L5F051407 Continuum of Care	14.267	89,577	-	26,010	26,010	-	-
MI-0152L5F051507 Continuum of Care	14.267	25,220	-	7,207	7,207	-	7,207
MI-0480L5F051500 Continuum of Care	14.267	107,461	-	107,461	107,461	-	-
MI-0504L5F051500 Continuum of Care	14.267	62,690	-	1,275	1,275	-	1,275
MI-0147L5F051507 Continuum of Care	14.267	107,219	-	107,217	107,219	-	100,203
MI-0343L5F051501 Continuum of Care	14.267	95,467	-	23,571	23,571	-	23,571
MI-0447L5F051501 Continuum of Care	14.267	271,892	-	242,399	271,892	29,493	256,496
			<u>\$ 203,563</u>	<u>\$ 1,990,273</u>	<u>\$ 1,953,977</u>	<u>\$ 167,265</u>	<u>\$ 1,566,547</u>

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, 2017

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
Passed through Housing Partnership Network: Housing counseling - 2016/2017	14.169	56,280	-	56,280	56,280	-	-
Passed through Local Initiatives Support Corporation (LISC):							
HUD Section 4 - 40923-0027	14.252	25,000	-	25,000	25,000	-	-
HUD Section 4 - 40923-0028	14.252	47,500	-	47,500	47,500	-	-
Total HUD Section 4			-	72,500	72,500	-	-
Passed through MSHDA:							
Emergency Solutions Grant - HML-2015-568SP-02	14.231	5,556	-	5,556	5,556	-	-
Passed through City of Flint:							
Emergency Solutions Grant - 2015-16 HESG	14.231	19,920	-	10,500	10,500	-	-
Passed through Genesee County							
Emergency Solutions Grant - MOU 2016-17	14.231	7,541	-	7,541	7,541	-	-
Total Emergency Solutions Grant			-	23,597	23,597	-	-
Total U.S. Department of Housing and Urban Development			203,563	2,142,650	2,106,354	167,265	1,566,547
U.S. Department of Justice							
Passed through Center for the Study of Social Policy:							
Building Neighborhood Capacity Program - 2011-MU-BX-K147/121018.154	16.595	250,000	24,968	186,182	161,214	-	-

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, 2017

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2016	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
U.S. Department of Labor - Direct: Youthbuild - YB-29960-17-60-A-26	17.274	1,100,000	-	155,677	155,677	-	-
U.S. Department of Treasury - Direct: NeighborWorks America	21.000	299,500	-	299,500	90,000	(209,500)	-
Community Development Financial CDFI Program - 151FA013670	21.020	750,000	(250,000)	-	87,575	(162,425)	-
Total U.S. Department of Treasury			(250,000)	299,500	177,575	(371,925)	-
US Small Business Administration (SBA) - Direct: Microloan Program - Technical Assistance - SBAHQ-16-PR-0001	59.058	100,000	-	87,729	87,729	-	-
Microloan Program - Beginning Loan Balance	59.046	359,569	-	-	359,569	-	-
Microloan Program - New Loans	59.046	182,000	-	-	182,000	-	-
			-	-	541,569	-	-
Total Microloan Program - US Small Business Administration			-	87,729	629,298	-	-
US Department of Education: Passed through Michigan Department of Education Public Charter Schools	84.282	99,980	(16,000)	-	-	(16,000)	-
Total federal awards			<u>\$ (37,469)</u>	<u>\$ 2,871,738</u>	<u>\$ 3,230,118</u>	<u>\$ (11,160)</u>	<u>\$ 1,566,547</u>

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, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Metro Community Development, Inc. under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Metro Community Development, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Metro Community Development, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, or OMB Circular A-122 *Cost Principles for Non-Profit Organizations* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

Metro Community Development, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Loans or Loan Guarantees

CFDA number 59.046 has a loan balance of \$ 417,305 at June 30, 2017.

Note 4 - Reconciliation to the Financial Statements

1. The following reconciles the federal revenues reported in the June 30, 2017 Financial Statements to the expenditures of the entity's administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

Revenues from Federal Grants per financial statements	\$ 2,598,549
Add: Small Business Administration beginning loan balance and new loans	541,569
Add: NeighborWorks America grant	<u>90,000</u>
Federal expenditures per schedule of expenditures of federal awards.	<u><u>\$ 3,230,118</u></u>

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:
Unmodified

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)? X yes _____ none reported

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)? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with §200.516(a)? _____ yes X no

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.267

Continuum of Care

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

\$ 750,000

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, 2017

Section II – Government Auditing Standards

Finding 2017-001 / 2016-001 – Significant Deficiency

Criteria:	Management should record all year-end closing entries in accordance with Accounting Principles Generally Accepted in the United States (US GAAP) prior to the start of the audit.
Condition:	Various adjustments to the financial statements were proposed by the auditor to adjust account balances and reclassify line items to ensure the financial statements are presented in accordance with US GAAP.
Cause and Effect:	The Organization's external accounting firm was changed at year-end, additionally the year end closing checklist developed by management was not followed completely. This resulted in certain accounts and line items not being properly reconciled or stated as of June 30, 2017.
Recommendation:	We recommend that the Organization follow its year-end closing checklist to ensure all general ledger accounts are reconciled to supporting schedules timely and that the reconciliations be reviewed by an appropriate member of management.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section III – Federal Awards Findings and Questioned Costs

Finding 2017-002 – Significant Deficiency in Internal Control

Program Name:	All
Criteria:	Management should ensure the schedule of federal awards (SEFA) is complete and accurate in accordance with Uniform Guidance.
Condition:	Various adjustments proposed during the audit impacted the SEFA and its reconciliation to the federal revenues reported in the general ledger.
Cause and Effect:	The Organization's external accounting firm was changed at year-end, additionally the year end closing checklist developed by management was not followed completely. This resulted in adjustments during the audit process to agree the schedule of federal expenditures to the revenue reported on the general ledger.
Questioned Cost:	\$0
Recommendation:	We recommend that expenditures to be reported in the SEFA be reconciled to the associated revenues reported in the general ledger on a monthly basis, and that the reconciliation also identify the CFDA numbers and pass-through agency along with identifying amounts which are passed through to sub-recipients.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Metro Community Development, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2016

Government Auditing Standards Findings

Finding 2016-001 – Significant Deficiency

Criteria:	Management should record all year-end closing entries in accordance with Accounting Principles Generally Accepted in the United States (US GAAP) prior to the start of the audit.
Condition:	Various adjustments to the financial statements were proposed by the auditor to adjust account balances and reclassify line items to ensure the financial statements are presented in accordance with US GAAP.
Current Status:	See finding 2017-001

Federal Awards Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2016.

Corrective Action Plan

Management is in agreement with the findings identified in the Schedule of Findings and Questioned Costs. Below details our plans to correct the finding identified:

2017-001 Record all Year-end Closing Journal Entries

Management is in the process of reorganizing the accounting department and enhancing year-end close procedures after turnover in its external accounting firm. As part of the reorganization, the CEO will re-align responsibilities for the accounts to be reconciled and the CEO, or his designee, will review all reconciliations required by the checklist to ensure they have been completed timely. The reorganization and implementation of the enhanced procedures are expected to be completed during 4th quarter 2017.

2017-002 Ensure SEFA is Complete

Management concurs with the finding and will incorporate a procedure into the accounting procedures checklist used by internal and external accounting staff of the Organization to reconcile all expenditures to be reported on the SEFA to the associated revenues in the general ledger. The reconciliations will be reviewed by the CEO, or his designee, and implementation of this new process is expected to be completed during 4th quarter 2017.



Ravi Yalamanchi
Chief Executive Officer
Metro Community Development, Inc.