

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

**Annual Financial Report**

**June 30, 2013**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Metro Community Development, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters:**

### ***Correction of an Error***

As discussed in Note 13 to the financial statements, an error resulting in the understatement of amounts previously reported as temporarily restricted net assets related to in-kind contributions was discovered by management of Metro Community Development, Inc. during the year. Accordingly, amounts reported as temporarily restricted net assets has been restated in the 2012 financial statements now presented, and an adjustment has been made to net assets at the beginning of the year, as of July 1, 2011, to correct the error. Our opinion is not modified with respect to that matter.

### ***Report on Summarized Comparative Information***

We have previously audited Metro Community Development, Inc.'s 2012 financial statements, and our report dated September 6, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2013 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, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro Community Development, Inc.'s internal control over financial reporting and compliance.

*Yeo & Yeo, P.C.*

Lansing, Michigan  
September 4, 2013

**Metro Community Development, Inc.**  
**Statement of Financial Position**  
**June 30, 2013**  
**(With Comparative Totals for Fiscal 2012)**

	<b>2013</b>	2012 (As Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 1,672,471	\$ 1,392,879
Cash - restricted	887,074	1,692,713
Certificates of deposit	1,198,981	942,735
Investments	1,439	1,536
Grants receivable	98,129	58,137
Promises to give	20,000	7,500
In-kind contributions receivable	9,890	163,772
Loans receivable, net	1,304,263	608,401
Deferred loans receivable, net	105,300	195,625
Land development sites	18,327	18,327
	<hr/>	<hr/>
Total assets	<b>\$ 5,315,874</b>	<b>\$ 5,081,625</b>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 20,088	\$ 72,501
Accrued expenses	44,201	42,786
Revolving loan	592,461	409,265
Deferred revenue	700	700
Advance on grants	479,411	1,468,264
	<hr/>	<hr/>
Total liabilities	<b>1,136,861</b>	<b>1,993,516</b>
	<hr/>	<hr/>
<b>Net assets</b>		
Unrestricted:		
Undesignated	2,725,636	2,384,376
Designated: loan programs	986,836	-
	<hr/>	<hr/>
Total unrestricted net assets	<b>3,712,472</b>	<b>2,384,376</b>
Temporarily restricted	466,541	703,733
	<hr/>	<hr/>
Total net assets	<b>4,179,013</b>	<b>3,088,109</b>
	<hr/>	<hr/>
Total liabilities and net assets	<b>\$ 5,315,874</b>	<b>\$ 5,081,625</b>
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See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**  
**(With Comparative Totals for Fiscal 2012)**

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012 (As Restated)
Support, revenues, and gains				
Foundation support	\$ 153,419	\$ 104,081	\$ 257,500	\$ 201,500
Local support	225,405	42,470	267,875	140,655
MSHDA - Chronic Homeless Initiative	143,541	-	143,541	170,373
MSHDA - Emergency Shelter Grant	367,827	-	367,827	255,114
Other grants	180	-	180	28,531
Federal funds				
Department of Housing and Urban Development (HUD) - Supportive Housing Program (SHP) grant	1,631,522	-	1,631,522	1,791,198
HUD - Housing counseling subgrant	149,578	-	149,578	92,210
HUD - Homeless Prevention and Rapid Re-Housing Program (HPRP)	30,952	-	30,952	428,166
Department of Labor - Youth Build	567,001	-	567,001	443,593
Department of Treasury - CDFI	1,000,127	-	1,000,127	95,000
Department of Justice - Building Neighborhood Capacity Program	44,669	-	44,669	-
Fees for services	131,424	-	131,424	155,580
Interest income - loans receivable	26,729	-	26,729	4,153
Investment and interest income	16,256	-	16,256	32,678
Unrealized gain (loss) on investments	(98)	-	(98)	590
Net assets released from restrictions	383,743	(383,743)	-	-
Total support, revenues and gains	4,872,275	(237,192)	4,635,083	3,839,341
Expenses				
Salaries	515,029	-	515,029	474,102
Payroll taxes and fringe benefits	143,322	-	143,322	135,560
Accounting	26,974	-	26,974	25,473
Amortization and provision for deferred loan losses	90,325	-	90,325	-
Provision for loan losses	30,778	-	30,778	-
Communications and marketing	3,550	-	3,550	1,710
Consultants and contracting	262,103	-	262,103	204,555
Insurance	10,752	-	10,752	5,463
Memberships and subscriptions	5,547	-	5,547	3,173
Miscellaneous	22,283	-	22,283	25,889
Rent	42,961	-	42,961	46,261
Repairs and maintenance	7,651	-	7,651	6,983
Supplies and materials	13,061	-	13,061	5,922
Travel	12,809	-	12,809	14,906
Telephone and utilities	10,005	-	10,005	8,876
Computer expense	6,143	-	6,143	858

(continued on next page)

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**  
**(With Comparative Totals for Fiscal 2012)**

			Totals	
	Unrestricted	Temporarily Restricted	2013	2012 (As Restated)
YouthBuild in-kind expenses	153,882		<b>153,882</b>	155,442
YouthBuild - stipends and site costs	134,771	-	<b>134,771</b>	79,040
Homeless Prevention and Rapid Re-housing Program (HPRP)	10,702	-	<b>10,702</b>	295,963
MSHDA - Chronic Homeless Initiative	124,668	-	<b>124,668</b>	172,611
MSHDA - Emergency Shelter	359,318	-	<b>359,318</b>	252,580
Community projects	293	-	<b>293</b>	3,725
Homeless Management Information System (HMIS)	110,184	-	<b>110,184</b>	54,780
Subrecipient expenses	1,447,068	-	<b>1,447,068</b>	1,642,881
Total expenses	3,544,179	-	<b>3,544,179</b>	3,616,753
Change in net assets	1,328,096	(237,192)	<b>1,090,904</b>	222,588
Net assets at beginning of year as previously reported	-	-	-	2,546,307
Prior period adjustment (Note 13)	-	-	-	319,214
Net assets at beginning of year, restated	2,384,376	703,733	<b>3,088,109</b>	2,865,521
Net assets at end of year	<u>\$ 3,712,472</u>	<u>\$ 466,541</u>	<u><b>\$ 4,179,013</b></u>	<u>\$ 3,088,109</u>

See Accompanying Notes to Financial Statements

**Metro Community Development, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2013**  
**(With Comparative Totals for Fiscal 2012)**

	<b>2013</b>	2012 (As Restated)
Cash flows from operating activities		
Change in net assets	<b>\$ 1,090,904</b>	\$ 222,588
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization and provision for deferred loan losses	<b>90,325</b>	-
Provision for loan losses	<b>30,778</b>	-
Unrealized (gain) loss on investments	<b>98</b>	(590)
YouthBuild in-kind expenses	<b>153,882</b>	155,442
Decrease (increase) in:		
Grant receivable	<b>(39,992)</b>	275,189
Promises to give	<b>(12,500)</b>	7,500
Loans receivable	<b>(726,640)</b>	(552,256)
Increase (decrease) in:		
Accounts payable	<b>(52,414)</b>	16,551
Accrued expenses	<b>1,415</b>	2,111
Revolving loans	<b>183,196</b>	409,265
Deferred revenue	<b>-</b>	(32,722)
Grant advance	<b>(988,853)</b>	1,396,826
Net cash provided (used) by operating activities	<b>(269,801)</b>	1,899,904
Cash flows from investing activities		
Purchase of certificates of deposit	<b>(565,000)</b>	(350,000)
Maturity of certificates of deposit	<b>308,754</b>	327,255
Deposits to restricted cash	<b>805,639</b>	(1,504,799)
Net cash provided (used) by investing activities	<b>549,393</b>	(1,527,544)
Net increase (decrease) in cash and cash equivalents	<b>279,592</b>	372,360
Cash and cash equivalents at beginning of year	<b>1,392,879</b>	1,020,519
Cash and cash equivalents at end of year	<b>\$ 1,672,471</b>	\$ 1,392,879

See Accompanying Notes to Financial Statements



**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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NOTE 1 – ORGANIZATION AND 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.

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

INVESTMENTS

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 and transactions are recorded on the trade date.

GRANTS RECEIVABLE

Grant receivables consist of amounts due from granting sources for the various programs operated by the Organization. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolios as of the balance sheet date. The estimate of the allowance is based on a variety of factors, including past loan loss experience, adverse situations that have occurred but are not yet known that may affect the borrower's ability to repay, the estimated value of the underlying collateral, lender requirements, and general economic condition. The ultimate recovery of all loans is susceptible to future market factors beyond the Organization's control.

PROPERTY AND EQUIPMENT

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 generally over a period of 5 - 7 years.

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, 2013**

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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.

**ADVANCE ON GRANTS**

Advances on grants represent amounts received from grantors which would have to be returned if not expended for the grant purposes within the contract period.

**NET ASSET CLASSIFICATION**

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.

Net assets designated for the CDFI program represent amounts set aside by the Board to make loans to eligible businesses and individuals. The amount is based on the estimated collectable value of loans made with funds from the Community Development Financial Institutions (CDFI) Program. The expected collections from those loans will be used to make new loans.

**CONTRIBUTIONS**

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.

**IN-KIND DONATIONS**

Contributions of services are recognized if the services received create or enhance a non-financial asset or the services require specialized skills that are provided by individuals possessing those skills. In-kind contributions recorded included donated services of \$ 90,549 donated use of facilities of \$ 63,333 for the year ended June 30, 2013.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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**GRANT REVENUE RECOGNITION**

The Organization enters into contracts with certain governmental and private agencies. Revenue under these contracts is recognized when earned. The activities of the Organization relating to certain contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment based on negotiations with the funding agencies. The Organization has not provided allowances in the financial statements for potential adjustments since such amounts, if any, are not expected to be significant.

**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.

**USE OF ESTIMATES**

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.

**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, 2013, deposits with financial institutions amounted to \$ 3,538,784, of this amount; \$ 1,215,310 was insured by FDIC depository insurance and \$ 2,323,474 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, 2012, from which the summarized information was derived.

**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.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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**NOTE 2 – RESTRICTED CASH**

Restricted cash primarily consists of cash received by grantors not available for general use. Restricted cash is as follows at June 30, 2013:

<u>Purpose</u>	<u>Source</u>	<u>Balance</u>
CDFI Program	Department of Treasury	\$ 404,873
Loan Loss Reserve	Department of Treasury	225,136
Senior Home Loan Fund	C.S. Mott Foundation	151,894
BNCP Program	City of Flint/ Ruth Mott Foundation	94,446
Mortgage escrow	Genesee County	<u>10,725</u>
Total restricted cash		<u><u>\$ 887,074</u></u>

**NOTE 3 - PROMISES TO GIVE**

Promises to give are to be used for operations. Management expects uncollectible promises to be insignificant. At June 30, 2013, promises to give were:

Amounts receivable in less than one year	\$ 10,000
Amounts receivable in one to two years	<u>10,000</u>
Total promises to give	<u><u>\$ 20,000</u></u>

**NOTE 4 – IN-KIND CONTRIBUTIONS RECEIVABLE**

In-kind contributions receivable are provided by the Organizations partners in the YouthBuild program and primarily consist of unconditional promises for use of facility as well as services. Management expects uncollectable in-kind contributions to be insignificant. At June 30, 2013, in-kind contributions receivable were:

Facilities use receivable in less than one year	<u><u>\$ 9,890</u></u>
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**NOTE 5 – LOANS RECEIVABLE**

The Organization has developed a loan and investment program to support the growth of businesses in the Organization's operating area as a means to assist in sustaining and creating new jobs in the community. Customers are most often local businesses who want to expand their markets and increase their profitability.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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Loans receivable at June 30, 2013 consist of the following:

Micro Loans and Enterprise Loans - CDFI	\$ 646,594
Micro Loans - Mott	48,013
Affordable Mortgage Loans	592,421
Senior Tax and Home Retention Loans	48,013
Less: allowance for loan losses	<u>(30,778)</u>
 Total Loans receivable, net	 <u><u>\$ 1,304,263</u></u>

Details of the various loan programs are as follows:

- Micro loan fund: to provide loans in the range of \$5,000 - \$50,000 towards 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. Interest rates range between 4% - 6.5% based on type of funds available. Loan terms are for five years. The micro loan fund has been established with the assistance of C.S. Mott Foundation and the U.S. Dept of Treasury's Community Development Financial Institutions (CDFI) Program.
- Enterprise loan fund: to provides loan in the range of \$50,001 to \$200,000 towards business growth that can be used as leverage for financing with lenders. The loan fund can be secondary loan. Interest rates range between 5% - 7% based on type of funds available. Loan terms vary from 5 to 10 years depending on the type of loan funds. Enterprise loans are funded through the CDFI program.
- Affordable mortgage loans: the Organization participates in 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 generally range from \$ 15,000 to \$ 75,000 and loan terms vary from 5 to 30 years. Interest rates range between 4% - 6% Funding for the affordable mortgage loan fund is established in partnership with Genesee County Metropolitan Planning Commission
- Senior tax loan and home retention loans: the Organization established senior tax loan and home retention loan programs. The senior tax loan program provides loans to seniors to assist in paying delinquent property taxes to prevent foreclosure. The senior home retention program is available to seniors who have been approved for a Home Equity Conversion Mortgage (commonly known as a Reverse Mortgage). 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. Loan amounts range from \$ 1,000 to \$ 7,500 and are generally for a period of 5 years. Interest rates are 4%. Funding for the senior tax loans and home retention loans has been established with assistance from the C.S. Mott Foundation.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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Original maturities of loans receivable over the next five years ended June 30 are as follows:

2014	\$	138,732
2015		138,732
2016		138,732
2017		138,732
2018		138,732
Thereafter		641,381
	\$	<u>1,335,041</u>

**NOTE 6 - DEFERRED LOANS RECEIVABLE**

The Organization is the administrator of a deferred loan program that 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 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 2013.

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 program were made in the following years:

Initial fiscal year loan was originated	
2002	\$ 60,000
2003	120,000
2004	<u>206,000</u>
	386,000
Less: accumluated amortized forgiven loan amount	<u>(175,400)</u>
	210,600
Less: valuation allowance	<u>(105,300)</u>
Net deferred loans	<u>\$ 105,300</u>

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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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, 2013:

Deferred loans	\$ 105,300
United Way grant	8,720
Building Neighborhood Capacity	117,831
Senior Home Retention Fund	200,000
Ambassador City Summit	4,800
Bishop Trust - operations	20,000
YouthBuild in-kind contributions	<u>9,890</u>
	<u><u>\$ 466,541</u></u>

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

Deferred Loans	\$ 95,941
BEST Project grant - TA	10,000
United Way grant	11,220
Ambassador City Summit	10,200
Bishop Trust - operations	7,500
CDFI Program	95,000
YouthBuild in-kind contributions	<u>153,882</u>
	<u><u>\$ 383,743</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 \$ 11,122 or the fiscal year ended June 30, 2013.

**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 - LEASES**

The Organization leases three office suites under two operating leases expiring at various dates through September 30, 2015. Additionally the Organization leases a copier under an operating lease expiring October 31, 2016.

**Metro Community Development, Inc.**  
**Notes to Financial Statements**  
**June 30, 2013**

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Future minimum payments under the lease agreements are as follows for the years ended June 30:

	Office Suite 804 and 810	Office Suite 839	Copier	Total
2014	\$ 28,668	\$ 3,156	\$ 1,584	\$ 33,408
2015	28,668	9,468	1,584	39,720
2016	7,167	9,468	1,584	18,219
2017	-	6,312	1,584	7,896
2018	-	-	528	528

**NOTE 11 - CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

The Organization receives 40% 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.

**NOTE 12 – FUNCTIONAL ALLOCATION OF EXPENSES**

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

Program services	\$ 3,480,110
Management and general	<u>64,069</u>
	<u><u>\$ 3,544,179</u></u>

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

Temporarily restricted net assets were previously misstated due to the Organization not recording net unconditional promises of in-kind contributions to the YouthBuild program in the amount of \$319,214 at June 30, 2011. Temporarily restricted net assets and in-kind contributions receivable and YouthBuild in-kind expenses have been adjusted to reflect the correction of this error. The effect of the prior period adjustment is as follows:

	As previously reported	As restated
In-kind contributions receivable	\$ -	\$ 163,772
YouthBuild in-kind expenses	-	155,442
Temporarily restricted net assets - beginning	519,029	838,243
Temporarily restricted net assets - ending	539,961	703,733