Metro Community Development, Inc.

Financial Statements

June 30, 2016
(With Summarized Comparative
Information for 2015)

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS

822 Centennial Way - Suite 250
Lansing, MI 48917
Phone (517) 323-9500
Fax (517) 323-8360

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, 2016, 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, 2016, 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:

Report on Summarized Comparative Information
We have previously audited Metro Community Development, Inc.'s 2015 financial statements, and our report dated September 9, 2015, 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, 2016, 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 30, 2016 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 30, 2016

Metro Community Development, Inc.
Statement of Financial Position
June 30, 2016
(With Summarized Comparative Information for June 30, 2015)

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	**$ 1,924,825**	$ 1,799,791
Certificates of deposit	**535,471**	521,846
Deposit - Federal Home Loan Bank	**500,000**	500,000
Investments	**1,620,629**	1,493,393
Prepaid expense	**16,000**	16,000
Grants receivable	**320,878**	389,523
In-kind contributions receivable	**-**	88,760
Promises to give, current portion	**10,000**	10,000
Loans receivable, current portion	**420,000**	284,000
Total current assets	**5,347,803**	5,103,313
Noncurrent assets		
Cash - restricted	**453,039**	473,767
Promises to give, net of current portion	**-**	10,000
Loans receivable, net of current portion and allowance	**2,404,045**	2,001,304
Deferred loans receivable, net of allowance	**47,400**	66,700
Property and equipment, net of accumulated depreciation	**19,667**	-
Land development sites	**18,327**	18,327
Total noncurrent assets	**2,942,478**	2,570,098
Total assets	**$ 8,290,281**	$ 7,673,411

See Accompanying Notes to the Financial Statements

Metro Community Development, Inc.
Statement of Financial Position
June 30, 2016
(With Summarized Comparative Information for June 30, 2015)

	2016	2015
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 397,257**	$ 406,638
Accrued wages and vacation	**46,222**	68,048
Deferred revenue	**-**	21,361
Advance on grants	**279,823**	279,177
SBA notes payable, current portion	**40,000**	28,258
Total current liabilities	**763,302**	803,482
Noncurrent liabilities		
Revolving loans	**915,013**	1,008,207
SBA notes payable, net of current portion	**278,923**	246,311
Total liabilities	**1,957,238**	2,058,000
Net assets		
Unrestricted:		
Undesignated	**3,066,015**	2,685,507
Designated: loan programs	**2,916,601**	2,442,787
Total unrestricted net assets	**5,982,616**	5,128,294
Temporarily restricted	**350,427**	487,117
Total net assets	**6,333,043**	5,615,411
Total liabilities and net assets	**$ 8,290,281**	$ 7,673,411

See Accompanying Notes to the Financial Statements

Metro Community Development, Inc.
Statement of Activities
For the Year Ended June 30, 2016
(With Summarized Comparative Information for June 30, 2015)

	Unrestricted	Temporarily Restricted	Totals 2016	Totals 2015
Support, revenues, and gains				
Local support	$ 348,398	$ 97,124	**$ 445,522**	$ 577,953
State grants	109,490	-	**109,490**	162,333
Other grants	85,476	-	**85,476**	-
Federal grants	3,547,597	-	**3,547,597**	3,886,249
Fees for services	181,046	-	**181,046**	135,755
Interest income - loans receivable	68,303	-	**68,303**	68,461
Investment income	31,126	-	**31,126**	9,399
In-kind contributions	15,494	-	**15,494**	-
Net assets released from restrictions	233,814	(233,814)	**-**	-
Total support, revenues and gains	4,620,744	(136,690)	**4,484,054**	4,840,150
Expenses				
Salaries and wages	689,740	-	**689,740**	719,913
Payroll taxes and fringe benefits	207,357	-	**207,357**	198,780
Professional fees	32,869	-	**32,869**	25,870
Amortization and provision for deferred loan losses	19,300	-	**19,300**	19,300
Provision for loan losses	160,335	-	**160,335**	21,163
Communications and marketing	2,050	-	**2,050**	5,782
Community projects	13,380	-	**13,380**	16,323
Consultants and contracting	236,348	-	**236,348**	312,451
Insurance	6,346	-	**6,346**	6,151
Memberships and subscriptions	10,585	-	**10,585**	10,349
Rent	52,429	-	**52,429**	49,799
Repairs and maintenance	9,173	-	**9,173**	18,854
Supplies and materials	29,210	-	**29,210**	28,705
Travel	29,570	-	**29,570**	18,490
Telephone and utilities	12,462	-	**12,462**	10,783
Depreciation	333	-	**333**	-
Other	50,647	-	**50,647**	34,724
Neighborhood Impact Program	85,476	-	**85,476**	-
In-kind expenses	104,254	-	**104,254**	172,900
Stipends and site costs - YouthBuild	45,291	-	**45,291**	114,779
Chronic Homeless Initiative expenses	123,071	-	**123,071**	77,867
Emergency Shelter expenses	127,087	-	**127,087**	249,661
HMIS expenses	28,510	-	**28,510**	35,821
Supportive housing expenses	1,690,599	-	**1,690,599**	1,874,527
Total expenses	3,766,422	-	**3,766,422**	4,022,992
Change in net assets	854,322	(136,690)	**717,632**	817,158
Net assets at beginning of year	5,128,294	487,117	**5,615,411**	4,798,253
Net assets at end of year	$ 5,982,616	$ 350,427	**$ 6,333,043**	$ 5,615,411

See Accompanying Notes to the Financial Statements

Metro Community Development, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2016
(With Summarized Comparative Information for June 30, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 717,632	$ 817,158
Items not requiring cash		
Depreciation	333	-
Amortization and provision for deferred loan losses	19,300	19,300
Provision for loan losses	160,335	21,163
Realized and unrealized loss on investments	28,457	30,645
Net in-kind - YouthBuild	88,760	172,900
Change in operating assets and liabilities		
Deposit - Federal Home Loan Bank	-	(500,000)
Prepaid expenses	-	6,364
Grant receivable	68,645	(112,127)
Promises to give	10,000	(10,000)
Loans receivable	(699,076)	(265,085)
Accounts payable	(9,381)	203,026
Accrued expenses	(21,826)	19,423
Revolving loans	(93,194)	171,299
Deferred revenue	(21,361)	20,661
Grant advance	646	51,394
Net cash provided by operating activities	249,270	646,121
Cash flows from investing activities		
Maturity (purchase) of certificates of deposit	(13,625)	664,824
Acquisition of equipment	(20,000)	-
Purchase of investments	(2,322,272)	(3,680,543)
Proceeds from sale of investments	2,166,579	2,166,579
Net (deposits) withdrawals from restricted cash	20,728	160,335
Net cash used by investing activities	(168,590)	(688,805)
Cash flows from financing activities		
Proceeds from note payable	85,000	98,500
Principal payments on note payable	(40,646)	(14,028)
Net cash provided by financing activities	44,354	84,472
Change in cash and cash equivalents	125,034	41,788
Cash and cash equivalents - beginning of year	1,799,791	1,758,003
Cash and cash equivalents - end of year	$ 1,924,825	$ 1,799,791

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 and community development initiatives for underserved people and communities. The following outlines the major service programs:

- **Asset Building:** Empowers families and local businesses to acquire assets and to achieve long term financial success. Includes foreclosure prevention and home purchase counseling as well as lending activities.

- **Community Building:** Establishes community partnerships for the creation of stable and vibrant neighborhoods and communities. Includes the Building Neighborhood Capacity Program, Flint Metro YouthBuild Program and Flint Metro YouthBuild Academy.

- **Coalition Building:** Creates housing opportunities and community strengthening through collaboration. Includes the Continuum of Care, Community Collaborative and Homeless Management Information Systems (HMIS) programs.

The Organization established Metro Housing Partnership, a wholly owned subsidiary of the Organization whose purpose is to create quality affordable housing opportunities for low and moderate income families through single-family or multi-family developments and to strengthen and enhance communities. The Partnership was established in July 2014. No activity occurred within the Partnership as of June 30, 2016.

Basis of Accounting

The Organization prepares financial statements on the accrual basis of accounting.

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. 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 or two inputs which are based on unadjusted quoted market prices within the markets. Changes in unrealized gains and losses are included in the statement of activities as investment income (loss). 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.

Loans Receivable and Allowance for Loan Losses
Loans receivable are stated at unpaid principal balances, less an 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.

The Organization considers a loan impaired when based on current information or factors, it is probable that the organization will not collect all principal and interest due according to the loan agreement. Management considered many factors in determining whether a loan is impaired, such as payment history, borrower financial condition, and value of collateral. The Organization reviews impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows discounted at the loans effective interest rate or, as practical expedient, at the loan's observable market price or the fair value of collateral if the loan is dependent. None of the Organizations loans were impaired as of June 30, 2016 and 2015.

Interest income on loans receivable is accrued based on the loan balance and interest rate stated in the loan agreement, ranging from 4.0% to 5.5%. Once a loan receivable is determined to be uncollectable and written off, the Organization no longer recognizes interest income on the loan balance. Any payment received on loans previously written off are recorded as loan loss recoveries.

Land Development Sites
The Organization maintains land to be used for future development which is stated at the lower of cost or market. Carrying costs related to the land are expensed as incurred.

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 accounting principles generally accepted in the United States of America (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 Community Development Financial Institutions (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.

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.

Contributions

Contributions received are recorded as unrestricted or temporarily 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 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. $ 88,760 of in-kind contributions related to the YouthBuild program had previously been recognized as temporarily restricted contributions. In-kind expenses recognized during the years ended June 30, 2016 and June 30, 2015 amounted to $ 18,414 and $ 119,500 for donated services and $ 85,840 and $ 53,400 for donated facilities, respectively. The Organization also receives various support throughout the year from volunteers that are not recognized in the financial statements since the recognition criteria were not met.

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 a Federal informational return.

Use of Estimates

The preparation of financial statements in conformity with 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.

Functional Allocation of Expenses

The statement of activities discloses expenses by natural classification. The classification of expenses by function is as follows for the year ended June 30:

	2016	2015
Program services	$ 3,656,727	$ 3,946,568
Management and general	98,695	76,424
Fundraising - grant applications	11,000	-
	$ 3,766,422	$ 4,022,992

Indirect costs have been allocated between program and support services based on estimates as determined by management. Fundraising costs primarily consist of expenses relating to grant application activity. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different results.

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, 2016, deposits with financial institutions amounted to $ 3,051,461, of this amount, $ 2,047,220 was uncollateralized and uninsured by FDIC depository insurance. The Organization's loan receivable portfolio is concentrated primarily within Genesee County.

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, 2015, from which the summarized information was derived.

Reclassifications
Various line items on the statement of financial position, including loans receivable, promises to give, deferred loans receivable, revolving loans and SBA notes payable have been reclassified to conform to the classified balance sheet presentation used for the year ended June 30, 2016.

Subsequent Events
Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Management has evaluated subsequent events through September 30, 2016 and concluded that no subsequent events have occurred that would require disclosure in the noted to the financial statements.

Note 2 - Restricted Cash

Restricted cash primarily consists of cash received by grantors not available for general use. Restricted cash is as follows for the year ended June 30, 2016:

Purpose	Source	2016	2015
Loan Loss Reserve	Department of Treasury/SBA	$ 292,061	$ 300,874
Senior Home Loan Fund	C.S. Mott Foundation	103,715	172,893
Loan Programs	Genesee County	57,263	-
Total restricted cash		$ 453,039	$ 473,767

Note 3 - Deposit

The Organization has $ 500,000 on deposit with the Federal Home Loan Bank of Indianapolis. These funds are used as collateral for the Homeownership Initiative Program. At June 30, 2016 , the collateral has yet to be drawn upon.

Note 4 - Investments

Investments are recorded at fair value. A summary of cost, fair value, and unrealized gain or loss on investment at June 30, 2016 is as follows:

June 30, 2016	Cost	Fair Value	Unrealized Gain (Loss)
Debt securities			
US government obligations	$ 403,163	$ 407,687	$ 4,524
US federal agencies	23,176	23,094	(82)
Inflation index bonds	20,931	21,931	1,000
Mortgage back securities	214,646	215,410	764
Collateralized mortgage obligations	16,100	15,193	(907)
Corporate bonds	285,219	286,546	1,327
Foreign bonds and notes	12,255	12,648	393
Private placements	10,060	10,767	707
Equity securities			
International securities	98,005	93,899	(4,106)
Small and mid cap equity securities	43,811	38,465	(5,346)
Large cap equity securities	394,947	356,070	(38,877)
Money market and other	138,919	138,919	-
	$ 1,661,232	$ 1,620,629	$ (40,603)

A summary of cost, fair value, and unrealized gain or loss on investment at June 30, 2015 is as follows:

June 30, 2015	Cost	Fair Value	Unrealized Gain (Loss)
Debt securities			
US government obligations	$ 460,320	$ 454,961	$ (5,359)
US federal agencies	60,325	60,219	(106)
Mortgage back securities	261,442	259,355	(2,087)
Collateralized mortgage obligations	115,508	113,039	(2,469)
Corporate bonds	418,731	408,125	(10,606)
Foreign bonds and notes	38,729	38,351	(378)
Private placements	24,213	23,758	(455)
Equity securities			
International securities	24,000	23,211	(789)
Small and mid cap equity securities	10,000	9,627	(373)
Large cap equity securities	66,000	63,856	(2,144)
Money market and other	38,891	38,891	-
	$ 1,518,159	$ 1,493,393	$ (24,766)

The following schedule reconciles investment income as reported in the statement of activities with investment earnings.

	2016	2015
Interest and dividend income	$ 80,966	$ 47,513
Realized loss on investments	(12,619)	(6,281)
Unrealized loss on investments	(15,838)	(24,364)
Total investment income	52,509	16,868
Investment fees and expenses	(21,383)	(7,469)
Net investment income	$ 31,126	$ 9,399

The scheduled maturities of debt security investments at June 30, 2016 are as follows:

	Cost	Fair value
Due in one year of less	$ 174,005	$ 173,496
Due after one year through five years	362,243	363,950
Due after five years or more	449,302	455,830
Total	$ 985,550	$ 993,276

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

In general, fair value determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2016:

	Balance at June 30, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Debt securities			
US government obligations	407,687	407,687	-
US federal agencies	23,094	23,094	-
Inflation index bonds	21,931	21,931	-
Mortgage back securities	215,410	-	215,410
Collateralized mortgage obligations	15,193	-	15,193
Corporate bonds	286,546	-	286,546
Foreign bonds and notes	12,648	-	12,648
Private placements	10,767	-	10,767
Equity securities			
International securities	93,899	93,899	-
Small and mid cap equity securities	38,465	38,465	-
Large cap equity securities	356,070	356,070	-
Money market and other	138,919	138,919	-
	$ 1,620,629	$ 1,080,065	$ 540,564

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2015:

	Balance at June 30, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Debt securities			
US government obligations	454,961	454,961	-
US federal agencies	60,219	60,219	-
Mortgage back securities	259,355	-	259,355
Collateralized mortgage obligations	113,039	-	113,039
Corporate bonds	408,125	-	408,125
Foreign bonds and notes	38,351	-	38,351
Private placements	23,758	-	23,758
Equity securities			
International securities	23,211	23,211	-
Small and mid cap equity securities	9,627	9,627	-
Large cap equity securities	63,856	63,856	-
Money market and other	38,891	38,891	-
	$ 1,493,393	$ 650,765	$ 842,628

Note 5 - Promises to Give

Promises to give are to be used for operations. Management expects uncollectible promises to be insignificant. Promises to give were as follows for the year ended June 30, 2016:

Amounts receivable in less than one year	$ 10,000

Note 6 - 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. The Organization's loan portfolio is comprised of loans that are secured by real estate, commercial property and equipment. The collateral is concentrated primarily within Genesee County. Loans receivable at June 30, 2016 and 2015 consist of the following:

	2016	2015
Micro Loans and Enterprise Loans - CDFI	$ 1,926,396	$ 1,136,445
Micro Loans - SBA	262,451	218,727
Affordable Mortgage Loans	881,741	1,006,095
Senior Tax and Home Retention Loans	16,862	27,107
Less: allowance for loan losses	(263,405)	(103,070)
Total loans receivable, net	$ 2,824,045	$ 2,285,304

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, the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) Program and the U.S. Small Business Administration.

- **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. As a corresponding liability for these loans has been established as a revolving loan payable, an allowance for doubtful accounts is not calculated on the affordable mortgage loans as the Organization does not absorb the risk of loss.

- **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.

During the year the Organization entered into two loan participating and servicing agreements with the Michigan Strategic Fund (MSF) a component unit of the State of Michigan, whereby MSF obtained a 49.9% equity share of the two loans made by the Organization. Under the terms of the agreements, the Organization and MSF share in the collections of the loans, in proportion with their respective percentage interests. The Organization remits principal and interest payments to MSF monthly in accordance with the agreements. In the event of default by the borrower, the Organization will pursue collection, and the proceeds from which will be allocated between the Organization and the MSF in accordance with their respective equity shares. The total amount owed to MSF under the participation agreements amounts to $ 295,236 and $ 0 as of June 30, 2016 and 2015, respectively. As the participation agreements constitute a sale of a portion of the loans by the Organization to MSF, loan receivables are stated net of the MSF participation amounts.

The following presents the aging of loan balances by portfolio segment at June 30, 2016:

	91+ Days Past Due	31 - 90 Days Past Due	Current	Total
Micro Loans and Enterprise Loans - CDFI	$ 232,279	$ 157,009	$ 1,537,108	$ 1,926,396
Micro Loans - SBA	37,609	-	224,842	262,451
Affordable Mortgage Loans	468,635	271,117	141,989	881,741
Senior Tax and Home Retention Loans	8,075	1,391	7,396	16,862
	$ 746,598	$ 429,517	$ 1,911,335	3,087,450
Allowance for Loan Loss				(263,405)
Totals				$ 2,824,045

The Organization accepts credit risks beyond the tolerance of regulated lenders and identifies the risk of each loan and mitigation of those risks on a case-by-case basis. Loans are evaluated by the Organization using a risk rating scale of 1 (highest credit quality, borrower is stable and reliable) to 5 (weak borrower, facing significant challenges).

The following presents the credit quality of the loans receivable as of June 30, 2016:

	Risk Rating 1	Risk Rating 2	Risk Rating 3	Risk Rating 4	Risk Rating 5	Total
Micro Loans and Enterprise Loans - CDFI	$ 1,428,734	$ 218,725	$ 46,658	$ 214,534	$ 17,745	$ 1,926,396
Micro Loans - SBA	220,789	4,053	8,433	-	29,176	262,451
Affordable Mortgage Loans	370,060	173,853	213,470	124,358	-	881,741
Senior Tax and Home Retention Loans	5,530	1,866	1,391	8,075	-	16,862
	2,025,113	398,497	269,952	346,967	46,921	3,087,450
Allowance for Loan Loss						(263,405)
Totals						$ 2,824,045

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

2017	$ 420,000
2018	420,000
2019	420,000
2020	420,000
2021	420,000
Thereafter	987,450
	$ 3,087,450

Note 7 - 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 and forgiven.

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 are as follows at June 30:

Initial fiscal year loan was originated	2016	2015
2002	$ 60,000	$ 60,000
2003	120,000	120,000
2004	206,000	206,000
	386,000	386,000
Less: accumulated amortized forgiven loan amount	(291,200)	(252,600)
	94,800	133,400
Less: valuation allowance	(47,400)	(66,700)
Net deferred loans	$ 47,400	$ 66,700

Note 8 - Allowance for Loan Losses

The Organization's allowance for loan losses for loans receivable and deferred loans receivable are as follows at June 30:

	2016	2015
Balance, beginning	$ 103,070	$ 101,207
Provision for loan losses	179,635	21,163
Provision for deferred loan losses	(19,300)	(19,300)
Balance, ending	$ 263,405	103,070

An allowance for loan losses has not been established for the affordable mortgage loans since the Organization does not absorb the risk of loss on the loans and a corresponding liability for these loans has been established as a revolving loan payable.

Note 9 - Revolving Loans

Revolving loans represent amounts to be repaid to grantors for the outstanding balance on loans made with funds for the affordable mortgage loan program. In accordance with an agreement entered into between the Organization and Genesee County in May 2016 and effective through May 24, 2020, the principal and interest collected on the affordable mortgage loans will be held onto by Metro Community Development, Inc., and once the amount collected exceeds $ 200,000, the Organization will withdraw $ 100,000 and establish a loan-loss reserve account. At the time the loan-loss reserve account is established, the County and Organization will meet to determine the use of the funds. If either party terminates the agreement, the funds will be returned to the County. The balance of the revolving loans amounted to $ 915,013 and $ 1,008,207 at June 30, 2016 and 2015, respectively. The entire balance has been reported as noncurrent as it is not the intention of either Organization to terminate the agreement prior to May 24, 2020.

Note 10 - SBA Notes Payable

The Organization has two notes payable to the U.S. Small Business Administration (SBA). The proceeds were used by the Organization to make various microloans to small businesses under the SBA microloan program. Details of the two notes payable are as follows:

The first SBA loan (loan no. 6130755010), dated July 12, 2013 in the amount of $ 250,000 is payable over ten years at a stated interest rate of .875%. However, interest for the first twelve months accrued at 0% and can remain at that amount based on annual portfolio reviews performed by the SBA. No payments of principal or interest are required for the first 12 months from the date of the note. After that period, amounts borrowed under the SBA note are to be amortized over a ten year period. Current monthly payments on the note, including interest amount to $ 2,441 per month.

The second SBA loan (loan no. 7397295007), dated July 18, 2015 in the amount of $ 200,000 is payable over ten years at a stated interest rate of 1.50%. However, interest for the first twelve months accrued at 0% and can remain at that amount based on annual portfolio reviews performed by the SBA. No payments of principal or interest are required for the first 12 months from the date of the note. After that period, amounts borrowed under the SBA note are to be amortized over a ten year period. Currently, the Organization has utilized $ 115,000 of the available note, and no interest has accrued to-date on the note.

Both of the above notes are secured by a security interest in all loans made with funding from the SBA microloan program as well as an interest in the loan loss reserve account maintained by the Organization.

Principal repayments of the notes payable over the next five years ended June 30 are expected as follows:

	SBA Microloan Program Loan No. 6130755010	SBA Microloan Program Loan No. 7397295007	Total
2017	$ 27,700	$ 12,300	$ 40,000
2018	27,800	12,500	40,300
2019	28,100	12,600	40,700
2020	28,300	12,800	41,100
2021	28,600	13,000	41,600
Thereafter	63,423	51,800	115,223
	$ 203,923	$ 115,000	$ 318,923

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose at June 30:

	2016	2015
Deferred loans	$ 47,400	$ 66,700
United Way grant	62,399	94,718
Senior Home Retention Fund	103,715	108,176
Flint water assistance - Elizabeth A. Lynn Foundation	34,416	-
Bishop Trust - operations	10,000	20,000
YouthBuild assistance - Ruth Mott Foundation	52,708	-
Sybyl Award	10,000	-
YouthBuild in-kind contributions	-	88,760
Building Neighborhood Capacity	29,789	108,763
	$ 350,427	$ 487,117

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

	2016
Deferred Loans	$ 19,300
Senior Home Retention Fund	4,461
Bishop Trust - operations	10,000
United Way - IDA operations	32,319
Building Neighborhood Capacity	78,974
YouthBuild in-kind contributions	88,760
	$ 233,814

Note 12 - Local Support

Local support revenue consist of the following for the year ended June 30, 2016 and 2015:

	2016	2015
Charles Stewart Mott Foundation	$ 135,000	$ 135,000
Flint water assistance - Elizabeth A. Lynn Foundation	34,416	-
Ruth Mott Foundation	135,901	182,073
Sybyl Award	10,000	-
United Way of Genesee	25,505	117,717
Kettering University	50,000	50,000
Arthur G.Bishop Charitable Trust	-	30,000
Other local contributions	54,700	63,163
	$ 445,522	$ 577,953

Note 13 - Grant Revenue

Grant revenue recognized consist of the following for the year ended June 30, 2016 and 2015:

	2016	2015
Other grants:		
Neighborhood Impact Program	$ 85,476	$ -
State grants:		
Michigan Economic Development Corporation	$ -	$ 80,000
MSHDA - Chronic Homeless Initiative	109,490	57,333
MSHDA - Emergency Solutions Grant non-federal	-	25,000
	$ 109,490	$ 162,333
Federal grants:		
Department of Housing and Urban Development (HUD) - Continuum of Care (CoC) grant	$ 1,953,793	$ 2,097,238
HUD - Housing counseling subgrant	33,705	63,370
HUD - Emergency Solutions Grant	186,397	325,117
HUD - Section 4 Grant	82,616	79,872
Department of Labor - Youth Build	410,853	360,447
Department of Treasury - CDFI	717,155	807,718
Department of Justice - Building Neighborhood Capacity	148,438	72,651
US Small Business Administration - Technical Assistance	14,640	79,836
	$ 3,547,597	$ 3,886,249

Note 14 - 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 $ 12,351 and $ 11,263 for the fiscal years ended June 30, 2016 and 2015.

Note 15 - Lease Commitments

The Organization leases three office suites under two operating leases expiring at various dates through September 30, 2019. Additionally the Organization leases a copier under an operating lease expiring October 31, 2017.

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

	Office Suite No.'s 804 and 810	Office Suite No. 839	Copier	Total
2017	$ 28,668	$ 6,312	$ 1,584	$ 36,564
2018	28,668	-	528	29,196
2019	7,167	-	-	7,167

Note 16 - 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 17 - Current Vulnerability Due to Funding Source Concentrations

The Organization received 50% and 53% of its support from the U.S. Department of Housing and Urban Development (HUD) for the years ended June 30, 2016 and 2015 , respectively. 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.