

Metro Community Development, Inc.

Single Audit Report

June 30, 2016

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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, 2016, 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 September 30, 2016.

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
September 30, 2016

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, 2016. 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.

Auditors' 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, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2016, and have issued our report thereon dated September 30, 2016, 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 expenditure 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
September 30, 2016

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2015	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2016	Subrecipient Expenditures
U.S. Department of Housing and Urban Development - Direct:							
MI-0343B5F051000 Continuum of Care	14.267	\$ 281,821	\$ 9,339	\$ 95,021	\$ 85,682	\$ -	\$ 82,098
MI-0344B5F051000 Continuum of Care	14.267	381,556	10,271	32,204	21,933	-	20,348
MI-0373B5F051100 Continuum of Care	14.267	322,871	19,520	19,520	-	-	-
MI-0427L5F051300 Continuum of Care	14.267	42,069	-	30,569	30,569	-	-
MI-0314L5F051302 Continuum of Care	14.267	117,557	10,895	59,294	48,399	-	44,786
MI-0363L5F051303 Continuum of Care	14.267	78,144	-	12,784	12,784	-	11,948
MI-0149L5F051305 Continuum of Care	14.267	372,137	28,035	75,519	47,484	-	42,849
MI-0143L5F051306 Continuum of Care	14.267	267,834	-	22,952	22,952	-	22,590
MI-0150L5F051306 Continuum of Care	14.267	66,359	-	2,613	2,613	-	2,613
MI-0153L5F051306 Continuum of Care	14.267	202,659	15,956	15,956	-	-	-
MI-0157L5F051306 Continuum of Care	14.267	235,355	15,673	62,890	47,217	-	44,129
MI-0446L5F051400 Continuum of Care	14.267	45,591	-	30,394	45,591	15,197	-
MI-0447L5F051400 Continuum of Care	14.267	235,835	-	92,641	109,665	17,024	104,696
MI-0373L5F051401 Continuum of Care	14.267	109,674	19,151	72,661	53,510	-	-
MI-0344L5F051401 Continuum of Care	14.267	127,185	-	89,088	99,772	10,684	93,716
MI-0314L5F051403 Continuum of Care	14.267	117,557	-	64,121	75,916	11,795	72,056
MI-0363L5F051404 Continuum of Care	14.267	78,144	-	55,727	69,507	13,780	67,228
MI-0146L5F051406 Continuum of Care	14.267	89,577	-	63,567	63,567	-	-
MI-0147L5F051406 Continuum of Care	14.267	107,217	-	41,777	41,777	-	34,763
MI-0149L5F051406 Continuum of Care	14.267	372,137	-	260,217	339,964	79,747	317,128
MI-0151L5F051406 Continuum of Care	14.267	65,049	-	47,054	47,054	-	42,910
MI-0152L5F051406 Continuum of Care	14.267	25,220	-	19,810	25,220	5,410	23,571
MI-0143L5F051407 Continuum of Care	14.267	267,834	-	229,716	265,547	35,831	249,295
MI-0144L5F051407 Continuum of Care	14.267	126,654	-	119,029	126,654	7,625	115,674
MI-0150L5F051407 Continuum of Care	14.267	66,359	-	50,006	54,266	4,260	47,187
MI-0153L5F051407 Continuum of Care	14.267	202,659	-	202,659	202,659	-	189,401
MI-0156L5F051407 Continuum of Care	14.267	62,690	-	11,281	13,491	2,210	13,491
			<u>\$ 128,840</u>	<u>\$ 1,879,070</u>	<u>\$ 1,953,793</u>	<u>\$ 203,563</u>	<u>\$ 1,642,477</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, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2015	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2016	Subrecipient Expenditures
Passed through Housing Partnership Network: Housing counseling - 2015/2016	14.169	33,705	-	33,705	33,705	-	-
Passed through Local Initiatives Support Corporation (LISC):							
HUD Section 4 - 40923-0023	14.252	46,000	-	3,492	3,492	-	-
HUD Section 4 - 40923-0025	14.252	46,000	-	16,708	16,708	-	-
HUD Section 4 - 40923-0026	14.252	25,000	-	25,000	25,000	-	-
HUD Section 4 - 40923-0026	14.252	25,000	-	14,000	14,000	-	-
HUD Section 4 - 40923-0022/24	14.252	46,000	-	23,416	23,416	-	-
Total HUD Section 4			-	82,616	82,616	-	-
Passed through MSHDA:							
Emergency Solutions Grant - HML-2013-568	14.231	260,482	-	16,553	16,553	-	16,553
Emergency Solutions Grant - HML-2014-568ESF	14.231	279,274	179,339	279,274	99,935	-	68,385
Emergency Solutions Grant - HML-2015-568SP-02	14.231	261,996	-	10,000	10,000	-	10,000
Passed through City of Flint:							
Emergency Solutions Grant - 2014-15 HESG	14.231	32,100	-	32,100	32,100	-	-
Emergency Solutions Grant - 2013-14 HESG	14.231	29,000	-	27,809	27,809	-	-
Total Emergency Solutions Grant			179,339	365,736	186,397	-	78,385
Total U.S. Department of Housing and Urban Development			308,179	2,361,127	2,256,511	203,563	1,720,862
U.S. Department of Justice							
Passed through Center for the Study of Social Policy:							
Building Neighborhood Capacity Program - 2011-MU-BX-K147	16.595	225,000	(32,200)	-	32,200	-	-
Building Neighborhood Capacity Program - 2011-MU-BX-K147/121018.154	16.595	225,000	-	91,270	116,238	24,968	-
Total U.S. Department of Justice			(32,200)	91,270	148,438	24,968	-

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, 2016

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2015	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2016	Subrecipient Expenditures
U.S. Department of Labor - Direct: Youthbuild	17.274	1,084,460	-	410,853	410,853	-	-
U.S. Department of Treasury - Direct: Community Development Financial Institutions (CDFI) Program - 11FA010079	21.020	1,500,000	(217,155)	-	217,155	-	-
CDFI Program - 151FA013670	21.020	750,000	-	750,000	500,000	(250,000)	-
Total U.S. Department of Treasury			(217,155)	750,000	717,155	(250,000)	-
US Small Business Administration (SBA) - Direct: Microloan Program - Technical Assistance 15	59.058	50,000	20,088	20,088	-	-	-
Microloan Program - Technical Assistance 16	59.058	29,279	-	14,640	14,640	-	-
			20,088	34,728	14,640	-	-
Microloan Program - Beginning Loan Balance	59.046	274,569	-	-	274,569	-	-
Microloan Program - New Loans	59.046	85,000	-	-	85,000	-	-
			-	-	359,569	-	-
Total Microloan Program			20,088	34,728	374,209	-	-
US Department of Education: Passed through Michigan Department of Education Public Charter Schools	84.282	99,980	(16,000)	-	-	(16,000)	-
Total federal awards			\$ 62,912	\$ 3,647,978	\$ 3,907,166	\$ (37,469)	\$ 1,720,862

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, 2016

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, 2016. 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 \$ 318,923 at June 30, 2016.

Note 4 - Reconciliation to the Financial Statements

1. The following reconciles the federal revenues reported in the June 30, 2016 Financial Statements to the expenditures of the entity's administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

Revenues from federal sources per financial statements	\$ 3,547,597
Add: Small Business Administration loan balance	<u>359,569</u>
Federal expenditures per schedule of expenditures of federal awards.	<u><u>\$ 3,907,166</u></u>

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

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)? _____ yes X 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, 2016

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, 2016

Section II – Government Auditing Standards

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.
Cause and Effect:	The Organization experienced turnover in the in-house accounting department as well as turnover in the staff used for the outsourced accounting functions, both occurring near year end, which resulted in certain accounts and line items not being properly reconciled or stated as of June 30, 2016.
Recommendation:	We recommend that the Organization develop a comprehensive year-end closing checklist documenting who is responsible for the preparation and review of all significant account balances. We feel such a checklist would help ensure continuity of reconciliation processes in periods of transition.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan from management.

Section III – Federal Awards Findings and Questioned Costs

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

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

Government Auditing Standards Findings

There were no findings related to the financial statements which were required to be reported in accordance with generally accepted government auditing standards for the year ended June 30, 2015.

Federal Awards Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2015.