

Metro Community Development, Inc.

Financial Statements

**June 30, 2015
(With Summarized Comparative
Information for 2014)**

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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, 2015, 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, 2015, 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 2014 financial statements, and our report dated September 11, 2014, 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, 2014, 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 9, 2015 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 9, 2015

Metro Community Development, Inc.
Statement of Financial Position
June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 1,799,791	\$ 1,758,003
Cash - restricted	473,767	634,102
Certificates of deposit	521,846	1,186,670
Investments	1,493,393	10,074
Prepaid expense	16,000	22,364
Grants receivable	389,523	277,396
Promises to give	20,000	10,000
In-kind contributions receivable	88,760	261,660
Loans receivable, net	2,285,304	2,041,382
Deposit - Federal Home Loan Bank	500,000	-
Deferred loans receivable, net	66,700	86,000
Land development sites	18,327	18,327
	<u> </u>	<u> </u>
Total assets	<u><u>\$ 7,673,411</u></u>	<u><u>\$ 6,305,978</u></u>
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 406,638	\$ 203,612
Accrued wages and vacation	68,048	48,625
Revolving loans	1,282,776	1,027,005
Deferred revenue	21,361	700
Advance on grants	279,177	227,783
	<u> </u>	<u> </u>
Total liabilities	<u>2,058,000</u>	<u>1,507,725</u>
 Net assets		
Unrestricted:		
Undesignated	2,685,507	2,818,975
Designated: loan programs	2,442,787	1,504,722
	<u> </u>	<u> </u>
Total unrestricted net assets	5,128,294	4,323,697
Temporarily restricted	487,117	474,556
	<u> </u>	<u> </u>
Total net assets	<u>5,615,411</u>	<u>4,798,253</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$ 7,673,411</u></u>	<u><u>\$ 6,305,978</u></u>

See Accompanying Notes to Financial Statements

Metro Community Development, Inc.
Statement of Activities
For the Year Ended June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

			Totals	
	Unrestricted	Temporarily Restricted	2015	2014
Support, revenues, and gains				
Local support	\$ 335,823	\$ 242,130	\$ 577,953	\$ 274,400
State grants	162,333	-	162,333	114,782
Federal grants	3,886,249	-	3,886,249	3,560,439
Fees for services	135,755	-	135,755	166,146
Interest income - loans receivable	68,461	-	68,461	49,385
Investment income	9,399	-	9,399	10,386
In-kind contributions	-	-	-	482,560
Net assets released from restrictions	229,569	(229,569)	-	-
Total support, revenues and gains	4,827,589	12,561	4,840,150	4,658,098
Expenses				
Salaries and wages	719,913	-	719,913	660,144
Payroll taxes and fringe benefits	198,780	-	198,780	159,721
Professional fees	25,870	-	25,870	34,397
Amortization and provision for deferred loan losses	19,300	-	19,300	23,990
Provision for loan losses	21,163	-	21,163	51,129
Communications and marketing	5,782	-	5,782	8,877
Community projects	16,323	-	16,323	18,128
Consultants and contracting	312,451	-	312,451	429,886
Insurance	6,151	-	6,151	6,126
Memberships and subscriptions	10,349	-	10,349	10,997
Rent	49,799	-	49,799	47,391
Repairs and maintenance	18,854	-	18,854	22,934
Supplies and materials	28,705	-	28,705	30,927
Travel	18,490	-	18,490	20,467
Telephone and utilities	10,783	-	10,783	9,696
Other	34,724	-	34,724	33,709
In-kind expenses - YouthBuild	172,900	-	172,900	230,790
Stipends and site costs - YouthBuild	114,779	-	114,779	69,565
Chronic Homeless Initiative expenses	77,867	-	77,867	88,190
Emergency Shelter expenses	249,661	-	249,661	240,397
HMIS expenses	35,821	-	35,821	26,982
Supportive housing expenses	1,874,527	-	1,874,527	1,814,415
Total expenses	4,022,992	-	4,022,992	4,038,858
Change in net assets	804,597	12,561	817,158	619,240
Net assets at beginning of year	4,323,697	474,556	4,798,253	4,179,013
Net assets at end of year	<u>\$ 5,128,294</u>	<u>\$ 487,117</u>	<u>\$ 5,615,411</u>	<u>\$ 4,798,253</u>

See Accompanying Notes to Financial Statements

Metro Community Development, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 817,158	\$ 619,240
Items not requiring cash		
Amortization and provision for deferred loan losses	19,300	23,990
Provision for loan losses	21,163	51,129
Unrealized (gain) loss on investments	-	(136)
Net in-kind - YouthBuild	172,900	(251,770)
Change in operating assets and liabilities		
Deposit - Federal Home Loan Bank	(500,000)	-
Prepaid expenses	6,364	(22,364)
Grant receivable	(112,127)	(179,267)
Promises to give	(10,000)	10,000
Loans receivable	(265,085)	(792,938)
Accounts payable	203,026	183,524
Accrued expenses	19,423	4,424
Revolving loans	255,771	434,544
Grant advance	51,394	(251,628)
Net cash provided (used) by operating activities	<u>699,948</u>	<u>(171,252)</u>
Cash flows from investing activities		
Maturity of certificates of deposit	664,824	12,311
Purchase of investments	(3,649,898)	(8,499)
Proceeds from sale of investments	2,166,579	-
Net withdrawals from restricted cash	160,335	252,972
Net cash provided (used) by investing activities	<u>(658,160)</u>	<u>256,784</u>
Change in cash and cash equivalents	41,788	85,532
Cash and cash equivalents - beginning of year	<u>1,758,003</u>	<u>1,672,471</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,799,791</u></u>	<u><u>\$ 1,758,003</u></u>

See Accompanying Notes to Financial Statements

Metro Community Development, Inc.
Notes to Financial Statements
June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

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 a subsidiary during the year, 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 during the year ended June 30, 2015.

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.

Metro Community Development, Inc.
Notes to Financial Statements
June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

Loans Receivable

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.

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.

Metro Community Development, Inc.
Notes to Financial Statements
June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

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 were recognized in the year ended June 30, 2014 as temporarily restricted contributions. In-kind expenses recognized during the year ended June 30, 2015 amounted to \$ 119,500 for donated services and \$ 53,400 for donated facilities.

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:

	<u>2015</u>	<u>2014</u>
Program services	\$ 3,946,568	\$ 3,979,822
Management and general	<u>76,424</u>	<u>59,036</u>
	<u><u>\$ 4,022,992</u></u>	<u><u>\$ 4,038,858</u></u>

Indirect costs have been allocated between program and support services based on estimates as determined by management. 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, 2015, deposits with financial institutions amounted to \$ 3,053,824, of this amount, \$ 1,949,587 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, 2014, from which the summarized information was derived.

Metro Community Development, Inc.
Notes to Financial Statements
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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 9, 2015 and concluded that no subsequent events have occurred that would require disclosure in the notes 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, 2015:

Purpose	Source	2015	2014
Loan Loss Reserve	Department of Treasury/SBA	\$ 300,874	\$ 250,487
Senior Home Loan Fund	C.S. Mott Foundation	172,893	160,165
BNCP Program	City of Flint/ Ruth Mott Foundation	-	189,981
Loan Programs	CDFI/ Genesee County	-	33,469
Total restricted cash		<u>\$ 473,767</u>	<u>\$ 634,102</u>

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, 2015, 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, 2015 is as follows:

	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)
Other	38,891	38,891	-
	<u>\$ 1,518,159</u>	<u>\$ 1,493,393</u>	<u>\$ (24,766)</u>

Metro Community Development, Inc.
Notes to Financial Statements
June 30, 2015
(With Summarized Comparative Information for June 30, 2014)

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

	2015	2014
Interest and dividend income	\$ 47,513	\$ 10,250
Realized loss on investments	(6,281)	-
Change in unrealized gain (loss) on investments	(24,364)	136
Total investment income	16,868	10,386
Investment fees and expenses	(7,469)	-
Net investment income	<u>\$ 9,399</u>	<u>\$ 10,386</u>

The scheduled maturities of debt security investments at December 31, 2015 are as follows:

	Cost	Fair value
Due in one year or less	\$ 280,353	\$ 279,229
Due after one year through five years	385,582	382,532
Due after five years or more	713,333	696,047
Total	<u>\$ 1,379,268</u>	<u>\$ 1,357,808</u>

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.

Metro Community Development, Inc.
Notes to Financial Statements
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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	-
Other	38,891	38,891	-
	<u>\$ 1,493,393</u>	<u>\$ 650,765</u>	<u>\$ 842,628</u>

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, 2015:

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>\$ 20,000</u>

Note 6 - 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, 2015 in-kind contributions receivable were:

Facilities and services receivable in less than one year	\$ 66,570
Facilities and services receivable in in one to two years	<u>22,190</u>
Total in-kind contributions receivable	<u>\$ 88,760</u>

Note 7 - 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, 2015
(With Summarized Comparative Information for June 30, 2014)

Loans receivable at June 30, 2015 and 2014 consist of the following:

	2015	2014
Micro Loans and Enterprise Loans - CDFI	\$ 1,109,338	\$ 1,025,473
Micro Loans - SBA	218,727	140,996
Micro Loans - Mott	27,107	39,835
Affordable Mortgage Loans	1,006,095	877,150
Senior Tax and Home Retention Loans	27,107	39,835
Less: allowance for loan losses	<u>(103,070)</u>	<u>(81,907)</u>
Total loans receivable, net	<u>\$ 2,285,304</u>	<u>\$ 2,041,382</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, 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
- **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.

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

2016	\$	284,000
2017		284,000
2018		284,000
2019		284,000
2020		284,000
Thereafter		865,304
	\$	<u>2,285,304</u>

Note 8 - 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:

Initial fiscal year loan was originated	2015	2014
2002	\$ 60,000	\$ 60,000
2003	120,000	120,000
2004	<u>206,000</u>	<u>206,000</u>
	386,000	386,000
Less: accumulated amortized forgiven loan amount	<u>(252,600)</u>	<u>(214,000)</u>
	133,400	172,000
Less: valuation allowance	<u>(66,700)</u>	<u>(86,000)</u>
Net deferred loans	<u>\$ 66,700</u>	<u>\$ 86,000</u>

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 and micro loans made with funds from the U.S. Small Business Administration (SBA). Principal and interest collected on the affordable mortgage loans are repaid to the Genesee County Metropolitan Planning Commission quarterly.

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SBA funds used by the Organization to make microloans are to be repaid to the SBA under the terms of a note executed between the Organization and the SBA in July, 2013. The terms of the note allow for borrowings of SBA funds up to \$250,000 and dictate that SBA funds are payable over ten years at a stated interest rate of .875%. However, interest for the first twelve months accrues 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. The SBA maintains a security interest in all loans made with funding from the SBA program as well as an interest in the loan loss reserve account maintained by the Organization.

Repayments of revolving loans over the next five years ended June 30 are expected as follows:

	Affordable mortgage loans	SBA micro loans	Total
2016	\$ 19,000	\$ 16,444	\$ 35,444
2017	19,000	16,444	35,444
2018	19,000	16,444	35,444
2019	19,000	16,444	35,444
2020	19,000	16,444	35,444
Thereafter	913,207	192,349	1,105,556
	<u>\$ 1,008,207</u>	<u>\$ 274,569</u>	<u>\$ 1,282,776</u>

Note 10 - Temporarily Restricted Net Assets

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

	2015	2014
Deferred loans	\$ 66,700	\$ 86,000
United Way grant	94,718	8,720
Senior Home Retention Fund	108,176	108,176
Bishop Trust - operations	20,000	10,000
YouthBuild in-kind contributions	88,760	261,660
Building Neighborhood Capacity	108,763	-
	<u>\$ 487,117</u>	<u>\$ 474,556</u>

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

Deferred Loans	\$ 19,300
Bishop Trust - operations	20,000
United Way - IDA operations	8,649
United Way - HMIS	8,720
YouthBuild in-kind contributions	172,900
	<u>\$ 229,569</u>

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Note 11 - Grant Revenue

Grant revenue recognized consist of the following for the year ended June 30, 2015 and 2014:

	2015	2014
State grants:		
Michigan Economic Development Corporation	\$ 80,000	\$ -
MSHDA - Chronic Homeless Initiative	57,333	111,389
MSHDA - Emergency Solutions Grant non-federal	25,000	3,393
	<u>\$ 162,333</u>	<u>\$ 114,782</u>
Federal grants:		
Department of Housing and Urban Development (HUD) - Continuum of Care (CoC) grant	\$ 2,097,238	\$ 2,030,032
HUD - Housing counseling subgrant	63,370	86,829
HUD - Emergency Solutions Grant	325,117	271,858
HUD - Section 4 Grant	79,872	32,500
Department of Labor - Youth Build	360,447	589,469
Department of Treasury - CDFI	807,718	380,000
Department of Justice - Building Neighborhood Capacity	72,651	75,480
Department of Education - Charter Schools Grant	-	83,980
US Small Business Administration - Technical Assistance	79,836	10,291
	<u>\$ 3,886,249</u>	<u>\$ 3,560,439</u>

Note 12 - 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, 2015 and 2014.

Note 13 – Lease Commitments

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, 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
2016	\$ 7,167	\$ 9,468	\$ 1,584	\$ 18,219
2017	-	6,312	1,584	7,896
2018	-	-	528	528

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Note 14 - 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 15 - Current Vulnerability Due to Funding Source Concentrations

The Organization received 45% and 50% of its support from the U.S. Department of Housing and Urban Development (HUD) for the years ended June 30, 2015 and 2014, 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.