

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

Single Audit Report

June 30, 2013

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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, 2013, 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 4, 2013.

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 (internal control) 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2013-1 to be a material weakness.

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*.

Metro Community Development, Inc.'s Response to Findings

Metro Community Development, Inc.'s response to the finding identified in our audit 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 4, 2013

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 OMB Circular A-133

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Metro Community Development, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated September 4, 2013, 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 OMB Circular A-133 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 4, 2013

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2013
U.S. Department of Housing and Urban Development Direct:						
MI-28B205001 Supportive Housing	14.235	\$ 667,800	\$ (43,865)	\$ -	\$ 43,865	\$ -
MI-28B505001 Supportive Housing	14.235	930,261	-	32,470	32,470	-
MI-0142B5F050802 Supportive Housing	14.235	127,394	-	18,025	18,025	-
MI-0142B5F051103 Supportive Housing	14.235	60,664	-	31,472	31,472	-
MI-0143B5F051003 Supportive Housing	14.235	217,570	9,856	9,856	-	-
MI-0143B5F051104 Supportive Housing	14.235	247,570	-	234,434	237,400	2,966
MI-0144B5F051003 Supportive Housing	14.235	124,287	-	21,956	21,956	-
MI-0144B5F051104 Supportive Housing	14.235	124,287	-	39,799	39,799	-
MI-0145B5F051002 Supportive Housing	14.235	28,251	-	11,809	11,809	-
MI-0145B5F051103 Supportive Housing	14.235	28,251	-	8,424	8,424	-
MI-0146B5F051104 Supportive Housing	14.235	89,577	-	45,119	45,119	-
MI-0146B5F051003 Supportive Housing	14.235	89,577	6,467	33,519	27,052	-
MI-0147B5F051103 Supportive Housing	14.235	105,213	-	105,213	105,213	-
MI-0148B5F051104 Supportive Housing	14.235	50,269	-	40,966	40,966	-
MI-0149B5F051103 Supportive Housing	14.235	342,695	-	245,182	245,182	-
MI-0150B5F051004 Supportive Housing	14.235	66,247	-	11,225	11,225	-
MI-0151B5F051103 Supportive Housing	14.235	62,160	-	50,104	50,104	-
MI-0152B5F051103 Supportive Housing	14.235	24,749	-	12,457	12,457	-
MI-0153B5F051104 Supportive Housing	14.235	205,542	-	205,542	205,542	-
MI-0156B5F051104 Supportive Housing	14.235	61,518	-	30,198	30,198	-
MI-0156B5F051003 Supportive Housing	14.235	61,518	-	13,825	13,825	-
MI-0157B5F051003 Supportive Housing	14.235	231,538	-	111,317	111,317	-
MI-292B5F050901 Supportive Housing	14.235	33,555	615	1,220	605	-
MI-292B5F051103 Supportive Housing	14.235	21,305	-	21,305	21,305	-
MI-0314B5F050900 Supportive Housing	14.235	313,963	-	129,085	129,085	-
MI-0343B5F051100 Supportive Housing	14.235	281,821	-	2,122	2,122	-
MI-03445B5F051100 Supportive Housing	14.235	381,556	-	52,534	52,534	-
MI-03735F055F051100 Supportive Housing	14.235	322,871	-	53,830	53,830	-
MI-03635F055F051101 Supportive Housing	14.235	76,683	-	28,621	28,621	-
			(26,927)	1,601,629	1,631,522	2,966

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, 2013

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2012	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2013
Passed through Housing Partnership Network: Housing counseling	14.169	195,833	-	149,578	149,578	-
Passed through MSHDA: Passed through Genesee County: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	355,603	346	13,828	13,482	-
Passed through City of Flint: Homeless Prevention and Rapid Re-housing Program - ARRA	14.257	479,216	40,853	58,323	17,470	-
Total Homeless Prevention and Rapid Re-housing Program - ARRA			41,199	72,151	30,952	-
Total U.S. Department of Housing and Urban Development			14,272	1,823,358	1,812,052	2,966
U.S. Department of Justice Passed through Center for the Study of Social Policy: Building Neighborhood Capacity Program	16.595	225,000	-	-	44,669	44,669
U.S. Department of Labor Direct: Youthbuild	17.274	1,084,460	-	561,136	567,001	5,865
U.S. Department of Treasury Direct: Community Development Financial Institutions Program	21.020	1,500,000	(1,405,000)	-	1,000,127	(404,873)
Total federal awards			\$ (1,390,728)	\$ 2,384,494	\$ 3,423,849	\$ (351,373)

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, 2013

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Expenditures include all accrual basis federal expenditures that result in the receipt of federal monies associated with the project. Any applicable state or city matching funds and expenditures are not included on this schedule.
3. Grant funds of \$1,433,021 were passed through to sub-recipients for the Supportive Housing Program (SHP), CFDA 14.235 as follows:

Subrecipient	Award Number	Current Year Expenditures
Flint Odyssey House	MI 28B505001, MI0142B5F050802	
	MI0363B5F051101	\$ 56,753
Genesee County Community Mental Health	MI0149B5F051103	
		234,983
Shelter of Flint	MI0314B5F050900, MI0150B5F051003	
	MI0151B5F051103, MI0153B5F051104	
		380,117
Genesee County Community Action Resource Department	MI28B205001, MI0145B5F051002	
	MI0145B5F051103, MI0148B5F051104	101,924
Flint Neighborhood Improvement and Preservation Project	MI0143B5F051003, MI0143B5F051104	
		234,603
Genesee County Youth Corporation	MI0144B5F051003, MI0144B5F051104	57,357
Resource Genesee	MI0147B5F051103	100,203
Flint Strive	MI0156B5F050802	13,825
Intake, Assessment and Referral Center	MI0292B5F050901	1,220
Catholic Charities	MI0157B5F051003, MI0142B5F051103	
	MI0292B5F051103	156,189
My Brother's Keeper	MI0156B5F051104, MI0344B5F051000	81,268
Community Mental Health	MI0343B5F051000	2,122
YWCA Safe House	MI0152B5F051103	12,457
		<u>\$ 1,433,021</u>

4. The total expenditures for Federal Awards equaled the financial statements federal revenue.
5. When applicable, joint costs are charged to grants using the direct allocation method in accordance with an annual cost allocation plan.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☐ Yes ☒ No

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.235

Supportive Housing

17.274

Youthbuild

21.020

Community Development
Financial Institutions

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

\$ 300,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II – Government Auditing Standards

CURRENT YEAR

2013-001 Prior Period Adjustment - In-Kind Contributions for YouthBuild

Finding Type: Material Weakness

Criteria: Unconditional promises of in-kind contributions should be recorded at the time the promise is made in accordance with U.S. GAAP.

Condition: Unconditional promises of in-kind contributions to the YouthBuild program in the amount of \$ 319,214 at June 30, 2011, were not originally recorded by the Organization. As a result, temporarily restricted net assets were misstated.

Context: A prior period adjustment was proposed to record the in-kind contributions related to the YouthBuild program.

Cause and Effect: The Organization did not consult with their accountants about the handling of unconditional promises of in-kind contributions and therefore did not record them in the financial statements.

Recommendation: The Organization should consult with their accountants and provide a listing of in-kind contributions received and promised each fiscal year to ensure that financial statements are presented in accordance with U.S. GAAP.

Views of Responsible Officials: See corrective action plan on page 13 for the views of responsible officials.

PRIOR YEAR

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, 2012.

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section III – Federal Awards Findings and Questioned Costs

CURRENT YEAR

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2013

PRIOR YEAR

2012-001 Minimize Time Elapsing for Transfer of Federal Funds

Program Name: Supportive Housing Program, CFDA 14.235

Finding Type: Noncompliance and significant deficiency

Condition/Context: Metro Community Development, Inc, is a pass through entity for funds from the U.S. Department of Housing and Urban Development (HUD) for the Supportive Housing Program (SHP). During our testing, we noted two draws for which Metro Community Development, Inc., did not disburse all funds it drew down from HUD to the subrecipients within three days of the receiving the funds from HUD.

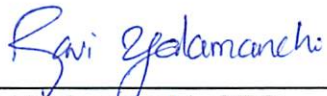
Current Status: The corrective action plan was completed during fiscal year 2013. Additionally, no further issues arose during out testing in the current year.

Corrective Action Plan Regarding Audit Finding: 2013-001

Contact Person: Ravi Yalamanchi, CEO

Anticipated Completion Date: Implemented as of August 30, 2013

Agency Corrective Action Plan: We have established a process to ensure that in-kind contributions are tracked and recorded in accordance with FASB ASC 958-605. Additionally uses of in-kind contributions will be recorded and reconciled to the trial balance.



Ravi Yalamanchi, CEO
Metro Community Development, Inc.