

Metro Community Development, Inc.

Single Audit Report

June 30, 2019

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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

Management and the Board of Directors
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 consolidated financial statements of Metro Community Development, Inc., which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 21, 2019.

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.

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.

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*.

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
November 21, 2019



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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

Management and the Board of Directors
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, 2019. 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.

Auditor's 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, 2019.

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, 2019, and have issued our report thereon dated November 21, 2019 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 expenditures 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
November 21, 2019

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued		Current Year Receipts	Current Year Expenditures	Accrued		Subrecipient Expenditures
			(Deferred) Revenue July 1, 2018	(Deferred) Revenue June 30, 2019			(Deferred) Revenue June 30, 2019	(Deferred) Revenue June 30, 2019	
U.S. Department of Housing and Urban Development - Direct:									
MI-0143L5F051609 Continuum of Care	14.267	\$ 267,834	\$ 22,116	\$ 22,116	\$ 22,116	\$ -	\$ -	\$ -	\$ -
MI-0143L5F051710 Continuum of Care	14.267	267,834	-	259,170	267,834	-	8,664	251,581	-
MI-0144L5F051609 Continuum of Care	14.267	126,654	13,203	11,517	(1,686)	-	-	-	-
MI-0144L5F051710 Continuum of Care	14.267	126,654	-	92,408	126,654	-	34,246	118,369	-
MI-0146L5F051609 Continuum of Care	14.267	89,577	-	21,437	21,437	-	-	21,437	-
MI-0146L5F051710 Continuum of Care	14.267	89,577	-	68,140	82,431	-	14,291	78,601	-
MI-0147L5F051608 Continuum of Care	14.267	107,217	22,165	22,165	-	-	-	-	-
MI-0147L5F051709 Continuum of Care	14.267	107,217	-	89,635	89,635	-	-	82,621	-
MI-0149L5F051608 Continuum of Care	14.267	359,756	58,597	91,170	32,573	-	-	32,573	-
MI-0149L5F051709 Continuum of Care	14.267	349,972	-	257,344	282,683	-	25,339	250,866	-
MI-0150L5F051609 Continuum of Care	14.267	66,359	4,995	4,995	-	-	-	-	-
MI-0150L5F051710 Continuum of Care	14.267	66,359	-	59,832	65,537	-	5,705	61,366	-
MI-0151L5F051608 Continuum of Care	14.267	65,049	4,710	4,710	-	-	-	-	-
MI-0152L5F051608 Continuum of Care	14.267	25,220	7,011	-	(7,011)	-	-	-	-
MI-0314L5F051605 Continuum of Care	14.267	117,557	12,246	21,052	8,806	-	-	8,807	-
MI-0314L5F051706 Continuum of Care	14.267	117,557	-	101,393	110,256	-	8,863	103,110	-
MI-0343L5F051602 Continuum of Care	14.267	95,467	2,140	2,140	-	-	-	-	-
MI-0343L5F051703 Continuum of Care	14.267	95,467	-	80,453	80,453	-	-	74,453	-
MI-0343L5F051804 Continuum of Care	14.267	99,940	-	10,416	18,009	-	7,593	18,009	-
MI-0344L5F051603 Continuum of Care	14.267	106,817	10,271	10,271	-	-	-	-	-
MI-0344L5F051704 Continuum of Care	14.267	106,817	-	104,047	104,047	-	-	97,991	-
MI-0344L5F051805 Continuum of Care	14.267	111,335	-	12,367	19,538	-	7,171	19,537	-
MI-0363L5F051606 Continuum of Care	14.267	78,144	5,525	5,525	-	-	-	-	-
MI-0363L5F051707 Continuum of Care	14.267	78,144	-	15,336	16,803	-	1,467	11,691	-
MI-0373L5F051603 Continuum of Care	14.267	113,351	8,769	19,525	10,756	-	-	10,756	-
MI-0373L5F051704 Continuum of Care	14.267	113,351	-	92,610	99,711	-	7,101	92,536	-
MI-0447L5F051602 Continuum of Care	14.267	242,399	15,087	31,774	16,687	-	-	16,687	-
MI-0447L5F051703 Continuum of Care	14.267	242,723	-	126,364	133,827	-	7,463	126,591	-
MI-0576L5F051700 Continuum of Care	14.267	50,000	-	37,500	50,000	-	12,500	50,000	-
			186,835	1,675,412	1,628,980		140,403	1,527,582	

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, 2019

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2018	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2019	Subrecipient Expenditures
Passed through Housing Partnership Network: Housing counseling - 2018/2019	14.169	42,500	-	19,593	19,593	-	-
Passed through Local Initiatives Support Corporation (LISC): HUD Section 4 - 40923-0029	14.259	25,000	12,500	12,500	-	-	-
Passed through Genesee County Tenant Based Rental Assistance - HOME 2017	14.239	33,000	-	14,827	14,827	-	-
Tenant Based Rental Assistance - HOME 2018	14.239	33,000	-	3,346	8,024	4,678	-
Total Tenant Based Rental Assistance			-	18,173	22,851	4,678	-
Total U.S. Department of Housing and Urban Development			199,335	1,725,678	1,671,424	145,081	1,527,582
U.S. Department of Labor - Direct: Youthbuild - YB-29960-17-60-A-26	17.274	1,100,000	-	346,995	346,995	-	-
U.S. Department of Treasury - Direct: NeighborWorks America 2015/2016	21.000	35,000	(35,000)	-	-	(35,000)	-
NeighborWorks America 2016/2017	21.000	264,500	(50,000)	-	-	(50,000)	-
NeighborWorks America Project Reinvest	21.000	66,240	-	48,456	48,456	-	-
NeighborWorks America 2017/2018	21.000	187,500	(187,500)	-	-	(187,500)	-
Total NeighborWorks America			(272,500)	48,456	48,456	(272,500)	-
Community Development Financial CDFI Cluster CDFI Program - 141FA013670	21.020	700,000	-	700,000	-	(700,000)	-
Total U.S. Department of Treasury			(272,500)	748,456	48,456	(972,500)	-

Metro Community Development, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue July 1, 2018	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2019	Subrecipient Expenditures
US Small Business Administration (SBA) - Direct: Microloan Program - Technical Assistance - SBA-17-Y0096	59.007	37,240	8,980	8,980	-	-	-
Microloan Program - Technical Assistance - SBA-18-Y0139	59.046	68,231	-	56,268	68,231	11,963	-
			8,980	65,248	68,231	11,963	-
Microloan Program - Beginning Loan Balance	59.046	909,988	-	-	588,751	-	-
Microloan Program - New Loans	59.046	400,000	-	-	400,000	-	-
			-	-	988,751	-	-
Total US Small Business Administration			8,980	65,248	1,056,982	11,963	-
Total federal awards			\$ (64,185)	\$ 2,886,377	\$ 3,123,857	\$ (815,456)	\$ 1,527,582

Metro Community Development, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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, 2019. 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 the cost principles contained in the Uniform Guidance 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 \$ 933,818 at June 30, 2019.

Note 4 - Reconciliation to the Financial Statements

1. The following reconciles the federal revenues reported in the June 30, 2019 Financial Statements to the expenditures of the entity's administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

Revenues from Federal Grants per financial statements	\$ 2,786,650
Subtract: CDFI Program restricted revenue	(700,000)
Add: Small Business Administration beginning loan balance and new loans	988,751
Add: NeighborWorks America grant expenditures	<u>48,456</u>
Federal expenditures per schedule of expenditures of federal awards.	<u>\$ 3,123,857</u>

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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)? yes X 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, 2019

Identification of major programs:

CFDA Number(s)

14.267
59.046

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

\$ 750,000

Auditee qualified as low-risk auditee?

— yes X no

Name of Federal Program or Cluster

Continuum of Care
Microloan Program

Metro Community Development, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II – Government Auditing Standards

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, 2019.

Section III – Federal Awards Findings and Questioned Costs

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2019.

Metro Community Development, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

Section IV - Summary Schedule of Prior Audit Findings

Government Auditing Standards Findings

Finding 2018-001 – 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.
- Current Status:** Management centralized accounting to internal staff and utilized an outside accounting firm to review its accounting records on a monthly basis. As a result, we did not identify any further findings related to this matter.

Federal Awards Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2018.