

**Metro Community Development, Inc.  
and Subsidiaries**

**Consolidated Financial Statements**

**June 30, 2019  
(With Summarized Comparative  
Information for 2018)**

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## Independent Auditors' Report

Management and the Board of Directors  
Metro Community Development, Inc.  
Flint, Michigan

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metro Community Development, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metro Community Development, Inc. and subsidiaries as of June 30, 2019, 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.

### **Adoption of New Accounting Standards**

As described in Note 1 to the consolidated financial statements, American Board of Emergency Medicine changed its method of accounting for net assets, investment expense, and functional expenses in 2019 as required by the provisions of FASB Accounting Standards Update 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

### **Other Matters:**

#### **Report on Summarized Comparative Information**

We have previously audited the Metro Community Development, Inc. and subsidiaries' 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 1, 2018. In our opinion, the summarized comparative information presented herein, with the exception of the matter discussed in Note 1, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived. As part of our audit of the June 30, 2019 financial statements, we also audited adjustments described in Note 1 that were applied to restate the June 30, 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration of Metro Community Development, Inc. 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 solely 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 the effectiveness of Metro Community Development, Inc. and subsidiaries' 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. and subsidiaries' internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Lansing, Michigan  
November 21, 2019

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,993,616	\$ 3,006,066
Certificates of deposit	-	504,399
Deposit - Federal Home Loan Bank	500,000	500,000
Investments	1,986,046	1,883,392
Prepaid expense	751	36,329
Accounts receivable	467,995	759,216
Roof deposit	77,865	-
In-kind contributions receivable, current portion	-	7,332
Loans receivable, current portion	496,854	535,734
	<u>7,523,127</u>	<u>7,232,468</u>
Total current assets		
Noncurrent assets		
Funded reserves	497,081	432,286
Loans receivable, net of current portion and allowance	4,107,880	2,829,320
Development costs	45,850	45,850
Property and equipment, net of accumulated depreciation	809,316	508,641
Land development sites	18,327	18,327
	<u>5,478,454</u>	<u>3,834,424</u>
Total noncurrent assets		
<b>Total assets</b>	<u><u>\$ 13,001,581</u></u>	<u><u>\$ 11,066,892</u></u>

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

	2019	2018
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 282,375	\$ 278,353
Accrued liabilities	42,308	32,245
Notes payable, current portion	126,272	83,727
Total current liabilities	450,955	394,325
Noncurrent liabilities		
Security deposits	1,875	-
Revolving loans	1,209,720	1,113,270
Notes payable, net of current portion	2,744,921	1,146,069
Total noncurrent liabilities	3,956,516	2,259,339
Total liabilities	4,407,471	2,653,664
Net assets		
Without donor restrictions		
Undesignated	4,915,525	4,722,803
Designated for loan programs	2,017,124	2,580,565
Non-controlling interest in consolidated subsidiary		
Limited partners' equity in limited partnership	519,938	564,987
Total without donor restrictions	7,452,587	7,868,355
With donor restrictions		
Perpetual in nature	35,000	35,000
Purpose restrictions	853,141	125,000
Time and purpose restrictions	253,382	384,873
Total with donor restrictions	1,141,523	544,873
Total net assets	8,594,110	8,413,228
<b>Total liabilities and net assets</b>	<b>\$ 13,001,581</b>	<b>\$ 11,066,892</b>

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Activities**  
**For the Year Ended June 30, 2019**  
**(With Summarized Comparative Information for the year ended June 30, 2018)**

	Totals		
	Without Donor Restrictions	With Donor Restrictions	2019      2018
<b>Support and revenues</b>			
Local support	\$ 409,906	\$ 13,610	\$ 885,706
State grants	-	-	100,000
Other grants	373,764	-	249,678
Federal grants	2,086,650	700,000	2,611,117
NeighborWorks America	202,691	75,000	218,112
Fees for services	182,766	-	171,392
Interest income - loans receivable	188,304	-	124,490
Investment income	102,415	-	75,213
In-kind contributions	138,995	-	213,125
Rental income	153,567	-	142,648
Other income	72,466	-	11,451
Net assets released from restrictions	191,960	(191,960)	-
Total support and revenues	4,103,484	596,650	4,802,932
<b>Expenses</b>			
Program services	4,183,380	-	3,737,620
Supporting services			
Management and general	292,132	-	77,354
Fundraising	43,740	-	36,575
Total expenses	4,519,252	-	3,851,549
<b>Change in net assets</b>	<u>\$ (415,768)</u>	<u>\$ 596,650</u>	<u>\$ 951,383</u>

See Accompanying Notes to the Consolidated Financial Statements

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**

For the Year Ended June 30, 2019

(With Summarized Comparative Information for the year ended June 30, 2018)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2019	2018
<b>Expenses</b>					
Salaries and wages	\$ 898,602	\$ 207,738	\$ 31,680	\$ 1,138,020	\$ 842,916
Payroll taxes and fringe benefits	176,930	10,319	12,060	199,309	190,562
Professional fees	145,358	26,768	-	172,126	102,462
(Recapture of) provision for loan losses	80,969	-	-	80,969	(61,387)
Communications and marketing	28,811	65	-	28,876	11,899
Grant reimbursements - community projects	180,923	9,632	-	190,555	13,289
Consultants and contracting	193,443	-	-	193,443	442,867
Insurance	76,141	-	-	76,141	58,904
Memberships and subscriptions	15,201	-	-	15,201	13,648
Rent	44,415	-	-	44,415	87,744
Equipment purchase and maintenance	73,314	-	-	73,314	69,574
Supplies and materials	64,319	482	-	64,801	47,379
Travel	59,124	6	-	59,130	42,579
Telephone and utilities	90,304	-	-	90,304	75,155
Depreciation	-	21,777	-	21,777	18,032
Homeowner grant expenses	325,519	-	-	325,519	249,086
Stipends and site costs - YouthBuild	86,383	-	-	86,383	122,835
Subrecipient expenses - Continuum of Care Program	1,438,745	14,027	-	1,452,772	1,489,991
Other expenses	204,879	1,318	-	206,197	34,014
<b>Total expenses</b>	<b>\$ 4,183,380</b>	<b>\$ 292,132</b>	<b>\$ 43,740</b>	<b>\$ 4,519,252</b>	<b>\$ 3,851,549</b>

See Accompanying Notes to the Consolidated Financial Statements



**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Changes in Net Assets**  
**For the Year Ended June 30, 2019**  
**(With Summarized Comparative Information for the year ended June 30, 2018)**

	Without Donor Restrictions			
	Undesignated and designated for loan programs	Non-controlling interests	With Donor Restrictions	Total
<b>Balance - July 1, 2018,</b>	\$ 6,520,955	\$ 598,452	\$ 342,438	\$ 7,461,845
Change in net assets	748,948	-	202,435	951,383
Attributable to non-controlling interest in limited partnership	33,465	(33,465)	-	-
<b>Balance - June 30, 2018,</b>	7,303,368	564,987	544,873	8,413,228
Change in net assets	(415,768)	-	596,650	180,882
Attributable to non-controlling interest in limited partnership	45,049	(45,049)	-	-
<b>Balance - June 30, 2019</b>	<u>\$ 6,932,649</u>	<u>\$ 519,938</u>	<u>\$ 1,141,523</u>	<u>\$ 8,594,110</u>

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended June 30, 2019**  
**(With Summarized Comparative Information for the year ended June 30, 2018)**

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 180,882	\$ 951,383
Items not requiring cash		
Depreciation	21,777	18,032
(Recapture of) provision for loan losses	80,969	(61,387)
Realized and unrealized loss on investments	38,985	22,988
Net in-kind - YouthBuild	146,851	257,117
Change in operating assets and liabilities		
Prepaid expenses	35,578	(14,424)
Accounts receivable	291,221	(335,593)
Prepaid development costs	-	(6,250)
Roof deposit	(77,865)	-
In-kind receivable	7,332	43,992
Loans receivable	(1,320,649)	(572,239)
Accounts payable	4,022	17,482
Accrued expenses	10,063	(11,399)
Advance on grants	-	(178,425)
Revolving loans	96,450	225,353
Security deposits	1,875	-
Net cash provided (used) by operating activities	<u>(482,509)</u>	<u>356,630</u>
<b>Cash flows from investing activities</b>		
Maturity (purchase) of certificates of deposit	504,399	(11,581)
Fixed asset purchases	(322,450)	(18,000)
Purchase of investments	(368,001)	(1,620,549)
Proceeds from sale of investments	300,402	1,462,426
Net deposits from funded reserves and escrows	(64,795)	(454)
Net cash provided (used) by investing activities	<u>49,555</u>	<u>(188,158)</u>
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	1,895,701	135,207
Principal payments on notes payable	(475,197)	(63,084)
Net cash provided by financing activities	<u>1,420,504</u>	<u>72,123</u>
Change in cash and cash equivalents	987,550	240,595
Cash and cash equivalents - beginning of year	3,006,066	2,765,471
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 3,993,616</u></u>	<u><u>\$ 3,006,066</u></u>
<b>Supplementary Cash Flow Information</b>		
Cash paid for interest	<u><u>\$ 27,742</u></u>	<u><u>\$ 13,053</u></u>

**Metro Community Development, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

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**Note 1 - Organization and Summary of Significant Accounting Policies**

**Organization**

Metro Community Development, Inc. (MCD), 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 Development:** 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 Development:** Establishes community partnerships for the creation of stable and vibrant neighborhoods and communities. Includes the Building Neighborhood Capacity Program and Flint Metro YouthBuild Program.
- **Housing Development:** Determine potential for MCD to develop new housing stock in service area. Continue to support housing alternatives with comprehensive options ranging from homelessness, prevention, stabilization, low income, and aging populations.

MCD established Metro Housing Partnership (MHP), 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. MHP was established in July 2014. MHP has a .01% general partnership interest in Metawaneenee Hills Limited Partnership (MHLP).

MHLP is organized as a limited partnership to develop, own and operate a 24-unit affordable housing property in Flint, Michigan that has qualified for and was allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42. MHP as the general partner has complete administrative control of MHLP and is the guarantor of the project obligations. Profit and loss is allocated between the general partner, MHP and the limited partner, National Equity Fund Assignment Corporation, by .01% and 99.99%, respectively.

Collectively, MCD, MHP and MHLP shall be referred to as the "Organization".

**Basis of Presentation**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for loan programs.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Metro Community Development, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

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The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Principles of Consolidation**

The consolidated financial statements include the financial statements of MCD, MHP and MHLP. MHLP is included in the consolidation in accordance with United States generally accepted accounting principles (US GAAP) which requires consolidation of all such entities which MCD has both control and economic interest. All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements.

**Reclassification**

Certain amounts in the statement of functional expenses in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

**Basis of Accounting**

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

**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, 2018, from which the summarized information was derived.

**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.

**Certificates of Deposit**

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. The Organization primarily uses quoted market prices to establish fair value and transactions are recorded on the trade date.

**Accounts Receivable**

Accounts receivable consists primarily of amounts due from granting sources for the various programs operated by the Organization. Also included in receivables are tenant accounts receivable that are stated at net rent amounts. 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. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

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**Loans Receivable and Allowance for Loan Losses**

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolios as of the balance sheet date. The estimate of the allowance is based on a variety of factors, including past loan loss experience, adverse situations that have occurred but are not yet known that may affect the borrower's ability to repay, the estimated value of the underlying collateral, lender requirements, and general economic condition. The ultimate recovery of all loans is susceptible to future market factors beyond the Organization's control.

The Organization considers a loan impaired when based on current information or factors, it is probable that the Organization will not collect all principal and interest due according to the loan agreement. Management considered many factors in determining whether a loan is impaired, such as payment history, borrower financial condition, and value of collateral. The Organization reviews impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows discounted at the loans effective interest rate or, as practical expedient, at the loan's observable market price or the fair value of collateral if the loan is dependent.

Interest income on loans receivable is accrued based on the loan balance and interest rate stated in the loan agreement, ranging from 0.0% to 9.0%. 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.

**Property and Equipment**

Property and equipment is recorded at cost and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation on the building, furniture and fixtures is computed using the straight-line method over the useful lives of the assets ranging from 7 - 40 years. Improvements over \$ 5,000 are capitalized while expenditures for maintenance and repairs are charged to expenses when incurred.

**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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets designated for loan programs 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.

# **Metro Community Development, Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

**June 30, 2019**

**(With Summarized Comparative Information as of June 30, 2018)**

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### **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 without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### **In-Kind Donations**

Contributions of services are recognized if the services received create or enhance a non-financial asset or the services require specialized skills that are provided by individuals possessing those skills. In-kind expenses recognized during the years ended June 30, 2019 and 2018 amounted to \$ 138,995 and \$ 213,125 for donated services and \$ 7,332 and \$ 43,992 for donated facilities, respectively. The Organization also receives various support throughout the year from volunteers that are not recognized in the financial statements since the recognition criteria were not met.

### **Rental Income**

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the MHLPP and the tenants of the property are operating leases.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation and amortization, occupancy and information technology. Salaries, and benefits, are allocated based on time entry of employees, occupancy, depreciation, and information technology are allocated based on a direct cost basis.

### **Income Tax Status**

Metro Community Development, Inc., and Metro Housing Partnership, nonprofit exempt organizations have both been granted tax-exempt status by the Internal revenue Service under Section 501(c)(3) of the Internal Revenue Code, and both file a Federal informational return. The income and losses of Metawaneenee Hills Limited Partnership are allocated to the partners and reported on their respective tax returns. The activities of Metawaneenee Hills Limited Partnership are within the tax exempt purpose of Metro Housing Partnership.

**Metro Community Development, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2019**  
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**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, 2019, deposits with financial institutions amounted to \$ 4,579,351, of this amount, \$ 3,402,574 was uncollateralized and uninsured by FDIC depository insurance. The Organization's loan receivable portfolio is concentrated primarily within Genesee County.

**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.

**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 November 21, 2019 and concluded that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

**Change in Accounting Principle**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Board has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,993,616
Loans receivable, short term	<u>496,854</u>
Financial assets at year end	4,490,470
Less those unavailable for general expenditure within one year:	
Restricted by donor with time or purpose restrictions	(1,141,523)
Board designated without donor restricted net assets	<u>(2,017,124)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,331,823</u>

The Organization has cash and cash equivalents classified as a liquidity reserve to cover expense payments as they become due. In addition, the Organization focuses on fundraising efforts to ensure adequate contributions are being received to cover the programs operated. Lastly, the Organization has an investment reserve fund to provide secure long-term funding for the mission. These funds are not expected to be used for current expenses and would only be used at the Board's discretion.

**Metro Community Development, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2019**  
**(With Summarized Comparative Information as of June 30, 2018)**

**Note 3 - Funded Reserves**

Funded reserves primarily consist of cash required by lenders and regulators to be set aside as a loan loss reserve to cover future loan losses related to the loan portfolio. Additionally, MHLP is required to set aside amounts in a replacement reserve account to be available for the replacement of property and project expenditures. Funded reserves are as follows at June 30:

Purpose	Source	2019	2018
Loan Loss Reserve	Small Business Administration	\$ 185,765	\$ 126,525
Loan Loss Reserve	Department of Treasury - CDFI	226,472	226,247
Loan Loss Reserve	Huntington Bank	46,311	34,655
Loan Loss Reserve	Genesee County	22,417	6,049
Replacement Reserve	Metawaneenee Hills	16,116	38,810
Total funded reserves		<u>\$ 497,081</u>	<u>\$ 432,286</u>

**Note 4 - 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, 2019, the collateral has yet to be drawn upon.

**Note 5 - Investments**

Investments are recorded at fair value. A summary of cost, fair value, and unrealized gain or loss on investment at June 30, 2019 is as follows:

June 30, 2019	Cost	Fair Value	Unrealized Gain (Loss)
Debt securities			
US government obligations	\$ 188,033	\$ 192,666	\$ 4,633
Inflation index bonds	11,176	11,941	765
Mortgage back securities	147,268	147,690	422
Corporate bonds	150,482	152,496	2,014
Foreign bonds and notes	4,982	5,077	95
Equity securities			
International securities	389,134	383,737	(5,397)
Small and mid cap equity securities	389,453	368,183	(21,270)
Large cap equity securities	706,687	703,030	(3,657)
Money market and other	21,226	21,226	-
	<u>\$ 2,008,441</u>	<u>\$ 1,986,046</u>	<u>\$ (22,395)</u>



**Metro Community Development, Inc. and Subsidiaries**  
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A summary of cost, fair value, and unrealized gain or loss on investment at June 30, 2018 is as follows:

June 30, 2018	Cost	Fair Value	Unrealized Gain (Loss)
Debt securities			
US government obligations	\$ 192,433	\$ 188,614	\$ (3,819)
Mortgage back securities	143,223	138,153	(5,070)
Corporate bonds	152,793	147,732	(5,061)
Foreign bonds and notes	9,980	9,978	(2)
Equity securities			
International securities	374,773	369,721	(5,052)
Small and mid cap equity securities	361,280	352,823	(8,457)
Large cap equity securities	611,900	653,088	41,188
Money market and other	23,283	23,283	-
	<u>\$ 1,869,665</u>	<u>\$ 1,883,392</u>	<u>\$ 13,727</u>

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

	2019	2018
Interest and dividend income	\$ 155,009	\$ 115,001
Realized loss on investments	(2,863)	(21,596)
Unrealized loss on investments	(36,122)	(1,392)
Total investment income	116,024	92,013
Investment fees and expenses	(13,609)	(16,800)
Net investment income	<u>\$ 102,415</u>	<u>\$ 75,213</u>

The scheduled maturities of debt security investments at June 30, 2019 are as follows:

	Cost	Fair value
Due in one year or less	\$ 26,954	\$ 26,989
Due after one year through five years	183,892	185,707
Due after five years or more	291,095	297,174
Total	<u>\$ 501,941</u>	<u>\$ 509,870</u>

# Metro Community Development, Inc. and Subsidiaries

## Notes to the Consolidated Financial Statements

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### Note 6 - Fair Value Measurements

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

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

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

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

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

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2019:

	Balance at June 30, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Debt securities				
US government obligations	\$ 192,666	\$ -	\$ 192,666	\$ -
Inflation index bonds	11,941	-	11,941	-
Mortgage back securities	147,690	-	147,690	-
Corporate bonds	152,496	-	152,496	-
Foreign bonds and notes	5,077	-	5,077	-
Equity securities				
International securities	383,737	383,737	-	-
Small and mid cap equity securities	368,183	368,183	-	-
Large cap equity securities	703,030	703,030	-	-
Money market and other	21,226	10,752	-	10,474
	<u>\$ 1,986,046</u>	<u>\$ 1,465,702</u>	<u>\$ 509,870</u>	<u>\$ 10,474</u>

**Metro Community Development, Inc. and Subsidiaries**  
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Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of June 30, 2018:

	Balance at June 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Debt securities				
US government obligations	\$ 188,614	\$ -	\$ 188,614	\$ -
Mortgage back securities	138,153	-	138,153	-
Corporate bonds	147,732	-	147,732	-
Foreign bonds and notes	9,978	-	9,978	-
Equity securities				
International securities	369,721	369,721	-	-
Small and mid cap equity securities	352,823	352,823	-	-
Large cap equity securities	653,088	653,088	-	-
Money market and other	23,283	12,809	-	10,474
	<u>\$ 1,883,392</u>	<u>\$ 1,388,441</u>	<u>\$ 484,477</u>	<u>\$ 10,474</u>

**Note 7 - Loans Receivable**

The Organization has developed a loan program to support the growth of businesses in the Organization's operating area as a means to assist in sustaining and creating new jobs in the community. Customers are most often local businesses who want to expand their markets and increase their profitability. The Organization's loan portfolio is comprised of loans that are secured by real estate, commercial property and equipment. The collateral is concentrated primarily within Genesee County. Loans receivable at June 30, 2019 and 2018 consist of the following:

	2019	2018
Micro Loans and Enterprise Loans - Community Development Financial Institution	\$ 1,287,112	\$ 1,560,570
Micro Loans - Small Business Administration	604,719	443,663
Micro Loans - Community Advantage	88,245	-
Affordable Mortgage Loans	1,115,536	1,042,110
Small Business Loans	1,831,186	557,661
Fresh Start Loans	1,635	-
Senior Tax and Home Retention Loans	5,787	9,567
Less: allowance for loan losses	(329,486)	(248,517)
Total loans receivable, net	<u>\$ 4,604,734</u>	<u>\$ 3,365,054</u>

**Metro Community Development, Inc. and Subsidiaries**  
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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% - 7% 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 0.4% - 4%. Funding for the affordable mortgage loan fund is established in partnership with Genesee County Metropolitan Planning Commission and the City of Flint. As a corresponding liability for these loans has been established as a revolving loan payable, an allowance for loan losses is not calculated on the affordable mortgage loans as the Organization does not absorb the risk of loss.
- **Small Business loan fund:** to provide loans to micro and small business in the range of \$ 5,000 to \$ 250,000 towards business growth in the Flint and Saginaw areas. Interest rates range from 5% - 7.75% based on type of funds available. Loan terms vary from 5 to 15 years depending on the type of loan funds. Small business loan fund loans are made with proceeds drawn from the Huntington Bank note.
- **Fresh Start loans:** to provide loans geared toward improving credit, to purchase a vehicle used to get to and from work, or to consolidate credit card debt. Loans vary between \$ 2,000 and \$ 5,000 and credit scores will not be used in determining loan approval. Borrowers may have no more than two outstanding loans at one time. Loans to be paid off within three years.
- **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.

**Metro Community Development, Inc. and Subsidiaries**  
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The following presents the aging of loan balances by portfolio segment at June 30, 2019:

Loan Program	91+ Days Past Due	31 - 90 Days Past Due	Current	Total
Community Development Financial Institution	\$ 86,907	\$ 81,128	\$ 1,119,077	\$ 1,287,112
Micro Loans - Small Business Administration	15,506	47,454	541,759	604,719
Micro Loans - Community Advantage	42,373	-	45,872	88,245
Affordable Mortgage Loans	76,321	88,335	950,880	1,115,536
Small Business Loans	83,825	226,540	1,520,821	1,831,186
Fresh Start Loans	-	-	1,635	1,635
Senior Tax and Home Retention Loans	-	-	5,787	5,787
	<u>\$ 304,932</u>	<u>\$ 443,457</u>	<u>\$ 4,185,831</u>	<u>4,934,220</u>
Allowance for Loan Loss				(329,486)
Totals				<u>\$ 4,604,734</u>

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

The following presents the credit quality of the loans receivable as of June 30, 2019:

Loan Program	Risk Rating Low	Risk Rating Medium	Risk Rating None	Risk Rating Satisfactory	Risk Rating Watch	Risk Rating Doubtful	Risk Rating Non- Performing	Total
Community Development Financial Institution	\$ 1,109,703	\$ 65,720	\$ 24,782	\$ -	\$ 86,907	\$ -	\$ -	\$ 1,287,112
Micro Loans - Small Business Administration	528,978	68,755	-	-	6,986	-	-	604,719
Micro Loans - Community Advantage	45,872	-	-	-	-	42,373	-	88,245
Affordable Mortgage Loans	635,137	176,778	-	191,020	83,429	29,172	-	1,115,536
Small Business Loans	1,463,631	-	-	-	283,730	-	83,825	1,831,186
Fresh Start Loans	1,635	-	-	-	-	-	-	1,635
Senior Tax and Home Retention Loans	5,787	-	-	-	-	-	-	5,787
	<u>\$ 3,790,743</u>	<u>\$ 311,253</u>	<u>\$ 24,782</u>	<u>\$ 191,020</u>	<u>\$ 461,052</u>	<u>\$ 71,545</u>	<u>\$ 83,825</u>	<u>4,934,220</u>
Allowance for Loan Loss								(329,486)
Totals								<u>\$ 4,604,734</u>

**Metro Community Development, Inc. and Subsidiaries**  
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During the year, one loan was impaired and classified as non-performing due to missed and/or low payments. The Organization has obtained collateral for this loan and has established a loan loss reserve with a doubtful risk rating. As of June 30, 2019, the investment in this loan, before consideration of an allowance amounted to \$ 83,825 and the related allowance for the impaired loan was \$ 62,869.

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

<u>June 30,</u>	
2020	\$ 496,854
2021	622,988
2022	534,394
2023	318,242
2024	255,192
Thereafter	<u>2,706,550</u>
	<u><u>\$ 4,934,220</u></u>

**Note 8 - Allowance for Loan Losses**

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

	<u>2019</u>	<u>2018</u>
Balance, beginning	\$ 248,517	\$ 309,903
Change in provision for loan losses	80,969	(24,006)
Loan loss recovery on impaired loans	<u>-</u>	<u>(37,381)</u>
Balance, ending	<u><u>\$ 329,486</u></u>	<u><u>\$ 248,517</u></u>

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

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**Note 9 - Property and Equipment**

The cost of property and equipment is summarized as follows at June 30:

	Metro Community Development, Inc.	Metro Housing Partnership	Metawaneenee Hills Limited Partnership	2019	2018
Land	\$ -	\$ 27,720	\$ 11,089	\$ 38,809	\$ 11,089
Land improvements	-	16,380	28,327	44,707	28,327
Buildings	-	270,900	451,601	722,501	451,601
Furniture and fixtures	7,299	-	8,983	16,282	16,282
Computer equipment	45,450	-	-	45,450	37,998
Total property and equipment	52,749	315,000	500,000	867,749	545,297
Less accumulated depreciation	(21,663)	(1,796)	(34,974)	(58,433)	(36,656)
Net property and equipment	<u>\$ 31,086</u>	<u>\$ 313,204</u>	<u>\$ 465,026</u>	<u>\$ 809,316</u>	<u>\$ 508,641</u>

**Note 10 - Revolving Loans**

Revolving loans represent amounts to be repaid to grantors for the outstanding balance on loans made with funds for the affordable mortgage loan program. In accordance with an agreement entered into between the Organization and Genesee County in May, 2016 and effective through May 24, 2020, the principal and interest collected on the affordable mortgage loans will be held onto by Metro Community Development, Inc., and once the amount collected exceeds \$ 200,000, the Organization will withdraw \$ 100,000 and establish a loan-loss reserve account. At the time the loan-loss reserve account is established, the County and Organization will meet to determine the use of the funds. If either party terminates the agreement, the funds will be returned to the County.

The Organization entered into a revolving loan agreement with the City of Flint. The principal and interest collected on the affordable mortgage loans will be held onto by Metro Community Development, Inc., and used to establish a Housing Loan Fund program whereby the funds collected will be reinvested and used for new homebuyer initiatives managed by the Organization.

The balance of the revolving loans amounted to \$ 1,209,720 and \$ 1,113,270 at June 30, 2019 and 2018, respectively. The entire balance has been reported as noncurrent as it is not the intention of either Organization to terminate the agreements in the near term. The Organization does not pay interest on the outstanding revolving loan balances.

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**Note 11 - Notes Payable**

The Organization has various notes payable where the proceeds have been used to make loans under the Organization's various lending programs as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
SBA loan (loan no. 6130755010), dated July 12, 2013 in the amount of \$ 250,000 is payable over ten years at a stated interest rate of .875%. Interest for the first twelve months accrued at 0% and can remain at that amount based on annual portfolio reviews performed by the SBA. No payments of principal or interest are required for the first twelve months from the date of the note. After that period, amounts borrowed under the SBA note are to be amortized over a ten year period. Current monthly payments on the note, including interest at 0% amount to \$ 2,441 per month.	\$ 118,419	\$ 147,717
SBA loan (loan no. 7397295007), dated July 18, 2015 in the amount of \$ 200,000 is payable over ten years at a stated interest rate of 1.50%. However, interest for the first twelve months accrued at 0% and can remain at that amount based on annual portfolio reviews performed by the SBA. No payments of principal or interest are required for the first twelve months from the date of the note. After that period, amounts borrowed under the SBA note are to be amortized over a ten year period. Current monthly payments on the note, including interest at .25% amount to \$ 2,029 per month.	136,951	160,926
SBA loan (loan no. 8723675004), dated November 28, 2016 in the amount of \$ 300,000 is payable over ten years at a stated interest rate of 1.125%. However, interest for the first twelve months accrued at 0% and can remain at that amount based on annual portfolio reviews performed by the SBA. No payments of principal or interest are required for the first twelve months from the date of the note. After that period, amounts borrowed under the SBA note are to be amortized over a ten year period. Current monthly payments on the note, including interest at 0%, amount to \$ 2,861 per month.	254,591	280,108
SBA loan (loan no. 2857517003), dated October 28, 2018 in the amount of \$ 400,000 is payable over ten years at a stated interest rate of 2%. However, interest for the first twelve months accrued at 0.75% 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 twelve 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. Monthly payments on the note, including interest, will amount to \$ 3,856 per month.	423,857	-



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Note payable to Huntington Bank, dated November 4, 2016 in an amount not to exceed \$ 2,000,000. Interest accrues on the unpaid balance of the principal at 2% and is payable quarterly. Commencing November 1, 2021 and on the first day of each calendar month thereafter, through the maturity date on November 4, 2026, equal payments of principal and interest will be made on the outstanding balance of the note. As of June 30, 2019, \$1,917,375 had been drawn on the note.

	1,917,375	621,045
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Metawaneennee Hills Limited Partnership has an unsecured note payable to its limited partner, National Equity Fund, in the amount of \$ 20,000, bearing interest of 1.62% per annum. Payments of interest and principal are to be made from surplus cash of the partnership.

	<u>20,000</u>	<u>20,000</u>
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Total	2,871,193	1,229,796
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Less current portion	<u>(126,272)</u>	<u>(83,727)</u>
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Long-term portion	<u>\$ 2,744,921</u>	<u>\$ 1,146,069</u>
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With the exception of the MHLP note which is unsecured, the notes are secured by a security interest in all loans made with funding from the respective notes as well as an interest in the loan loss reserve account maintained by the Organization.

The Organization has a covenant to maintain a funded loan loss reserve of at least 15% for SBA loans.

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

June 30,	
2020	\$ 126,272
2021	127,111
2022	127,967
2023	128,839
2024	101,660
Thereafter	<u>2,259,344</u>
	<u>\$ 2,871,193</u>

In addition to the above notes, the Organization entered into a promissory note agreement with Bank of America in an amount not to exceed \$ 500,000. The proceeds of the line will be used to fund loans the Organization makes to microenterprise and small business borrowers. The note bears interest at 3.00% per annum and is payable at the end of each calendar quarter. The note has an original 8 year term, maturing in 2025, with a 24 month draw period, and principal payments beginning in year 5. As of June 30, 2019, the Organization had not initiated any draws on the note and the balance was \$ 0.

**Metro Community Development, Inc. and Subsidiaries**  
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**Note 12 - Non-Controlling Interest in Limited Partnership**

This amount represents the aggregate balance of Limited Partner equity interest in Metawaneene Hills Limited Partnership that are included in the consolidated financial statements.

The following table presents changes in ownership interest in the subsidiary including changes in the non-controlling interest:

	<u>Total</u>	<u>Controlling interest</u>	<u>Non-controlling interest</u>
Balance, July 1, 2017	\$ 613,076	\$ 14,624	\$ 598,452
Excess of revenues over expenses (from continuing operations)	<u>(33,468)</u>	<u>(3)</u>	<u>(33,465)</u>
Balance, June 30, 2018	579,608	14,621	564,987
Excess of revenues over expenses (from continuing operations)	<u>(45,052)</u>	<u>(3)</u>	<u>(45,049)</u>
Balance, June 30, 2019	<u><u>\$ 534,556</u></u>	<u><u>\$ 14,618</u></u>	<u><u>\$ 519,938</u></u>

**Note 13 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following at June 30:

	<u>2019</u>	<u>2018</u>
Perpetual in nature		
NeighborWorks America	\$ 35,000	\$ 35,000
Purpose		
Ruth Mott - Mothers of Joy	2,800	-
Community Foundation - AmeriCorps	10,810	-
NeighborWorks America	139,531	125,000
Community Development Financial Institution	700,000	
Time and Purpose		
Ruth Mott Foundation - North Flint Sustainable Housing and Economic Program	253,382	377,541
YouthBuild in-kind contributions	<u>-</u>	<u>7,332</u>
	<u><u>\$ 1,141,523</u></u>	<u><u>\$ 544,873</u></u>

**Metro Community Development, Inc. and Subsidiaries**  
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**Note 14 - Net Assets Released from Restrictions**

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

	2019	2018
Satisfaction of purpose restrictions		
NeighborWorks America	\$ 60,469	\$ -
United Way - IDA operations	-	42,399
Senior Home Retention	-	103,715
Ruth Mott Foundation - BNCP	-	60,000
Satisfaction of time and purpose restrictions		
Ruth Mott Foundation - North Flint Sustainable Housing and Economic Program	124,159	-
YouthBuild in-kind contributions	7,332	43,992
	<u>\$ 191,960</u>	<u>\$ 250,106</u>

NeighborWorks America provided a \$ 35,000 capital grant for making affordable loans and capital projects. This amount is restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering the Organization's mission. However, should the Organization become defunct, all remaining grant funds, interest earnings, capital project proceeds, and the loan and capital projects portfolios representing the use of these funds will revert to NeighborWorks America.

**Note 15 - Grant Revenue**

Grant revenue recognized consist of the following for the year ended June 30, 2019 and 2018:

	2019	2018
Other grants:		
Neighborhood Impact Program	<u>\$ 373,764</u>	<u>\$ 249,678</u>
State grants:		
Michigan Economic Development Corporation	<u>\$ -</u>	<u>\$ 100,000</u>
Federal grants:		
Department of Housing and Urban Development (HUD) - Continuum of Care (CoC) grant	\$ 1,628,980	\$ 1,747,646
HUD - Housing counseling subgrant	19,593	46,401
HUD - Emergency Solutions Grant	-	86,961
HUD - Section 4 Grant	-	33,748
Department of Labor - Youth Build	346,995	385,229
Department of Treasury - Community Development Financial Institution	700,000	162,425
Genesee County - Tenant Based Rental Assistance	22,851	39,303
US Small Business Administration - Technical Assistance	68,231	109,404
	<u>\$ 2,786,650</u>	<u>\$ 2,611,117</u>

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**Note 16 - Local Support**

Local support revenue consist of the following for the year ended June 30, 2019 and 2018:

	2019	2018
Charles Stewart Mott Foundation	\$ 185,000	\$ 135,000
Bishop Trust	-	10,000
Michigan Economic Development Council	25,000	-
Ruth Mott Foundation	64,753	626,247
United Way of Genesee	20,000	20,000
Community Foundation	32,681	-
Other local contributions	96,082	94,459
	<u>\$ 423,516</u>	<u>\$ 885,706</u>

**Note 17 - 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 \$ 12,750 and \$ 7,044 for the fiscal years ended June 30, 2019 and 2018.

**Note 18 - 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.

MHP as the general partner of MHLP has guaranteed the obligations of the partnership and may be required to repay creditors of MHLP under normal partnership requirements. The general partner is also required to loan the partnership the funds to pay any operating deficits beginning with the period of achieving break-even operations and ending on December 31, 2022.

During the year, the Organization was party to a lawsuit related to contract language and potential breach of contract. The issues were settled after year end and the case was dismissed with no future potential risk.

**Note 19 - Current Vulnerability Due to Funding Source Concentrations**

The Organization received 35% and 40% of its support from the U.S. Department of Housing and Urban Development (HUD) for the years ended June 30, 2019 and 2018, 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.

The Organization operates in the real estate rental market a heavily regulated environment. The operations in this market are subject to the administrative directives, rules and regulations of federal regulatory agencies, including, but not limited to, the Internal Revenue Code. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the Internal Revenue Service. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

## **Supplementary Information**

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

	Metro Community Development	Metro Housing Partnership	Metawaneene Hills Limited Partnership	Eliminating Entries	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 3,832,955	\$ 73,189	\$ 87,472	\$ -	\$ 3,993,616
Deposit - Federal Home Loan Bank	500,000	-	-	-	500,000
Investments	1,986,046	-	-	-	1,986,046
Prepaid expense	751	-	-	-	751
Accounts receivable	464,413	-	3,582	-	467,995
Intercompany receivables	483,284	-	-	(483,284)	-
Roof deposit	-	77,865	-	-	77,865
Loans receivable, current portion	496,854	-	-	-	496,854
Total current assets	7,764,303	151,054	91,054	(483,284)	7,523,127
Noncurrent assets					
Funded reserves	480,965	-	16,116	-	497,081
Loans receivable, net of current portion and allowance	4,107,880	-	-	-	4,107,880
Development costs	-	45,850	-	-	45,850
Property and equipment, net of accumulated depreciation	31,086	313,204	465,026	-	809,316
Land development sites	18,327	-	-	-	18,327
Investment in limited partnership	-	14,619	-	(14,619)	-
Total noncurrent assets	4,638,258	373,673	481,142	(14,619)	5,478,454
<b>Total assets</b>	<b>\$ 12,402,561</b>	<b>\$ 524,727</b>	<b>\$ 572,196</b>	<b>\$ (497,903)</b>	<b>\$ 13,001,581</b>

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

	Metro Community Development	Metro Housing Partnership	Metawaneenee Hills Limited Partnership	Eliminating Entries	Total
<b>Liabilities and net assets</b>					
Current liabilities					
Accounts payable	\$ 264,731	\$ -	\$ 17,644	\$ -	\$ 282,375
Intercompany payables	-	483,284	-	(483,284)	-
Accrued liabilities	42,308	-	-	-	42,308
Notes payable, current portion	126,272	-	-	-	126,272
Total current liabilities	433,311	483,284	17,644	(483,284)	450,955
Noncurrent liabilities					
Security deposits	-	1,875	-	-	1,875
Revolving loans	1,209,720	-	-	-	1,209,720
Notes payable, net of current portion	2,724,921	-	20,000	-	2,744,921
Total noncurrent liabilities	3,934,641	1,875	20,000	-	3,956,516
Total liabilities	4,367,952	485,159	37,644	(483,284)	4,407,471
Net assets					
Without donor restrictions					
Undesignated	4,875,962	39,568	-	-	4,915,530
Designated for loan programs	2,017,124	-	-	-	2,017,124
Non-controlling interest in consolidated subsidiary	-	-	534,552	(14,619)	519,933
Limited partners' equity in limited partnership	6,893,086	39,568	534,552	(14,619)	7,452,587
Total without donor restrictions					
With donor restrictions					
Perpetual in nature	735,000	-	-	-	735,000
Purpose restrictions	153,141	-	-	-	153,141
Time and purpose restrictions	253,382	-	-	-	253,382
Total with donor restrictions	1,141,523	-	-	-	1,141,523
Total net assets	8,034,609	39,568	534,552	(14,619)	8,594,110
<b>Total liabilities and net assets</b>	<b>\$ 12,402,561</b>	<b>\$ 524,727</b>	<b>\$ 572,196</b>	<b>\$ (497,903)</b>	<b>\$ 13,001,581</b>

**Metro Community Development, Inc. and Subsidiaries**  
**Consolidating Statement of Activities**  
**For the Year Ended June 30, 2019**

	Metro Community Development	Metro Housing Partnership	Metawaneenee Hills Limited Partnership	Eliminating Entries	Total
<b>Support and revenues</b>					
Local support	\$ 423,516	\$ -	\$ -	-	\$ 423,516
Other grants	373,764	-	-	-	373,764
Federal grants	2,786,650	-	-	-	2,786,650
NeighborWorks America grant	277,691	-	-	-	277,691
Fees for services	182,766	-	-	-	182,766
Interest income - loans receivable	188,304	-	-	-	188,304
Investment income	102,363	52	-	-	102,415
In-kind contributions	138,995	-	-	-	138,995
Rental income	-	9,185	144,382	-	153,567
Other income	-	62,077	10,389	-	72,466
Total support and revenues	4,474,049	71,314	154,771	-	4,700,134
<b>Expenses</b>					
Program Services	3,967,595	29,950	185,835	-	4,183,380
Supporting services				-	
Management and general	276,346	1,796	13,990	-	292,132
Fundraising	43,740	-	-	-	43,740
Total expenses	\$ 4,287,681	\$ 31,746	\$ 199,825	\$ -	\$ 4,519,252