

**CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS  
With  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016

**CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS**

**CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Consolidated Financial Statements:	
Statement of financial position	3
Statement of activities	4
Statement of cash flow	5
Supporting Data	6-8
Independent Auditor's 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 <i>Auditing Standards</i>	9-10
Notes to financial statements	11-20
Schedule of Expenditures and Federal Awards	21
Schedule of Findings and Questioned Costs.	22

# *Bordman, Winnick & Trzos, PLLC*

Certified Public Accountants

Myron H. Bordman, C.P.A. (1938-2011)  
Robert F. Winnick, C.P.A.  
Roberta Trzos, C.P.A.  
Bela B. Vyas, C.P.A.

7439 Middlebelt Road, Suite 3  
West Bloomfield, Michigan 48322  
(248) 851-5350  
Facsimile (248) 851-9148  
E-Mail [bwcpa@Comcast.net](mailto:bwcpa@Comcast.net)

## INDEPENDENT AUDITOR'S REPORT

The Board Of Directors  
Central Detroit Christian Community Development Corporation  
Detroit, Michigan

We have audited the accompanying financial statements of Central Detroit Christian Community Development Corporation (A Michigan nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, changes in net assets (deficit) and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Detroit Christian Community Development Corporation as of December 31, 2016, 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.

# *Bordman, Winnick & Trzos, PLC*

Certified Public Accountants

Myron H. Bordman, C.P.A. (1938-2011)  
Robert F. Winnick, C.P.A.  
Roberta Trzos, C.P.A.  
Bela B. Vyas, C.P.A.

7439 Middlebelt Road, Suite 3  
West Bloomfield, Michigan 48322  
(248) 851-5350  
Facsimile (248) 851-9148  
E-Mail [bwcpa@Comcast.net](mailto:bwcpa@Comcast.net)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Report on Supplemental Information**

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2017 on our consideration of Central Detroit Christian Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Detroit Christian Community Development Corporation's internal control over financial reporting and compliance.



BORDMAN, WINNICK & TRZOS, PLC  
Certified Public Accountants  
West Bloomfield, MI  
Employer ID NO. 45-3853943  
June 12, 2017

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016

**ASSETS**

Assets:

Cash & cash equivalents	\$	493,087
Accounts Receivable		21,665
Inventory		4,007
Loan Receivable Second Avenue		2,132
Grant Receivable		11,022
Prepaid expense		220
Property available for sale		181,295
Land contracts receivable		88,344
Land		177,162
Property & Equipment, net		7,620,059
Investment in Second Ave.		243,649
Investment In Casamira Detroit, LLC		101,474
Other long-term assets		16,670
	\$	<u>8,960,786</u>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable	\$	54,124
Lines of credit		78,110
Accrued expenses		27,342
Accrued property taxes		24,708
Other Liabilities		14,531
Payroll liabilities		35,423
Loans payable		346,570
Total liabilities		<u>580,808</u>

Net Assets:

Unrestricted net assets	2,724,158
Temporarily restricted net assets	<u>5,655,820</u>
Total net assets	8,379,978
	\$ <u>8,960,786</u>

See Notes to Financial Statements and Auditor's Report

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF ACTIVITIES

December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Grants & contributions	\$ 652,867	\$ 1,668,070	\$ 2,320,937
In-kind Contributions	443,834		443,834
Rental Income	162,867		162,867
Developer Fees	0		0
Security Service Income			0
Sales	228,726		228,726
Gain(Loss) on property sales	(549)		(549)
Investment in Second Ave	76,112		76,112
Gain(Loss) on Investment in Piety Hill, LLC	(196,668)		(196,668)
Total support and revenue	<u>1,367,189</u>	<u>1,668,070</u>	<u>3,035,259</u>
Net assets released from temporary restrictions	1,937,490	(1,937,490)	-
	<u>3,304,679</u>	<u>(269,420)</u>	<u>3,035,259</u>
Functional expenses:			
Program	2,335,945		2,335,945
Fundraising	35,268		35,268
Management and general	207,810		207,810
Total functional expenditures	<u>2,579,023</u>		<u>2,579,023</u>
Change in net assets	<u>725,656</u>	<u>(269,420)</u>	<u>456,236</u>
Net assets, beginning of year	\$ 2,173,847	\$ 286,790	\$ 2,460,637
Piety Hill - conversion to consolidated subsidiary	(175,345)	0	(175,345)
Piety Hill - equity conversion loan forgiveness	0	5,638,450	5,638,450
Net assets, end of year	<u>\$ 2,724,158</u>	<u>\$ 5,655,820</u>	<u>\$ 8,379,978</u>

See Notes to Financial Statements and Auditor's Report

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31, 2016

Cash flows from operating activities;	
Change in net assets	\$ 456,236
Adjustments to reconcile changes in net assets to	
Net cash flows from operating activities	
Depreciation	380,662
(Increase) decrease in operating assets:	
Other Receivables	9,805
Grant Receivables	35,853
Inventory	(3,960)
Property available for sale	(162,558)
Prepaid expenses	10,728
Increase (decrease) in operating liabilities:	
Accounts payable	(22,054)
Accrued expenses	(3,702)
Payroll Liabilities	1,967
Net cash flows provided by operating activities	<u>702,977</u>
Cash flows provided by (used -in) investing activities:	
Purchases of property and equipment	(692,655)
Investments in real estate	229,183
Payments on loans payable	
Decrease in land contracts receivable	(25,013)
Decrease in equity method investment	(301,015)
Net Cashflows used -in investing activities	<u>(789,500)</u>
Cash flows provided by (used -in) financing activities:	
Line of credit - net borrowing	153,951
Equity acquired in Piety Hill LLC consolidation	(175,345)
Net Cashflows provided by financing activities	<u>(21,394)</u>
Net decrease in cash and cash equivalents	<u>(107,917)</u>
Cash and cash equivalents, beginning of year	601,004
Cash and cash equivalents at end of year	<u>\$ 493,087</u>
Supplimental disclosure of cash flow information -	
Cash paid during the year for interest	3,536

See Notes to Financial Statements and Auditor's Report

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION

Grants & Contributions

December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Churches	105,728	418,501	524,229
Corporations	354,023	0	354,023
Foundations	15,803	770,000	785,803
General	2,541	91,422	93,963
Government	164,014	0	164,014
Individuals	10,758	388,147	398,905
Total	<u>\$ 652,867</u>	<u>\$ 1,668,070</u>	<u>\$ 2,320,937</u>



CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION

PROGRAM EXPENSES

December 31, 2016

Auto Insurance	\$	12,769
Bad Debt Expense		12,814
Beautification		144,920
Contract Labor CDC		73,143
Contract Labor Shadow Of Almighty, F&F, GS		28,524
Cost of Goods Sold F&F, P&G		33,595
Depreciation		380,662
Donation Expense		443,773
Dues & Membership		672
Equipment		10,690
Fiduciary Program Expense		106,864
Garden Expense		1,925
Gasoline, Fuel & Oil		10,446
General Liability Insurance		47,717
Grounds Keeping		4,130
Health Insurance		6,647
Interest Expense		3,536
License & Permits		3,776
Maintenance & Repairs		50,912
Office Supplies		13,132
Payroll Expenses		628,525
Printing & Reproduction		5,946
Professional Fees		58,196
Program Supplies & Expenses		92,706
Property Taxes		42,579
Rent		1,700
Sales Tax		168
Summer Programs		33,066
Telephone		5,109
Training		6,961
Travel		432
Utilities		69,910
Total Program Expenses	\$	<u><u>2,335,945</u></u>

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION

## GENERAL &amp; ADMINISTRATIVE EXPENSES

December 31, 2016

Administration	\$	613	
Bank Service Charge		3,889	
Benevolence		7,961	
Dues & Membership		1,250	
Fines & Penalties		3,401	
Health Insurance		5,917	
Office Supplies		3,283	
Payroll Expenses		124,197	
Postage & Delivery		1,640	
Printing & Reproduction		1,487	
Professional Fees		47,225	
Staff		5,001	
Telephone		1,277	
Training		669	
	\$		<u>207,810</u>

# *Bordman, Winnick & Trzos, PLLC*

Certified Public Accountants

Myron H. Bordman, C.P.A. (1938-2011)  
Robert F. Winnick, C.P.A.  
Roberta Trzos, C.P.A.  
Bela B. Vyas, C.P.A.

7439 Middlebelt Road, Suite 3  
West Bloomfield, Michigan 48322  
(248) 851-5350  
Facsimile (248) 851-9148  
E-Mail [bwcpa@Comcast.net](mailto:bwcpa@Comcast.net)

## INDEPENDENT AUDITOR'S 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

The Board of Directors  
Central Detroit Christian Community Development Corporation  
Detroit, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Central Detroit Christian Community Development Corporation which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon June 12, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Central Detroit Christian Community Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Central Detroit Christian Community Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Detroit Christian Community Development Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Central Detroit Christian Community Development Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

*Bordman, Winnick & Trzos, PLC*  
Certified Public Accountants

Myron H. Bordman, C.P.A. (1938-2011)  
Robert F. Winnick, C.P.A.  
Roberta Trzos, C.P.A.  
Bela B. Vyas, C.P.A.

7439 Middlebelt Road, Suite 3  
West Bloomfield, Michigan 48322  
(248) 851-5350  
Facsimile (248) 851-9148  
E-Mail [bwcpa@Comcast.net](mailto:bwcpa@Comcast.net)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *AUDITING STANDARDS***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Detroit Christian Community Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 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 Central Detroit Christian Community Development Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Detroit Christian Community Development Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose



BORDMAN, & WINNICK & TRZOS, PLC  
Certified Public Accountants  
West Bloomfield, Michigan  
June 12, 2016

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

1. SUMMARY OF ACCOUNTING POLICIES

A summary of the accounting policies of Central Detroit Christian Community Development Corporation ("Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

NATURE OF BUSINESS

Central Detroit Christian Community Development Corporation (CDC) is a nonprofit, faith based organization committed to empowering people and creating positive opportunities for the central Detroit community. Our mission is to transform individuals to reach their highest potential while transforming the community to be a place of peace and wholeness, "Shalom". We achieve that through education, employment and economic development in central Detroit. Our vision is to be an agent of change creating a community of choice. We desire to meet the real needs of our community in such a way that we see the community restored and made whole and as a result people will take pride in their community and desire to stay there.

The Organizations' primary sources of revenue and support are grants and contributions.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the activities of seven wholly-owned limited liability companies Detroit Remade, LLC, Farm and Fishery LLC, Fit N Fold Laundromat, LLC, Gladstone Apartments, LLC, Hazelwood Apartments, LLC, Peaches & Greens LLC, Shadow of the Almighty, LLC, and Solid Rock Property Management LLC. All inter-company transactions have been eliminated in the preparation of the financial statements.

Detroit ReMade produces and sells one-of-a-kind, hand-crafted products made by artists who repurpose forgotten and abandoned items into useful and decorative household items. Its vision is to clean up the community, employ and train individuals in the neighborhood, and develop creativity and innovation in the heart of Detroit.

Farm and Fishery is an indoor, self-sustaining ecosystem that provides fresh fish and vegetables to individuals and restaurants. The sustainability of this business is dependent on availability of future funding through various grants. The aquaponics operations have been suspended and the facility was renovated to focus future operations on indoor and urban gardens and the related vegetable and produce sales. Subsequent to year end a grant was received to continue the business developments.

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Fit N Fold Laundromat, LLC is a coin operated laundry facility located in central Detroit that opened in September 2015. The facility includes fitness equipment and televisions and is located in our facility near high need customers.

Peaches & Greens, LLC is a produce/grocery market and mobile truck that includes a commercial kitchen available for rent to local caterers and chefs. Peaches & Greens, LLC's mission is to provide access to quality produce at affordable prices. Subsequent to year end, a strategic business plan has been implemented which reduces the staff hours and adds tenant rental income.

Shadow of the Almighty Security Company, LLC was formed in 2014 to employ individuals from the community to provide security services for ongoing construction projects and community events.

Solid Rock Property Management, LLC is the property management arm of the organization and manages the following properties:

- Gladstone Apartments, LLC
- Hazelwood Apartments, LLC
- Piety Hill, LLC (see Note 7)
- Second Ave Apartments (see Note 8)

#### BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less. Cash and cash equivalents include cash which is held in restricted accounts.

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

CONCENTRATION OF RISK

The Organization places its cash with high credit qualified financial institutions and does not believe it is exposed to any significant credit risks in cash and short-term investments.

PROPERTY AVAILABLE FOR SALE

The Organization acquires vacant land and homes through purchases or donation. The Organization's intention is to refurbish the homes as necessary and then sell them or sell them as purchased. Vacant land is held for the purpose of sale and future construction. Property is valued at the appraised value or at the estimated market value. The donated property is recorded at the estimated fair market value at the date of gift.

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization are carried on its books at cost. Assets donated to the Organization have been recorded at their estimated value at the date of receipt. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. The Organization's policy is to capitalize expenditures in excess of \$500. Lesser amounts are expensed as incurred and included in the statement of activities.

Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building and Improvements    5-27and1/2 years

Furniture and Equipment        5 years

Gains or losses from the sale of property and equipment are recorded in the statement of activities.

FINANCIAL STATEMENT PRESENTATION AND CONTRIBUTIONS RECEIVED

The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are released to unrestricted net assets. The Organization has no permanently restricted net assets.

CONTRIBUTED GOODS AND SERVICES

Contributed goods and services are recorded at fair value as revenues and expenses in the period pledged. In addition, approximately 2,210 non-professional volunteers have donated their time in 2016 for the Organization's programs. They worked approximately 27,687 hours valued at \$652,300. No value for these donated services is reflected in the accompanying financial statements because these services have not created or enhanced a non-financial asset, nor are they specialized skills provided by entities or persona possessing those skills that would be purchased if they were not donated.

FUNCTIONAL ALLOCATION OF EXPENSES

Certain expenses have been allocated between programs, management and general and fundraising on various bases and estimates. All employee costs including salaries and wages, payroll taxes, and benefits are allocated based on each employee's time spent performing program management and fundraising activities. Other expenses are classified based on the nature and purpose of the transaction. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

INCOME TAXES

The Organization is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws.

EVENTS OCCURRING AFTER REPORTING DATE

The Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2017, the date that the financial statements were available to be issued.

2. INVENTORY

The organization receives in-kind donations from area retail businesses of discontinued and slightly damaged inventory for distribution to community residents. The donations are recorded as in-kind donation revenue and donation expense at the time of the donation. The inventory is valued at \$0 based on the organizations cost.



CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

3. PROPERTY AVAILABLE FOR SALE

Property available for sale consists of the following:

Homes to be refurbished or sold	<u>\$ 201,538</u>
---------------------------------	-------------------

4. LAND CONTRACTS RECEIVABLE

As part of its mission, the Organization sells homes to low income families. The land contracts vary but usually are for periods of twenty-four to sixty months and require monthly principal payments with a zero percent interest rate.

The land contracts are recorded based upon prevailing market rates for low income housing at the inception of the land contract.

Land contracts receivable at December 31, 2016 are as follows:

Non-interest-bearing land contracts	\$ 88,344.
-------------------------------------	------------

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 consisted of the following:

Building and Improvements	6,925,208
Furniture and Equipment	1,428,903
Vehicles	<u>95,889</u>
Less: Accumulated Depreciation	<u>(829,941)</u>
	<u>\$ 7,620,059</u>

6. INVESTMENT IN CASAMIRA DETROIT LLC:

Casamira Detroit LLC is a wholly owned subsidiary of CDC that invests in Casamira Manager Inc. a corporation created to facilitate economic development through the rehabilitation of an apartment building. The project is being funded by City HOME funds, Historic Tax Credits, Michigan Economic Development Corp. and a loan. Casamira Manager Inc. is owned by Casamira Investor LLC (99%) and Casamira Detroit LLC (1%). The investment in Casamira

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Detroit LLC is included in the accompanying financial statements based on the investment method and is listed as Investment in Casamira Detroit, LLC in the balance sheet.

7. INVESTMENT IN SECOND AVENUE LLC:

The Organization is 100% owner of a corporation, Second Avenue Apartments, Inc., that is the general partner and a .01% owner of Second Avenue Apartments Limited Dividend Housing Association Limited Partnership. The investment in Second Avenue Apartments, Inc. is included in the accompanying financial statements based on the investment method and is listed as Investment in Second Avenue Apt, Inc. in the balance sheet.

8. PIETY HILL LOAN CONVERSION / DEFERED CREDIT:

The Piety Hill property renovation project was completed as of January 1, 2016. A zero interest loan was obtained to finance the rehabilitation project. The loan proceeds were funded by a Neighborhood Stabilization Program from the United States Department of Housing and Urban Development (HUD) to the City of Detroit Land Bank who advanced Piety Hill \$5,638,450 to rehabilitate 22 houses in the neighborhood served by the non-profit. The loan was re-characterized as a capital advance and amended to 19 of the original sites to be rehabilitated. The rehabilitated houses are security for the advance. The organization is required to be in compliance and report at least annually, to the City of Detroit (City) that each house is occupied by low income qualified persons or families. Should the organization be deemed not to be in compliance, the city has right to foreclose on the advance and call it making it payable back to the City. The compliance period is 16 years. Hence, each year 1/16<sup>th</sup> of the advance, \$352,403 is released from the Temporarily Restricted Net Assets and presented as Unrestricted Net Assets on the Statement of Financial Position. The Temporarily Restricted portion is \$ 5,286,047 at December 31, 2016.

Upon completion of the Piety Hill renovation project at January 1, 2016, the investor partnership dissolved and the property is a wholly owned subsidiary of the Organization. The effect of the conversion from an equity method investment to a consolidated subsidiary is a decrease in Net Assets of \$175,345 at January 1, 2016.

9. INVESTMENT IN REAL ESTATE:

The organization owns various properties with an intent to repair them for future rent or sale.

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

10. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consist of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, level 2 inputs consists of observable inputs other than quoted prices for identical assets, and level 3 inputs have the lowest priority. The carrying values of grants receivable and cash and cash equivalents in the accompanying statements of financial position approximate fair value at December 31, 2016.

11. LOANS PAYABLE

A loan payable to IFF bears interest at a rate of 5.37% per annum. The loan proceeds are used to finance renovation of the property at 1550 Taylor, Detroit, MI 48206. The loan is collateralized by the property and at December 31, 2016 the balance of the loan was \$346,570.

An available line of credit of \$90,000 with Huntington Bank bears interest at a variable rate based on LIBOR. The line of credit proceeds are used to finance the rehabilitation costs of investments in real estate. At December 31, 2016 the balance of the note was \$78,110.

12. ACCRUED REAL ESTATE TAXES

Accrued Real Estate Taxes are the taxes payable on the rental properties, properties available for sale and business properties of the organization. The Accrued Real Estate Taxes for the year 2016 was \$27,708.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 consisted of the following:

<u>GRANTOR</u>	<u>AMOUNT</u>
City of Detroit	\$ 5,286,047
Building Fund – 1550 Taylor	\$ 25,251
Community Foundation for SE Michigan	\$ 79,054
Individual program support	\$ 4,373
JP Morgan Chase- Housing Counseling	\$ 78,857
The Lloyd & Mabel Johnson Foundation	\$ 41,073
MSHDA Housing Counseling Grant	\$ 39,904
The Skillman Foundation	\$ 46,950
W.K. Kellogg Foundation	\$ 4,311
Ward E.P. Church – Open Doors	<u>\$ 50,000</u>
	<u>\$ 5,655,820</u>

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

The MSHDA and JP Morgan Chase grants are purpose restricted grants to support the housing counseling department. The Building Fund grant is for the renovation of 1550 Taylor property. The individual program support and the Skillman Foundation grant are purpose restricted to support the youth programs and volunteer coordination. The Community Foundation for SE Michigan grant and the Kellogg Foundation grant are for Peaches and Green's operational support. Ward E.P. Church-Open Door donation is temporarily restricted to support the purchase and renovation of the preschool and various projects. The City of Detroit Capital Advance has a compliance time restriction period per note 8 of the financial statements.

Temporarily restricted net assets released during the year ending December 31, 2016 were for the following purposes and time restrictions:

<u>GRANTOR</u>	<u>AMOUNT</u>
City of Detroit	\$ 352,403
Building Fund – 1550 Taylor	\$ 771,596
Community Foundation for SE Michigan	\$ 55,945
Individual program support	\$ 56,351
Johnson Foundation – Youth Programs	\$ 33,485
JP Morgan Chase- Housing Counseling	\$ 69,818
The Lloyd & Mabel Johnson Foundation	\$ 43,927
MSHDA Housing Counseling Grant	\$ 61,725
The Skillman Foundation	\$ 28,050
W.K. Kellogg Foundation	\$ 95,689
Ward E.P. Church – Open Doors	<u>\$ 368,501</u>
	<u>\$ 1,937,490</u>

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Temporarily restricted net assets were received for the following purposes and time restrictions on December 31, 2016:

<u>AMOUNT</u>	<u>GRANTOR</u>
Building Fund – 1550 Taylor	\$ 577,423
Community Foundation for SE Michigan	\$ 135,000
Individual program support	\$ 60,724
JP Morgan Chase- Housing Counseling	\$ 125,000
The Lloyd & Mabel Johnson Foundation	\$ 85,000
MSHDA Housing Counseling Grant	\$ 91,422
The Skillman Foundation	\$ 75,000
W.K. Kellogg Foundation	\$ 100,000
Ward E.P. Church – Open Doors	<u>\$ 418,501</u>
	<u>\$ 1,668,070</u>

#### 14. CONTINGENCY

The Organization is 100% owner of a corporation, Second Avenue Apartments, Inc., that is the general partner and a .01% owner of Second Avenue Apartments Limited Dividend Housing Association Limited Partnership. The partnership agreement provides for a replacement reserve of \$250 per unit per year funded from gross receipts of the partnership. In the event cash flows are insufficient to fund the reserve, the general partner will make the reserve payments.

CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

The general partner shall loan to the partnership the funds required to pay any operating deficits incurred prior to the fifteen (15) years from the date the project achieves breakeven operations. The general partner's liability in this regard shall not exceed \$25,000. The general partner's obligations are guaranteed by Central Detroit Christian Community Development Corporation. At December 31, 2016 no reserve has been established on the books of the partnership.

15. RELATED PARTY TRANSACTIONS

Related party transactions are approved by the Board of Directors in compliance with the Organization's internal control and conflict of interest policies. No such transactions occurred during the year ending December 31, 2016.

16. INCOME TAXES

The organization has been granted tax exempt status as provided by Section 501 (C) (3) of the Internal Revenue Code. Accounting for uncertain tax position, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. Central Detroit Christian Community Development Corporation has determined that its tax status as a nonprofit organization is its only tax position and is highly certain therefore, no provision has been included for federal or state taxes in the accompanying financial statements. As of December 31, 2016, the organization's tax returns remain open for the last four years.

The unrecognized tax benefits that, if recognized would affect the effective tax rate:

Grants	\$ 2,320,937
Rental Income	162,867
Sales	228,726
In-Kind Contributions	443,834
Gain(Loss) on Investment	(197,217)
Investment Income	<u>76,112</u>
	\$ 3,035,259

**CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Num</u>	<u>Agency Number or Pass-through Grantor's</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Neighborhood Stabilization Program	14.228		\$ <u>5,638,450</u>
Total			\$ <u>5,638,450</u>

#### Basis of Presentation

The Accompanying schedule of expenditures of federal awards (Schedule) includes the federal awards activity of Central Detroit Christian Community Development Corporation under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200. Uniform Administrative requirements, Costs Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of Central Detroit Christian Community Development Corporation, it is not intended and does not present the financial position, changes in net assets or cash flows.

#### Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CENTRAL DETROIT CHRISTIAN  
COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?  Yes  No

Reportable condition identified that are  
not consider to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness identified?  Yes  No

Reportable condition identified that are  
not consider 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 2 CFR 200.561(a)  Yes  No

**Identification of Major Programs:**

CFDA Number(s)

Name of Program

14.228

Neighborhood Stabilization Program

Dollar threshold used to distinguish between type A and B Program \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Financial Statement Findings**

None as noted