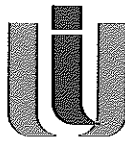


Brazos Valley CDC, Inc.
Financial Statements
For the Years Ended September 30, 2009 and 2008



Ingram, Wallis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brazos Valley CDC, Inc.
Bryan, Texas

We have audited the accompanying statements of financial position of Brazos Valley CDC, Inc. (a nonprofit corporation) ("the Company") as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brazos Valley CDC, Inc. as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bryan, Texas
January 4, 2010

James D. Ingram, III | Thomas A. Wallis | James D. Ingram, IV | Richard L. Webb
Melissa M. Suehs • Donald B. Browning • Diana K. Wagner • Rosanne P. Ely • Teja Templeton • Clayton A. Sheppard

BRAZOS VALLEY CDC, INC.
 Statements of Financial Position
 September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$146,183	\$ 75,300
Cash, restricted	14,778	17,930
Loans, net	557,682	689,757
Accrued interest receivable	13,228	7,368
Accounts receivable	6,174	11,237
Real estate	70,427	---
Organization costs, net	<u>---</u>	<u>---</u>
Total Assets	<u>\$808,472</u>	<u>\$801,592</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 12,264	\$ 13,760
Short-term borrowing	100,000	100,000
Long-term debt	360,000	360,000
Loan escrow payable	<u>14,778</u>	<u>17,929</u>
Total Liabilities	<u>487,042</u>	<u>491,689</u>
<u>NET ASSETS</u>		
Unrestricted	<u>321,430</u>	<u>309,903</u>
Total Net Assets	<u>321,430</u>	<u>309,903</u>
Total Liabilities and Net Assets	<u>\$808,472</u>	<u>\$801,592</u>

The accompanying notes are an integral part of these statements.

BRAZOS VALLEY CDC, INC.
 Statements of Activities
 For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted Net Assets		
Interest revenue		
Interest and fees on loans	\$ 61,581	\$ 60,560
Interest on investment securities	<u>1,183</u>	<u>1,285</u>
Total interest revenue	<u>62,764</u>	<u>61,845</u>
Interest Expense		
Short-term borrowings and long-term debt	<u>14,259</u>	<u>14,868</u>
Total interest expense	<u>14,259</u>	<u>14,868</u>
Net Investment Revenue	48,505	46,977
Provision for loan losses	<u>---</u>	<u>(44,354)</u>
Net investment revenue after provision for loan losses	<u>48,505</u>	<u>2,623</u>
Non-Interest Revenue		
Forgiveness of debt	---	20,000
Gain on retirement of assets	<u>---</u>	<u>4,618</u>
Total non-interest revenue	<u>---</u>	<u>24,618</u>
Expenses		
Program expenses - other	21,211	20,400
Administration and general	<u>15,767</u>	<u>17,590</u>
Total expenses	<u>36,978</u>	<u>37,990</u>
Increase (Decrease) in Unrestricted Net Assets	11,527	(10,749)
Net Assets, Beginning of Year, as restated	<u>309,903</u>	<u>320,652</u>
Net Assets, End of Year	<u>\$321,430</u>	<u>\$309,903</u>

The accompanying notes are an integral part of these statements.

BRAZOS VALLEY CDC, INC.
 Statements of Cash Flows
 For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 11,527	\$ (10,749)
Adjustments to reconcile change in net assets to net assets provided by operating activities:		
Gain on sale of real estate	---	(4,618)
Amortization	---	142
Bad debts	---	44,354
Forgiveness of debt	----	(20,000)
Changes in operating assets and liabilities:		
Loans, net	72,474	11,235
Accounts receivable	5,063	2,539
Accrued interest receivable	(5,860)	(1,228)
Real estate	(10,825)	---
Other	---	200
Accounts payable and accrued expenses	<u>(1,496)</u>	<u>5,848</u>
Net Cash Provided by Operating Activities	<u>70,883</u>	<u>27,723</u>
Cash Flows from Investing Activities:		
Proceeds received on sale of real estate	<u>---</u>	<u>27,522</u>
Net Cash Provided by Investing Activities	<u>---</u>	<u>27,522</u>
Net Increase in Cash and Cash Equivalents	70,883	55,245
Cash and Cash Equivalents - Beginning of Year	<u>75,300</u>	<u>20,055</u>
Cash and Cash Equivalents - End of Year	<u>\$ 146,183</u>	<u>\$ 75,300</u>

The accompanying notes are an integral part of these statements.

BRAZOS VALLEY CDC, INC.
Notes to Financial Statements
September 30, 2009 and 2008

1. Summary of Significant Accounting Policies

a. Nature of Business

The Company was formed to promote, develop, and improve the economic conditions of people in the Brazos Valley region of Texas. This is accomplished by loans, investments, and other business transactions with individuals and small businesses that increase the supply of affordable housing and jobs for low and moderate income persons.

Subsequent to formation, the Company applied for and received tax exempt status under Code Section 501(c)(3) of the Internal Revenue Code. The effective date of exemption was October 18, 2006.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the period. Accordingly, actual results could differ significantly from those estimates. An estimate that is particularly susceptible to significant change in the near-term relates to the determination of the allowance for loan losses.

c. Support and Revenue

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Company generates revenues primarily from interest received on loans expended to low and moderate income persons. Interest revenue is accrued as earned. Loans are placed on nonaccrual status when management determines that the full and timely collection of interest or principal becomes uncertain. When loans are placed on nonaccrual status, the accrued and unpaid interest receivable is reversed against interest revenue. A loan is returned to accrual status when all delinquent interest and principal becomes current under the terms of the loan agreement.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

BRAZOS VALLEY CDC, INC.
Notes to Financial Statements - Continued
September 30, 2009 and 2008

1. Summary of Significant Accounting Policies – Continued

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which at times exceed federally insured limits (\$0 at September 30, 2009 and 2008). The Company has not experienced any losses in such accounts.

e. Concentration of Credit Risk

The Company provides loans, investments, and other business transactions to low and moderate income persons and small businesses located in Burleson, Grimes, Leon, Madison, Robertson, Washington and Brazos counties in central Texas. The Company's clients are varied, but are concentrated in central Texas.

f. Loans

Loans receivable that management has the ability to hold for the foreseeable future or until maturity or pay-off are stated at the amount of unpaid principal, reduced by an allowance for loan losses.

g. Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans, based on an evaluation of the collectibility of loans and prior loss experience. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific loan problems, and current economic conditions that may affect the borrower's ability to pay. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

h. Fair Values of Financial Instruments

The following methods and assumptions were used in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents: The carrying amounts of cash and cash equivalents approximate their fair value.

Loans: The carrying amounts of loans approximate their fair value.

BRAZOS VALLEY CDC, INC.
Notes to Financial Statements - Continued
September 30, 2009 and 2008

1. Summary of Significant Accounting Policies – Continued

Accrued interest: The carrying amounts of accrued interest approximates fair value.

Short-term borrowing and long-term debt: The carrying amount approximates fair value.

i. Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the statements of activities.

2. Loans

	<u>2009</u>	<u>2008</u>
Various mortgage loans; 5.542% - 8.5%; secured by real estate; maturing in 2031-2038	\$ 723,371	\$ 855,446
Allowance for loan losses	<u>(165,689)</u>	<u>(165,689)</u>
	<u>\$ 557,682</u>	<u>\$ 689,737</u>

An analysis of the allowance for loan losses is as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 165,689	\$ 121,336
Provision charged to earnings	---	44,353
Loans charged to the allowance	---	---
Recoveries of loans previously charged-off	---	---
Ending balance	<u>\$ 165,689</u>	<u>\$ 165,689</u>

As of September 30, 2009 and 2008, five outstanding loans were delinquent.

3. Transactions with Affiliates

During the year ended September 30, 2009 and 2008, the Company entered into transactions with entities who, along with the Company, are under common control. Summary information relative to significant transactions is as follows:

	<u>2009</u>	<u>2008</u>
Expenses:		
Program administration fees	\$ 18,000	\$ 18,000
Loan servicing fees	<u>2,400</u>	<u>2,400</u>
	<u>\$ 20,400</u>	<u>\$ 20,400</u>

BRAZOS VALLEY CDC, INC.
Notes to Financial Statements - Continued
September 30, 2009 and 2008

3. Transactions with Affiliates – Continued

The Company had amounts due to its affiliates as follows:

	<u>2009</u>	<u>2008</u>
Short-term borrowings	<u>\$100,000</u>	<u>\$100,000</u>
	<u>\$100,000</u>	<u>\$100,000</u>

4. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings

The Company entered into a line of credit real estate lien note on August 17, 2006, with a related party. The principal amount that can be expended under the line of credit is \$460,000. The variable interest rate to be charged is 2% below the rate the Company is relending the money to its borrowers.

The Company has drawn \$100,000 under this note as of September 30, 2009 and 2008. The payment terms are as follows: interest is payable as Company receives interest from its borrowers. All principal and interest is deemed payable on or before the final maturity date. The final maturity date on the note is one year from August 16, 2006.

Subsequent to year-end 2008, the line of credit note was renewed. The terms of the note are similar, with the principal amount that can be expended under the line of credit increased to \$500,000. Interest is payable as received; all principal and interest is due on or before the final maturity date which is October 1, 2008. There is an automatic renewal feature in this line of credit with final maturity no later than October 1, 2011.

Long-Term Debt

	<u>2009</u>	<u>2008</u>
First Southwestern Financial Services (as successor), 3% interest payable quarterly, \$20,000 forgiven annually on October 1, 2010-2012	\$ 60,000	\$ 60,000
Madisonville State Bank, 2% interest payable annually, due 10/12/16	100,000	100,000
Wells Fargo Bank, 2% interest payable quarterly, due 10/1/16	<u>200,000</u>	<u>200,000</u>
	<u>\$360,000</u>	<u>\$360,000</u>

BRAZOS VALLEY CDC, INC.
Notes to Financial Statements - Continued
September 30, 2009 and 2008

4. Short-Term Borrowings and Long-Term Debt – Continued

Amounts becoming due for the five years ending September 30, 2014 are as following:

2010	\$ 20,000
2011	20,000
2012	20,000
2013	---
2014	---
Thereafter	<u>400,000</u>
	<u>\$460,000</u>

5. Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$ 14,259
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In fiscal 2009, the Company foreclosed on a piece of real estate in Navasota, Texas when the outstanding loan balance was \$59,602.

During the year ended September 30, 2009 the Company entered into no material non-cash investing or financing transactions.