

**BRAZOS VALLEY  
AFFORDABLE HOUSING CORPORATION  
(A NONPROFIT ORGANIZATION)**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2016**

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2016**

**Page  
Number**

**FINANCIAL SECTION**

Independent Auditors' Report.....	1 – 2
Statement of Financial Position .....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5 – 6
Statement of Cash Flows .....	7 – 8
Notes to the Financial Statements.....	9 – 13



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Brazos Valley Affordable Housing Corporation  
Bryan, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of Brazos Valley Affordable Housing Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, 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.

### Auditors' 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 entity'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 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 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 Brazos Valley Affordable Housing Corporation as of September 30, 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.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
April 12, 2017

# BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

## STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2016

### ASSETS

Current assets:

Cash and cash equivalents	\$ 3,926,880
Accounts receivable	111,587
Prepaid expenses	<u>14,396</u>
Total current assets	<u>4,052,863</u>

Noncurrent assets:

Line-of-credit receivable	200,000
Notes receivable, net of allowance for doubtful accounts	354,337
Property and equipment, net of accumulated depreciation	8,493,002
Investment in property held for sale	<u>449,620</u>
Total noncurrent assets	<u>9,496,959</u>

Total assets	\$ <u>13,549,822</u>
--------------	----------------------

### LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 123,179
Accrued liabilities	34,900
Unearned rental revenue	3,087
Refundable advances	517,529
Security deposits	87,462
Current portion of long-term debt	<u>235,802</u>
Total current liabilities	<u>1,001,959</u>

Long-term debt	<u>8,035,284</u>
Total liabilities	<u>9,037,243</u>

Net assets:

Unrestricted	3,604,009
Temporarily restricted	<u>908,570</u>
Total net assets	<u>4,512,579</u>

Total liabilities and net assets	\$ <u>13,549,822</u>
----------------------------------	----------------------

The notes to the financial statements are an integral part of this statement.

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, gains, and other support:</b>			
Rental revenue	\$ 2,461,029	\$ -	\$ 2,461,029
Contributions	300	-	300
Service income	33,509	-	33,509
Administrative fees	21,053	-	21,053
Miscellaneous	94,188	-	94,188
Interest	23,040	-	23,040
Net loss on sale of housing	( 93,093)	-	( 93,093)
Net assets released from restrictions	77,026	( 77,026)	-
Total revenues, gains, and other support	2,617,052	( 77,026)	2,540,026
<b>Expenses:</b>			
<b>Program services:</b>			
Owner occupied home repair	3,847	-	3,847
Rental opportunities	295,119	-	295,119
Homebuyer assistance and counseling	46,186	-	46,186
New home construction	97,629	-	97,629
Economic development	82,374	-	82,374
<b>Supporting services:</b>			
Management and general	14,872	-	14,872
Commercial real estate	1,822,461	-	1,822,461
Total expenses	2,362,488	-	2,362,488
<b>CHANGE IN NET ASSETS</b>	254,564	( 77,026)	177,538
<b>NET ASSETS, BEGINNING OF YEAR</b>	3,349,445	985,596	4,335,041
<b>NET ASSETS, END OF YEAR</b>	\$ 3,604,009	\$ 908,570	\$ 4,512,579

The notes to the financial statements are an integral part of this statement.

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Services		
	Owner Occupied Home Repair	Rental Opportunities	Homebuyer Assistance and Counseling
Personnel	\$ -	\$ 34,693	\$ 35,197
Professional services	3,822	33,554	1,341
Travel	-	3,963	3,089
Utilities	-	25,211	-
Maintenance and repairs	-	87,991	-
Insurance	-	27,252	103
Supplies	25	5,190	18
Printing and postage	-	2,682	814
Membership dues	-	793	1,707
Training	-	398	269
Depreciation	-	36,860	-
Interest	-	-	-
Property tax	-	-	-
Other	-	36,532	3,648
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,847</b>	<b>\$ 295,119</b>	<b>\$ 46,186</b>

<u>Program Services</u>		<u>Supporting Services</u>		
<u>New Home Construction</u>	<u>Economic Development</u>	<u>Management and General</u>	<u>Commercial Real Estate</u>	<u>Total</u>
\$ 31,243	\$ 61,966	\$ -	\$ 127,736	\$ 290,835
16,213	1,119	975	117,771	174,795
3,598	5,877	3,139	12,595	32,261
2,775	-	-	60,864	88,850
17,116	-	-	175,458	280,565
5,368	161	3,416	50,040	86,340
394	362	65	978	7,032
3,338	1,101	216	4,457	12,608
711	473	1,810	1,434	6,928
696	3,428	1,603	1,124	7,518
-	-	-	485,562	522,422
2,430	2,069	-	481,156	485,655
-	-	-	195,903	195,903
<u>13,747</u>	<u>5,818</u>	<u>3,648</u>	<u>92,611</u>	<u>156,004</u>
<u>\$ 97,629</u>	<u>\$ 82,374</u>	<u>\$ 14,872</u>	<u>\$ 1,822,461</u>	<u>\$ 2,362,488</u>



**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributors and grantors	\$( 21,851)
Cash received from tenants	2,460,246
Cash received from service recipients	174,839
Cash paid to suppliers and employees	( 1,297,664)
Interest received	26,151
Interest paid	( 485,655)
Net cash provided by operating activities	<u>856,066</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash received on notes receivable	23,540
Cash paid to originate notes receivable	( 2,171)
Cash paid for improvement to property held for sale	( 291,694)
Cash paid for property and equipment	( 542,404)
Cash received from disposal of property held for sale	<u>1,166,841</u>
Net cash provided by investing activities	<u>354,112</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal repayments on debt	( 400,528)
Net cash used by financing activities	<u>( 400,528)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

809,650

**CASH AND CASH EQUIVALENTS, BEGINNING**

3,117,230

**CASH AND CASH EQUIVALENTS, ENDING**

\$ 3,926,880

# BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

### RECONCILIATION OF CHANGE IN NET ASSETS

#### TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net assets	\$	177,538
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		522,422
Loss on sale of real property		93,093
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		91,186
Decrease (increase) in prepaid expenses		2,369
Increase (decrease) in accounts payable		45,774
Increase (decrease) in accrued liabilities		8,604
Increase (decrease) in unearned rental revenue	(	52,857)
Increase (decrease) in security deposits	(	19,040)
Increase (decrease) in refundable advances	(	<u>13,023</u> )
Total adjustments		<u>678,528</u>
Net cash provided by operating activities	\$	<u>856,066</u>

# BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

### 1. ORGANIZATION

Brazos Valley Affordable Housing Corporation (the "Organization") was incorporated in 1992. The Organization is a not-for-profit established to provide quality services and products to the residents and businesses in the Brazos Valley area in such a way as to maximize the affordability of safe and decent housing, especially for the low income; and to serve as a vehicle and assist in any way possible, through networking and/or forming of partnerships with other nonprofits, for-profits, and governmental entities, for the purpose of encouraging community development, economic growth, and general improvement to the standard of living for all the residents of the areas the Organization serves. In accomplishing this mission, the Organization provides rental opportunities, owner occupied home repair, homebuyer assistance and counseling, and new construction of affordable homes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other assets and liabilities.

#### **Basis of Presentation**

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. A description of the three net asset categories follows:

*Unrestricted Net Assets* represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of the Organization in accordance with its bylaws. The Board may voluntarily designate unrestricted resources for specific purposes, but this is a voluntary action of the governing Board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing Board do not have the same legal requirements as do restrictions of funds.

*Temporarily Restricted Net Assets* represent resources currently available for use, but expendable only for those operating purposes specified by the donor or grantor.

*Permanently Restricted Net Assets* represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or a specified period, with only the income to be utilized.

### **Investment in Property Held for Sale**

Investment property held for sale consists of the capitalized costs of those real estate projects undertaken to provide eligible homebuyers opportunities to purchase affordable housing. Capitalized costs include all costs that are directly associated with, and attributable to, the acquisition, development and construction of specific real estate projects.

### **Property and Equipment**

The Organization capitalizes costs in excess of \$5,000 for property and equipment with a useful life of more than 1 year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Repair and maintenance expenditures are expensed in the period incurred when they either restore an asset to its original service capacity or maintain an asset for its expected useful life.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Buildings and improvements generally have a useful life of 40 years, but some improvements are estimated by management to have a shorter useful life of 7 to 20 years. The Organization currently has no equipment.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and by natural classification in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

## **3. TAX STATUS**

The Organization is a tax-exempt nonprofit Organization under Internal Revenue Service Code Section 501(c)(3). The Organization files a Form 990 annually for informational purposes.

**4. LINE OF CREDIT RECEIVABLE**

In the current year, the Organization extended and modified the line of credit arrangement between itself and Brazos Valley Community Development Corporation (the “CDC”). The arrangement is primarily intended to further the expansion of the CDC’s Community Loan Center Small Dollar Loan program. Under the terms of the line of credit, the CDC may draw up to \$700,000. Interest is payable to the Organization quarterly at 2% per annum. Unless otherwise extended, the line of credit matures on December 31, 2018.

CDC borrowings against the line at September 30, 2016, were \$200,000.

**5. NOTES RECEIVABLE**

The Organization has notes receivable from residents of the Brazos Valley area for the down payment assistance to purchase low-income to moderate income housing. These notes receivable amounted to \$753,907 at September 30, 2016.

The Organization has notes receivable from residents of Brazos Valley for work performed on resident homes under the owner occupied home repair program. These notes receivable amounted to \$461,293 at September 30, 2016.

The Organization has notes receivable from a Carter Creek tenant for past due rent balance of \$16,942.

Notes receivable are reported net of an allowance for uncollectible accounts. Allowances for uncollectible accounts include \$678,517 for down payment assistance loans and \$184,517 for owner occupied home repair loans. The allowance for uncollectible accounts for past due rent is \$14,772.

**6. LONG-TERM DEBT**

The Organization’s long-term debt at September 30, 2016, consists of the following:

<b>BB&amp;T</b>	
19, 2020, and secured by Carter Creek Center. Interest rate is 5.64%.	<u>\$ 8,271,086</u>
Total	<u>\$ 8,271,086</u>

The future scheduled maturities of long-term debt are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>
2017	\$ 235,802
2018	249,645
2019	264,300
2020	278,622
2021	296,173
Thereafter	<u>6,946,544</u>
Total	<u>\$ 8,271,086</u>

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization estimates that the fair value of all financial instruments at September 30, 2016, does not differ from the aggregate carrying value of the financial instruments recorded in the accompanying statement of financial position.

## 8. PROPERTY AND EQUIPMENT

Changes in property and equipment for the year ended September 30, 2016, were as follows:

	<u>09/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/16</u>
Land	\$ 2,253,747	\$ -	\$ -	\$ 2,253,747
Buildings and improvements	<u>9,831,659</u>	<u>542,404</u>	<u>-</u>	<u>10,374,063</u>
	12,085,406	542,404	-	12,627,810
Less: accumulated depreciation	<u>( 3,612,386)</u>	<u>( 522,422)</u>	<u>-</u>	<u>( 4,134,808)</u>
Net	<u>\$ 8,473,020</u>	<u>\$ 19,982</u>	<u>\$ -</u>	<u>\$ 8,493,002</u>

Depreciation expense for the year ended September 30, 2016, was \$522,422.

## 9. LOSS ON SALE OF HOUSING

In the current fiscal year, real estate projects with capitalized costs of \$1,010,644 were sold for \$917,571, resulting in a loss of \$93,093. In 2016, \$77,026 of CHDO funds were removed from restriction and re-classed from temporarily restricted fund balance to unrestricted fund balance.

## 10. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2016, temporarily restricted net assets included \$193,694 of federal grant funds that have been invested in real estate projects that may only be sold to individuals meeting specified eligibility criteria. The remaining temporarily restricted net assets of \$714,876 have been restricted by the grantor to homeownership and home repair programs.

**11. CONTINGENCIES**

The Organization has received significant financial assistance from federal agencies in the form of grants. The disbursements of funds received under these programs requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. In the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the Organization's financial position at September 30, 2016.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, subsequent events were evaluated through April 12, 2017, which is the date the financial statements were available to be issued.