BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.

(A NONPROFIT CORPORATION)

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

BRAZOS VALLEY COMMUNITY
DEVELOPMENT CORPORATION, INC.

TABLE OF CONTENTS

SEPTEMBER 30, 2016

THIS PAGE LEFT BLANK INTENTIONALLY

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brazos Valley Community Development Corporation, Inc.
Bryan, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Brazos Valley Community Development Corporation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

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 Community Development Corporation, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 31, 2017

BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 1,224,322	$ 444,701
Accrued interest receivable	8,331	2,426
Loans receivable, net of allowance	343,610	150,761
Notes receivable, net of allowance	702,328	670,581
Total assets	2,278,591	1,268,469
LIABILITIES		
Accounts payable	12,956	7,165
Unearned revenue	870,206	15,918
Loan escrow payable	20,074	18,428
Notes payable	850,000	700,000
Total liabilities	1,753,236	741,511
NET ASSETS		
Unrestricted	525,355	526,958
Total net assets	525,355	526,958
Total liabilities and net assets	$ 2,278,591	$ 1,268,469

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

THIS PAGE LEFT BLANK INTENTIONALLY

BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Unrestricted	
	2016	2015
REVENUES, GAINS, AND OTHER SUPPORT		
Interest revenue	$ 113,014	$ 59,490
Contributions	10,000	30,577
Lending fees	1,175	659
Other income	2,022	-
Total revenues, gains, and other support	126,211	90,726
EXPENSES		
Program services:		
Community development	113,444	40,834
Supporting services:		
General and administrative	14,370	5,337
Total expenses	127,814	46,171
CHANGE IN NET ASSETS	(1,603)	44,555
NET ASSETS, BEGINNING OF YEAR	526,958	482,403
NET ASSETS, END OF YEAR	$ 525,355	$ 526,958

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

THIS PAGE LEFT BLANK INTENTIONALLY

BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers - interest on loans	$ 109,930	$ 62,230
Cash received from contributors	866,310	(66,478)
Cash paid for interest on debt	(18,317)	(13,454)
Cash paid to suppliers for goods and services	(43,198)	(29,618)
Net cash provided by operating activities	914,725	(47,320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received for repayment of financing notes	643,304	56,981
Cash paid for disbursement of financing notes	(928,408)	(158,313)
Net cash provided (used) by investing activities	(285,104)	(101,332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for principal on debt	150,000	243,020
Net cash provided (used) by financing activities	150,000	243,020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	779,621	94,368
CASH, BEGINNING OF YEAR	444,701	350,333
CASH, END OF YEAR	$ 1,224,322	$ 444,701

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2016	2015
Change in net assets	$(1,603)	$ 44,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	60,508	(112,973)
Accrued interest receivable	(5,905)	(77)
Increase (decrease) in liabilities:		
Accounts payable	5,791	3,099
Loan escrow payable	1,646	2,158
Unearned revenue	854,288	15,918
Net cash provided (used) by operating activities	$ 914,725	$(47,320)

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

THIS PAGE LEFT BLANK INTENTIONALLY

1. NATURE OF BUSINESS

Brazos Valley Community Development Corporation, Inc. (the "Corporation") 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 Corporation 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.

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 liabilities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions.

A description of the three net asset categories follows:

Unrestricted Net Assets

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 Corporation 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

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

Permanently Restricted Net Assets

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.

Cash and Cash Equivalents

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

Loans Receivable

Loans receivable are stated at the amount of unpaid principal reduced by an allowance for losses. Allowances for estimated losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible. Management uses the historical collectability of notes receivable to estimate the allowance.

Notes Receivable

Notes receivable are stated at the amount of unpaid principal reduced by an allowance for losses. Allowances for estimated losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible. Management uses the historical collectability of notes receivable to estimate the allowance.

Unearned Revenue

Unearned revenue represents revenues collected but not earned as of year-end. This is primarily composed of revenue from contributors for the Community Loan Center. These contributions are not earned until the funds are utilized for the purpose of the program.

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

4. LOANS RECEIVABLE

Loans receivable include fixed-rate payday loans of no more than $1,000 per loan provided to low and moderate income persons, in accordance with the Corporation's stated mission. At September 30, 2016 and 2015, the entity charged off $14,716 and $0 of loans.

	2016	2015
Number of loans outstanding	539	194
Average balance at origination	$ 920	$ 966
Average balance at year-end	$ 671	$ 762
Average interest rate	18.000%	18.000%
Total dollar value of loans outstanding at year-end	$ 358,610	$ 150,761
Allowance for losses	(15,000)	-
Total carrying amount	$ 343,610	$ 150,761

5. NOTES RECEIVABLE

Notes receivable include fixed-rate mortgage loans provided to low and moderate income persons, in accordance with the Corporation's stated mission. At September 30, 2016 and 2015, all notes were current or not more than 90 days past due.

	2016	2015
Number of loans outstanding	13	12
Average balance at origination	$ 74,521	$ 68,247
Average balance at year-end	$ 67,532	$ 67,209
Average interest rate	6.781%	6.825%
Total dollar value of loans outstanding at year-end	$ 878,265	$ 800,726
Allowance for losses	(175,937)	(130,145)
Total carrying amount	$ 702,328	$ 670,581

6. UNEARNED REVENUE

The Corporation's unearned revenue was $870,206 and $15,918 at September 30, 2016 and 2015. During fiscal year 2016, the Corporation received a contribution of $826,667. As of September 30, 2016, none of those funds had been loaned out.

7. NOTES PAYABLE

The Corporation's notes payable at September 30, 2016 and 2015, consist of the following:

	2016	2015
US Bank		
Issued October 12, 2006, 2% interest payable annually, principal due October 12, 2016.	$ -	$ 100,000
Wells Fargo Bank		
Issued October 1, 2006, 2% interest payable quarterly, principal due June 7, 2017.	200,000	200,000
Citizen Bank		
Issued December 23, 2014, 3% interest payable annually, principal due December 23, 2024.	100,000	100,000
TB&T		
Issued December 15, 2014, 3% interest payable quarterly, principal due December 15, 2019.	100,000	100,000
Brazos Valley Affordable Housing Corporation		
Line of credit not to exceed $50,000, 2% interest payable quarterly, automatic renewal each October 1st, final maturity no later than May 1, 2017.	50,000	-
Line of credit not to exceed $200,000, 2% interest payable quarterly, automatic renewal each October 1st, final maturity no later than December 31, 2018.	200,000	200,000
South Star Bank		
Issued May 17, 2016, 3% interest payable quarterly for the first five years, and thereafter a fixed interest rate equal to the greater of 2% or the Treasury Rate minus 3.5%, principal due May 17, 2026	200,000	-
Total	$ 850,000	$ 700,000

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

Years Ending September 30,	Principal
2017	$ 250,000
2018	200,000
2019	-
2020	100,000
2021	-
2022-2026	300,000
Total	$ 850,000

8. SUBSEQUENT EVENTS

In preparing these financial statements, subsequent events were evaluated through March 31, 2017, which is the date the financial statements were available to be issued.

9. RELATED PARTY TRANSACTIONS

Nine members of the board of directors of the Corporation are executives of financial institutions with which the Corporation holds notes and loans payable.

THIS PAGE LEFT BLANK INTENTIONALLY