

**BRAZOS VALLEY COMMUNITY  
DEVELOPMENT CORPORATION, INC.**

**(A NONPROFIT CORPORATION)**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2011 AND 2010**

**BRAZOS VALLEY COMMUNITY  
DEVELOPMENT CORPORATION, INC.**

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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

We have audited the accompanying statements of financial position of Brazos Valley Community Development Corporation, Inc. (a nonprofit Corporation) as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 audit 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 provide 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 Community Development Corporation, Inc. as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Pattillo, Brown & Hill, LLP*

April 9, 2012

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash in bank	\$ 268,938	\$ 55,352
Accounts receivable	-	4,920
Accrued interest receivable	6,140	8,199
Notes receivable, net of allowance	600,280	712,009
Property held for sale	-	98,561
Other assets	-	105
Total assets	<u>875,358</u>	<u>879,146</u>
<b>LIABILITIES</b>		
Accounts payable	1,888	4,781
Loan escrow payable	18,883	17,760
Notes payable	<u>498,800</u>	<u>513,800</u>
Total liabilities	<u>519,571</u>	<u>536,341</u>
<b>NET ASSETS</b>		
Unrestricted	<u>355,787</u>	<u>342,805</u>
Total net assets	<u>355,787</u>	<u>342,805</u>
Total liabilities and net assets	<u>\$ 875,358</u>	<u>\$ 879,146</u>

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

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	Unrestricted	
	<u>2011</u>	<u>2010</u>
<b>SUPPORT AND REVENUES</b>		
Interest revenue	\$ 55,165	\$ 49,396
Contributions	20,000	20,000
Lending fees	13,908	2,935
Other income	100	995
Total support and revenues	<u>89,173</u>	<u>73,326</u>
<b>EXPENSES AND LOSSES</b>		
Program services:		
Community development	40,410	48,856
Supporting services:		
General and administrative	<u>1,201</u>	<u>3,095</u>
Total expenses	<u>41,611</u>	<u>51,951</u>
Loss on sale of property	<u>34,580</u>	<u>-</u>
Total expenses and losses	<u>76,191</u>	<u>51,951</u>
<b>CHANGE IN NET ASSETS</b>	12,982	21,375
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>342,805</u>	<u>321,430</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 355,787</u>	<u>\$ 342,805</u>

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

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 77,380	\$ 59,609
Cash paid to suppliers for goods and services	( 44,504)	( 44,246)
Net cash provided by operating activities	<u>32,876</u>	<u>15,363</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for loan disbursements	-	( 176,113)
Cash received for loan repayments	111,729	9,475
Investment in property held for sale	-	( 28,133)
Disposal of property held for sale	<u>63,981</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>175,710</u>	<u>( 194,771)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	<u>5,000</u>	<u>73,800</u>
Net cash provided for noncapital financing activities	<u>5,000</u>	<u>73,800</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	213,586	( 105,608)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>55,352</u>	<u>160,960</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 268,938</u>	<u>\$ 55,352</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 12,982	\$ 21,375
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debt	-	12,311
Forgiveness of long-term debt	( 20,000)	( 20,000)
Loss on sale of property	34,580	-
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	5,025	( 4,920)
Accrued interest receivable	2,059	11,203
Increase (decrease) in liabilities:		
Accounts payable	( 1,770)	( 4,606)
Net cash provided by operations	<u>\$ 32,876</u>	<u>\$ 15,363</u>

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

**BRAZOS VALLEY COMMUNITY  
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**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 in accordance with accounting principles generally accepted in the United States of America.

**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.

**(continued)**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### *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.

### Notes Receivable

Notes receivable are stated at the amount of unpaid principal reduced by an allowance for losses. Management uses the historical collectability of notes receivable to estimate the allowance.

### Investment in Property Held for Sale

Investments in Property Held for Sale is composed of real estate purchases by the Corporation for resale. These investments are reported at fair value which approximates cost of the investment.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, 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. **NOTES RECEIVABLE**

	<u>2011</u>	<u>2010</u>
Various mortgage loans: 5.542% - 8.042%; secured by real estate; maturing in 2032-2040	\$ 778,282	\$ 890,011
Allowance for losses	( 178,002)	( 178,002)
	<u>\$ 600,280</u>	<u>\$ 712,009</u>

5. **PROPERTY HELD FOR SALE**

In a prior fiscal year, the Corporation foreclosed on a property. Repairs were performed on the property during fiscal year 2010, and the property was sold in fiscal year 2011.

6. **NOTES PAYABLE**

The Corporation's notes payable at September 30, 2011 and 2010, consist of the following:

	<u>2011</u>	<u>2010</u>
<b>First Southwestern Financial Services</b> Issued October 1, 2006, 3% interest payable	\$ 20,000	\$ 40,000
<b>US Bank</b> Issued October 12, 2006, 2% interest payable annually, principal due October 12, 2016.	100,000	100,000
<b>Wells Fargo Bank</b> Issued October 1, 2006, 2% interest payable quarterly, principal due June 7, 2017.	200,000	200,000
<b>Brazos Valley Affordable Housing Corporation</b> Line of credit not to exceed \$500,000, 4.53% interest payable quarterly, automatic renewal each October 1st, final maturity no later than October 1, 2015.	173,800	173,800
<b>Texas Community Capital, Inc.</b> Issued November 1, 2010, 2% interest payable upon maturity, principal due November 1, 2011.	<u>5,000</u>	<u>-</u>
Total	<u>\$ 498,800</u>	<u>\$ 513,800</u>

(continued)

**6. NOTES PAYABLE (Continued)**

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

<u>Years Ending September 30,</u>	<u>Principal</u>
2012	\$ 25,000
2013	-
2014	-
2015	-
2016	173,800
Thereafter	<u>300,000</u>
Total	<u>\$ 498,800</u>

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, subsequent events were evaluated through April 9, 2012, which is the date the financial statements were available to be issued.